

PN-ACE-807

10/1/98

**THE ROLE OF THE REGULATOR IN THE PROCESS OF
PRIVATIZATION OF THE REGIONAL ELECTRICITY
COMPANIES IN KAZAKHSTAN**

**NIS Institutional Based Services Under the Energy
Efficiency and Market Reform Project
Contract No CCCN-Q-00-93-00192-00**

**Kazakhstan Electricity
Delivery Order No 05**

Prepared for

U S Agency for International Development
Bureau for Europe and NIS
Office of Environment, Energy and Urban Development
Energy and Infrastructure Division

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September 1998

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CHAPTER 1

INTRODUCTION

THE ROLE OF THE REGULATOR

The Law of the Republic of Kazakhstan "On Natural Monopolies" (adopted July 1998) provides a legal basis for regulating prices and tariffs on "services (goods, works) provided by natural monopoly entities" (Article 1) These include the transmission and distribution of electric power and heat" (Article 4) The Law is also intended to encourage "the development and improvement of the conditions of production and delivering services (good, works) in the sphere of the natural monopolies" (Article 1) The Law is designed to promote universal, high-quality service at reasonable prices that provide for the possibility for the natural monopoly entity to gain (earn) a reasonable return on its investment, to ensure an efficient operation

This report is intended to offer assistance to The Committee for Regulation of Natural Monopolies and Protection of Competition in methods of carrying out the responsibilities of the Law on Natural Monopolies and to encourage and facilitate the privatization of the regional electricity companies in the Republic of Kazakhstan This is a vital and important responsibility as Kazakhstan works to improve its electricity system, which is essential for economic development of Kazakhstan and for the health and welfare of its citizens

The major theme of this report is "the role of the Regulator" For purposes of this report, the "Regulator" means the "Authorized Body" as that term is used in The Law of the Republic of Kazakhstan "On Natural Monopolies" (adopted July 1998), and as defined in Article 3 , subsection 6), of that Law The "Regulator" may take different forms, as the Government of Kazakhstan determines over time The Regulator may be a Committee of appointed persons, like a "regulatory commission" in the United States, which makes its decisions by majority vote of its members The Regulator may also be an appointed person given the authority to make those regulatory decisions individually The structures and procedures recommended in this report are applicable regardless of the form of the "Regulator" The term "Regulator," as used in this report, means the "Authorized Body" within the meaning of the Law on Natural Monopolies The term "Regulatory Agency" or "Agency" means the agency of government in which the Regulator is located, the agency which houses the office(s) of the Regulator and the administrative and technical employees who work for the Regulator

It should also be noted, as this document is translated into Russian for use in Kazakhstan, that references in this report to “utilities,” “utility companies” or “companies” are the same as “natural monopoly entities” in the Law on Natural Monopolies of the Republic of Kazakhstan, and references to “Commissions” are the same as references to the “Regulator” (“Authorized Body” under the Law on Natural Monopolies)

The role of the Regulator should be that of an objective and neutral mediator of interests, seeking to protect both the public interest in adequate supplies of safe and reliable electric energy and in promoting business and economic development for the improvement of the economy of Kazakhstan, and the private interest of investors in the privatized electricity system in having a reasonable opportunity to earn a fair return on their investments

Successful privatization requires investor-confidence. Investors must have reason to believe that their investment will be relatively safe and that the government (including the Regulator) will not make arbitrary decisions that reduce or eliminate the value of the investment. Investors must also have confidence that they will have a fair opportunity to earn (gain) a reasonable return on their investment.

To promote investor-confidence, as well as public confidence, procedures should be established that assure that the Regulator’s decisions are objective and fair, and arrived at through an open process that the public and interested parties can see clearly, and in which they can participate fully. For example, procedures should be established for the Regulator that require interested parties to present their supporting data (evidence) and arguments to the Regulator only through a public process, so that no party has unfair opportunities to influence the Regulator and its decisions.

The purpose of this report is to offer recommendations to the Committee for Regulation of Natural Monopolies and Protection of Competition concerning organizational structure and procedures designed to assist the Committee in fulfilling its important responsibilities as a Regulator (Authorized Body). The information in this report would also form a framework for absorbing additional regulatory responsibilities if and as the regulatory jurisdiction of the Committee is expanded in the future.

The bulk of this report is devoted to suggesting rules, regulations, policies and procedures that would contribute to assuring the fairness and objectivity of the decision-making process of the Regulator, and assuring that the public, government officials, investors and others affected by the Regulator’s decisions perceive and believe that the Regulator is competent, fair and objective. In other words, both the reality and the perception of competence, fairness and objectivity are vitally important to the successful fulfilment of the Regulator’s role.

CHAPTER 2

ORGANIZATION OF A REGULATORY AGENCY

A Regulator (regulatory agency) may want to consider organizing its operations and staff in a manner similar to that set out in this section of this report. A major objective of the organizational structure is to provide the Regulator with support staff ("Staff") that (1) handles the filing and processing of "cases" (disputed matters requiring resolution by the Regulator), (2) provides expert technical advice to the Regulator to assist the Regulator in understanding and evaluating expert testimony (Advisory Staff), (3) investigates, audits and evaluates the companies that are under the Regulator's jurisdiction and presents necessary information to the Regulator (Advocacy Staff), and (4) presides over the Regulator's evidentiary hearings and writes the text of the official decisions of the Regulator (Regulatory Law Judges). Additional staff is required to handle administration of the Regulator (regulatory agency), such as budgets, payroll, procurement of supplies, and recruitment of employees.

At the same time, it is important that the Advocacy Staff function be isolated from the ongoing, daily work and supervision of the Regulator, so that the Advocacy Staff does not have unfair influence on the Regulator's decisions. This unfair influence could easily occur because the Staff may have more frequent and easy access to the Regulator than the companies or others who may be presenting evidence to the Regulator in a contested docket.

Therefore, it is recommended that the Regulator's Staff be structured in a way that separates the Regulator and its decision-making process from the part of Staff that will advocate a particular outcome in a case that must be decided by the Regulator. The structure which follows seeks to accomplish that reasonable separation.

The Regulator could structure itself in the following manner:

The Regulator

- ▶ ***Personal clerical assistants*** (assigned to the Regulator, or to each Committee Member if the Regulator is a committee)
- ▶ ***Chief Regulatory Law Judge*** (reports to the Regulator), supervises Regulatory Law Judges, supervises Chief Docket Clerk, responsible for handling of all matters filed with the Regulator requesting action (handling and distribution of files and

“pleadings”), presides over Regulator’s hearings as a judge, participates in Regulator’s process of deciding contested cases, drafts Regulator’s written decisions

- **Regulatory Law Judges** (report to Chief Regulatory Law Judge), preside over hearings as judges, participate in Regulator’s decision-making process regarding contested cases, draft Regulator’s written decisions, draft rules and policies for adoption by the Regulator
- **Chief Docket Clerk** (reports to Chief Regulatory Law Judge), supervises other employees in office of the Chief Docket Clerk, responsible for handling of all matters filed with the Regulator requesting action, such as handling and distribution of files and “pleadings,” maintenance and storage of case files, protection of proprietary information, sending out all required public notices on behalf of the Regulator, and printing and distributing official decisions of the Regulator
- ▶ **General Counsel** (reports to the Regulator), offers legal advice to the Regulator on official matters and assists Regulator in evaluating legal arguments presented to the Regulator for decision
- ▶ **Director of Advisory Staff** (reports to the Regulator), supervises small group of technical experts who assist Regulator in evaluating evidence and in making decisions
 - **Advisory Staff** (reports to the Director of Advisory Staff), provides technical advice to the Regulator to assist it in understanding and evaluating technical evidence in subjects such as economics, engineering, accounting, and financial analysis
- ▶ **Director of Administration** (reports to the Regulator), is responsible for developing and administering the annual budget of the agency, receiving and expending funds, paying employees, procuring necessary furniture, supplies, office space, equipment and services, administering the recruiting, hiring, performance reviews and termination (if required) of necessary, qualified employees
- ▶ **Director of Advocacy Staff** (reports to the Regulator), supervises the activities of the Advocacy Staff, coordinates and makes final decisions about the development of policy positions to be recommended to the Regulator, coordinates and makes final decisions about recommendations to be made to the Regulator about approving tariffs or suspending tariffs for further investigation, organizes and coordinates audits and investigations of companies, coordinates and makes final decisions about positions to be taken by Advocacy Staff in hearings before the Regulator, coordinates and makes

final decisions (in conjunction with the Advocacy Counsel) about evidence to be presented to the Regulator supporting decisions recommended by the Advocacy Staff

- ***Advocacy Counsel*** (reports to the Director of Advocacy Staff), supervises advocacy attorneys which represent the Advocacy Staff in proceedings before the Regulator
- ***Director of Economic Analysis*** (reports to the Director of Advocacy Staff), supervises staff of economists and rate analysts which analyzes rate proposals and tariff filings and makes recommendations to the Director of the Advocacy Staff about approving tariffs or suspending tariffs for further investigation, performs investigations and studies relating to matters within the Regulator's jurisdiction, particularly regarding capacity and transmission planning and appropriate pricing methods for electricity services, presents evidence to the Regulator in official hearings on behalf of the Advocacy Staff
- ***Director of Financial Analysis*** (reports to the Director of Advocacy Staff), supervises staff of financial analysts which performs investigations, audits and studies relating to the financial condition of, and appropriate rate of return for, companies within the Regulator's jurisdiction, presents evidence to the Regulator in official hearings on behalf of the Advocacy Staff
- ***Director of Accounting and Audits*** (reports to the Director of Advocacy Staff), supervises staff of regulatory accountants which performs investigations, financial audits and studies relating to matters within the Regulator's jurisdiction, and assures that companies maintain their books and records in accordance with the accounting rules established by the Regulator, evaluates the appropriateness, reasonableness and prudence of a supplier's costs of providing service when a supplier wants those costs reflected and recovered in its rates to customers, makes recommendations to Director of Advocacy Staff about approving tariffs or suspending tariffs for further investigation, presents evidence to the Regulator in official hearings on behalf of the Advocacy Staff
- ***Director of Engineering*** (reports to the Director of Advocacy Staff), supervises staff of engineers which performs investigations, audits and studies relating to matters within the Regulator's jurisdiction, particularly regarding actual operations of power plants and transmission and distribution facilities, costs of building and operating such plants and facilities, depreciation studies to determine appropriate depreciation rates to be recognized in rates, and planning for future generation and transmission needs, presents evidence to the Regulator in official hearings on behalf of the Advocacy Staff

- ***Director of Tariffs*** (reports to the Director of Advocacy Staff), supervises staff of tariff analysts and tariff clerks which reviews tariff filings for compliance with Agency requirements as to form and policy, makes recommendations to the Director of Advocacy Staff about approving tariffs or suspending tariffs for further investigation, maintains copies of all current and proposed tariffs for all licensee companies

The roles and responsibilities of these various members of the Regulator's Staff are described more fully later in this report, especially in the sections entitled, "Role of the Staff in Dockets and Hearings," and "Process and Format for Decisions." Copies of certain sample job descriptions for Staff positions are attached to this report. These include Regulatory Law Judge, Regulatory Auditor, Rate and Tariff Examiner, Regulatory Engineer, Regulatory Economist for Electric Rate and Tariff Design, Deputy General Counsel, and Legal Counsel (which reports to the Deputy General Counsel)

CHAPTER 3

OPERATION OF THE AGENCY

Issues that need to be addressed concerning operation of the Regulator may reasonably be broken down among several subject categories (1) Standards of conduct to be followed by natural monopoly entities, the Advocacy Staff, other interested parties (including state agencies, legal entities, public associations including consumer societies, and the Advisory Staff and the Regulator itself, to assure the integrity of the Regulator's decision-making process, (2) Rules of practice and procedure to be followed by natural monopoly entities, the Advocacy Staff, and other interested parties in filing requests for the Regulator's action or decisions and for the processing and hearing of cases by the Regulator, (3) Internal procedures for handling cases and other matters at the Agency, (4) Establishment of a uniform system of financial accounting for use by all natural monopoly entities, (5) Substantive rules governing the safety and operation of natural monopoly entities, and (6) Internal management procedures of the Agency, including personnel policies, job descriptions, procurement policies, budget preparation and management, financial accounting requirements for Agency receipts and expenditures, etc

This report includes a summary discussion of the types of rules, regulations and procedures under items (1) through (5) In addition, attached to this report are copies of sample manuals, rules and regulations from the Missouri Public Service Commission, a state government agency which regulates investor-owned electricity, natural gas, telephone, water and sewer utility companies (comparable to "natural monopoly entities") in the State of Missouri (United States of America), and of the United States Federal Energy Regulatory Commission (FERC) It is hoped that these samples will more fully illustrate the recommendations of this report

This report will not offer recommendations concerning item (6) above, regarding the internal administration of the Agency budget, accounting, procurement, payroll and personnel management functions

The Regulator will want to establish rules, policies and procedures to govern the process by which it makes official decisions Under the Law of the Republic of Kazakhstan "On Natural Monopolies" (July 1998), the Regulator (Authorized Body) has a number of responsibilities and authorities, including the following (1) determine the procedure for admission or exclusion of a legal entity to (or from) the State Register of Natural Monopoly Entities (Article 4, Section 3, Article 13, Section 1), (2) request natural monopoly entities to present

financial statements and other required information to the Regulator, (3) approve or disapprove the disposition of natural monopoly assets or the privatization of State-owned property (Article 8), (4) to oversee the observance of the requirements set forth by the Law governing the operation of natural monopolies and take measures for eliciting, preventing and redressing violations (Article 13, Section 2), (5) to submit proposals for improvement of the legislation on natural monopolies (Article 13, Section 3), (6) to develop and introduce non-discriminatory methods for establishing prices and tariffs in the sphere of natural monopolies (Article 13, Section 4), (7) make decisions on introduction, modification or termination of state regulation (Article 14, Section 1, subsection 3), (8) make decisions to prevent and redress violations of the Law (Article 14, Section 1, subsection 4), (9) pass regulations and orders regarding the conclusion of agreements with customers, amendments to agreements, transfer of the income generated as a result of violations of the Law into the state budget and/or imposing administrative penalties (Article 14, Section 1, subsection 5), (10) require a natural monopoly entity to dispose of the technologically related production facilities which are not a natural monopoly (Article 14, Section 1, subsection 6), (11) file a petition with a court when the Law is violated (Article 14, Section 1, subsection 7), (12) obtain necessary information from legal and physical entities (Article 14, Section 1, subsection 8), (13) examine administrative cases relating to the violations of legislation (Article 14, Section 1, subsection 9), and (14) establish prices (tariffs) or the ceilings thereof for natural monopoly entities (Article 15)

As discussed more fully below, it is vitally important to both the actual and perceived fairness of the regulatory process that the Regulator not be influenced by any person about the outcome of any matter in the Regulator's jurisdiction, except within the context of the publicly-accessible and visible decision-making process. This must be the official process in which every participant has the same opportunity to offer their opinion, and supporting data and arguments, to the Regulator, as every other party. This must also be the process in which every participant hears what the other parties are telling the Regulator, has an opportunity to ask questions of (cross-examine) the other parties' witnesses, and has a chance to respond to what the other parties are saying. In this manner, issues and areas of disagreement are fully aired and debated and the Regulator is given a full discussion of the evidence and arguments as a foundation upon which to base a decision.

The fact that this process is carried out entirely in public is vitally important to generating and maintaining investor confidence. Investors must know that these decisions about licenses, electricity rates and other critical matters will be made in a process that is open to the public and the news media and that is fairly conducted. Investors must have confidence that the Regulator will not make these decisions based on something he hears from someone in private, outside of this official, public process and without the scrutiny, cross-examination and opportunity for rebuttal of other interested parties. Such a private communications is called an "ex parte communication," and should be prohibited. This is true of discussions with the Advocacy Staff of the Regulatory Agency, also. This is why the Advocacy Staff must be separate, functionally and actually, from the Regulator and the Advisory Staff. The

Regulator must not receive information about a case from the Advocacy Staff except in the public hearing process. Advisory Staff and the Regulatory Law Judges are in the same position as the Regulator in relation to ex parte communications, and must remain insulated from the Advocacy Staff concerning the merits of any issue pending before the Regulator for decision in any docket.

This concern for a demonstrably fair decision-making process is why it is also very important that the Regulator not have any direct or indirect financial interest in the outcome of any decision he will make. Such a financial interest would create a "conflict of interest" that could prevent the Regulator from making a fair and totally unbiased decision. Both "ex parte contacts" and conflicts of interest will be discussed again later in this paper, under "Standards of Conduct."

To create and maintain a decision-making process which is fair and objective both in reality, and in public and investor perception, it is useful to develop standard practices for handling decisions which the Regulator is called upon to make, practices which protect the integrity of the process. One part of such standard practices is to use the "case" or "docket" system for creating a vehicle for careful, public handling and monitoring of each decision the Regulator is called upon to make.

Each type of decision to be made by the Regulator may be made within the context of a "case" or "docket." This means that the issue (for example, setting new rates for service for a licensed supplier) is assigned a "docket number" and becomes an official proceeding in front of the Regulator, who sits as a type of judge to decide the matter. For purposes of this report, it will be assumed that each official function of the Regulator (for example, setting tariff rates, granting, suspending, revoking or transferring licenses, resolving complaints, or establishing rules and regulations) will be carried out in the context of a "docket" or "case." Each docket will have a predictable set of procedures, and rules will be in effect to assure the fairness of the Regulator's decision-making process in that docket. Rules of Practice and Procedure will establish the way to initiate cases, the way the processing of cases will be handled, and the way decisions will be issued by the Regulator. Such rules will help assure that the Regulator's decision-making process is fair and unbiased, predictable and consistent.

The "docket" process is illustrated more fully below in this report, under the heading of, "Recommended Procedures for the Agency's Rate-Setting Process 'Dockets' (Cases) as Vehicles for Decision-making." When this report refers to either word ("docket" or "case"), it is referring to this system of isolating an official decision-making process and applying standardized procedural rules to hearing the evidence and arguments, and deciding the matter at issue. It can then be made clear that whenever a docket is pending before the Regulator, ex parte rules are in effect that prevent anyone from trying to influence the Regulator's decision outside of the official hearing and decision-making process.

It must be emphasized that the fairness and consistency of the Regulator's decision-making process will be very important to investors and potential investors in the electricity system in Kazakhstan. What investors dislike more than anything else is uncertainty. It will be important for the Regulator's decision-making process to be demonstrably fair and unbiased, in order to build investor confidence and attract additional investment to Kazakhstan.

CHAPTER 4

STANDARDS OF CONDUCT

As discussed earlier in this report, rules and regulations need to be adopted, and strictly enforced, which prohibit conflicts of interest on the part of the Regulator and every employee of the Regulator. Clear restrictions on ex parte communications also need to be adopted by the Regulator. These restrictions are essential to assuring that the regulatory process is fair to all parties.

4.1 CONFLICTS OF INTEREST (FINANCIAL INTEREST)

Rules and regulations should define, and prohibit, conflicts of interest which could reduce the Regulator's objectivity and fairness in fulfilling its regulatory responsibilities. Such a prohibition of conflicts of interest should also apply to all employees of the Regulator. This is vitally important to assuring both the reality and the appearance (or perception) of a regulatory process which is fair and has integrity.

The most obvious conflict of interest for the Regulator or its employees would be for them to have a financial interest in a natural monopoly entity, such as an electricity supplier. For example, if the Regulator were to own stock in an natural monopoly entity, the Regulator's decision to increase tariff rates and charges for the electricity supplier would also improve the value of the Regulator's stock (ownership interest). Therefore, the Regulator would have a personal financial interest in the outcome of a case which he was adjudicating. Obviously, the Regulator could not be fair and objective in deciding that case.

In the United States, most states (and the federal government) have enacted laws which prohibit a Regulator from having any financial interest in any company which is under the Regulator's jurisdiction. Also, it is a violation of law for a regulated company (natural monopoly entity) to offer any present, gift, entertainment or gratuity of any kind to the Regulator or its employees. It is also a violation of law for the Regulator, or any of its employees, to accept any such gift, entertainment or gratuity from a regulated company.

This prohibition applies to any employee or agent of the regulated company. For example, in the State of Missouri (U S A), it would violate this law for the Regulator or a member of his or her Staff to go to dinner or the theater with an employee of a regulated company, if the employee of the regulated company was paying for the dinner or the theater tickets. It would

violate the law for a regulated company to give the Regulator a birthday gift, or any gift on any occasion whatsoever

Any violation of this statutory prohibition of conflicts of interest can result in criminal prosecution. Any Regulator or employee of the Regulator who is convicted of violating this prohibition can also be removed from office.

The conflicts of interest law in the State of Missouri is found in the Revised Statutes of Missouri, Section 386 200. It reads as follows:

386 200 Conflicts of interest by commissioner or employees of commission prohibited -- penalty for violation -- violation by utility, penalty -- violation by officer of utility, penalty

- 1 Every commissioner, the public counsel and every person employed or appointed to office, either by the commission or by the public counsel, is hereby forbidden and prohibited to solicit, suggest, request or recommend, directly or indirectly, to any public utility, corporation or person subject to the supervision of the commission, or to any officer, attorney, agent or employee thereof, the appointment of any person to any office, place, position or employment. And every such public utility, corporation and person, and every officer, attorney, agent and employee thereof, is hereby forbidden and prohibited to offer to any commissioner, the public counsel, or to any person employed by the commission or by the public counsel, any office, place, appointment or position, or to offer or give to any commissioner, to the public counsel, or to any person employed or appointed to office by the commission or by the public counsel, any free pass or transportation or any reduction in fare to which the public generally are not entitled or free carriage for property or any present, gift, entertainment or gratuity of any kind.
- 2 If any commissioner, the public counsel, or any person employed or appointed to office by the commission or the public counsel, shall violate any provision of this section he shall be removed from the office held by him. Every commissioner, the public counsel, and every person employed or appointed to office by the commission, or by the public counsel, shall be and be deemed to be a public officer.
- 3 If any public utility violates any provision of this section, it shall be liable to the state of Missouri in a civil action in any court of competent jurisdiction for the assessment of a civil penalty not to exceed twenty thousand dollars. The penalty provided in this subsection shall be in addition to any other penalty provided for violation of the provisions of this chapter. The attorney general shall bring the action authorized in this subsection. The action may be brought in any county where the defendant public utility's principal place of business is located or where the violation occurred, or where the public utility's

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registered agent is located. The penalty assessed under the provisions of this subsection shall be paid into the state treasury to the credit of general revenue.

- 4 Any officer, agent or employee of any public utility who violates any provision of this section is guilty of a misdemeanor and, upon conviction, shall be punished by a fine not exceeding one thousand dollars, or by imprisonment in a county jail not exceeding one year, or by both such fine and imprisonment.

In addition to this statute, the Missouri Public Service Commission has adopted a rule on the subject (4 010, "Gratuities") The Commission stated the purpose of this rule as follows

The Commission is obligated to promote the public interest and maintain public confidence in its integrity and impartiality. This rule prescribes measures to prohibit practices that possess a potential of wrong-doing.

This rule elaborates on the statutory prohibition against gifts and gratuities, as follows

- (2) All companies, corporations or individuals and any representative subject to the jurisdiction of the commission shall be prohibited from offering and all members and employees of the commission shall not accept, directly or indirectly, any gifts, meals, gratuities, goods, services or travel, regardless of value, except meals to a commissioner or an employee of the commission when given in connection with a speaking engagement or when the individual is a guest at a conference, convention or association meeting.

The rule also requires each company or its representatives to file a report with the chairman of the Commission of "any direct or indirect gratuities, meals, services, gifts or travel given or received and the identity and value of same and the purpose for which given or received, which is not permitted by this rule" (4 010, "Gratuities")

The Regulator should establish rules and regulations prohibiting conflicts of interest. This is true even if there is a general law of the Republic of Kazakhstan which prohibits such conflicts of interest.

4 2 EX PARTE COMMUNICATIONS

"Ex parte" is a Latin phrase with a common legal meaning in the U S A. It means, "from one part" or "from one side". An "ex parte communication" is a communication with the decision-maker by one side only, without the other interested parties. In other words, an ex parte communication is one by an interested party (natural monopoly entity, or public associations including consumer societies, or state bodies, or Advocacy Staff) to the Regulator, outside of the official hearing process or "record" of the case, which could influence the Regulator's decision in a pending case.

To assure fairness (and the perception of fairness) in the regulatory process, it is imperative that the Regulator's decisions be based entirely upon "the record" of the case. That means that the only information received by the Regulator, and upon which he or she makes a decision, in a particular case is information presented through the formal docket and hearing process.

To illustrate, suppose a natural monopoly entity had filed an application with the Regulator to increase its tariff rates for electricity. Other parties, including the Advocacy Staff of the Regulatory Agency, had filed evidence in the case, and hearings were held. Then, at a cocktail party or other social event, a member of the Advocacy Staff, or an employee of the natural monopoly entity, talked to the Regulator and told the Regulator something that affected the Regulator's belief about whether the rate increase was justified. This information has been presented to the Regulator outside the hearing process. The conversation would not be part of the official "record" of the case. The other parties did not hear the information, would not have the opportunity to "test" the accuracy of the information by "cross-examining" the person who talked to the Regulator, and would not be allowed to present contrary evidence to rebut that information. There was no official transcript of the conversation to place in the case file. If that conversation influenced the Regulator's decision, it made the decision-making process unfair. It occurred "outside the record" of the case.

In order to protect the integrity of the Regulator's decision-making process, assure that the Regulator's decisions are fair and objective, and to protect against any appearance or perception that the Regulator's decision was based on pressure or influence outside the hearing process, rules against *ex parte* communications should be adopted by the Regulator and strictly enforced.

A sample of such a rule is that of the Missouri Public Service Commission (4 020, "*Conduct During Proceedings*") The stated purpose of the rule is the following:

The Commission [Regulator] must insure that there is no question as to its impartiality in reaching a decision on the whole record developed during open hearings. This rule prohibits activities which would tend to exercise influence on the commission and which are not part of the record.

The rule prohibits any person interested in a case before the Regulator from attempting to influence the judgment of the Regulator "by undertaking, directly or indirectly, outside the hearing process to bring pressure or influence to bear upon the [Regulator], its staff or the presiding officer assigned to the proceeding." [4 020 (4)] The rule makes it clear that the only proper way of communicating with the Regulator about the substance, or "merits," of a pending case, are (1) in the course of official proceedings in the case, or, (2) in writing directed to the Chief Docket Clerk with copies served upon (mailed or hand-delivered to) all other parties to the case or their attorneys. [4 020 (2)]

The rule also limits what parties to the case are allowed to say publicly about the merits of the case [4 020 (1)] The purpose of this limitation is to avoid parties “arguing their case to the media” (as Americans say) rather than arguing their case to the Regulator Public statements by parties to a case that are quoted in newspapers or other news media may result in public pressure being put on the Regulator, which makes the Regulator’s job of deciding the case fairly and objectively more difficult

Rules against ex parte communications generally should apply from the time a case is opened by the creation of a docket (or at least from the time a hearing date is set in the case), until the case is finally decided (including motions for rehearing, if any) by the Regulator

Since it is recognized that inadvertent ex parte communications may sometimes occur, the rule could include a provision that requires the Regulator, Regulatory Law Judge or Staff member who receives an ex parte communication to immediately submit a written report of the communication to be submitted to the Chief Docket Clerk for filing in the official case file

CHAPTER 5

RECOMMENDED PROCEDURE FOR THE REGULATOR'S RATE-SETTING PROCESS: "DOCKETS" (CASES) AS VEHICLES FOR DECISION-MAKING

5.1 FILING AND DOCKETING PROCEDURES

A case proceeding ("docket") at the Regulatory Agency would typically have the following elements. First, a written document is filed with the Chief Docket Clerk of the Regulatory Agency. For example, this might be an *Application* filed by a natural monopoly entity or a *Complaint* filed by a customer, a public association such as a consumer society, a state body, or the Advocacy Staff. A docket could also be initiated by the Regulator itself, as a *Notice of Proposed Rulemaking* or as an *Order on the Regulator's Initiative*. Each type of docket is discussed later in this section of the report.

When an application, complaint, notice of proposed rulemaking, or an order on the regulator's initiative, is filed, the Chief Docket Clerk assigns a docket number to the written filing. That docket number would become the identity of the case and help the Regulator and its employees properly file all matters related to that case and keep track of the case. A system for setting docket numbers may be established by the Regulator in its internal procedures or its rules of practice and procedure. *See, Missouri Public Service Commission, "Manual of Internal Procedures," IP-7, "Administration - Case Numbers."* This system could identify cases by type (for example, "E" for "electric," then "R" for "rates," or "C" for "complaint, or "A" for "Authority" (as in authority to be admitted to the State Register of Natural Monopoly Entities), then "98" for "1998" and then the next, sequential number available as the final identifier. Thus, if the first case filed with the Chief Docket Clerk in calendar-year 1999 was an application by a natural monopoly entity to increase its electric rates, it could be identified as Docket No. ER-99-1 (for, Electric Rates, filed in 1999, first case filed in that year). If the second case filed was a complaint against a natural monopoly entity alleging that the entity charged prices higher than established by the Regulator, it could be identified as Docket No. EC-99-2 (for, Electric Complaint, filed in 1999, second case filed that year).

Whenever a filing is made to initiate a docket, an original and several copies should be filed. The Regulator should prescribe, in a general rule, the number of copies required to be filed. After a case has been established and assigned a docket number, the Chief Docket Clerk

would place the original in an official "case file" (or "case papers") that would be kept in the Regulator's official file room. Copies of the filing, with the newly-assigned docket number attached, would be given to the Chief Regulatory Law Judge, who would assign it to himself or to another Regulatory Law Judge for handling. Copies would also be given to the Regulator and to appropriate and necessary members of the Advisory Staff and Advocacy Staff, as established by the Regulator's internal policies. The next steps would vary, depending upon whether the case is an application, a complaint, an order on the Regulator's initiative, or a notice of proposed rulemaking.

5.2 EXAMPLES OF POSSIBLE CASES IN EACH TYPE OF DOCKET CATEGORY UNDER LAW ON NATURAL MONOPOLIES

The Law of the Republic of Kazakhstan "On Natural Monopolies" (adopted July 1998) gives various responsibilities and authority to the Regulator ("Authorized Body"). To carry out these responsibilities and authority, it would be appropriate for the Regulator to use application dockets for some matters, complaint dockets for some matters and rulemaking dockets for certain other matters. Some responsibilities would best be addressed by the Regulator issuing an order on the Regulator's initiative. Below is a list of statutory authority and responsibilities that might best be addressed in each type of docket.

5.2.1 Application Dockets

- (a) Admitting of a legal entity to, or excluding of a legal entity from, the State Register of Natural Monopoly Entities (Article 4, Section 3, Article 13, Section 1),
- (b) Approve or disapprove the disposition of natural monopoly assets or the privatization of State-owned property (Article 8),
- (c) Develop and introduce non-discriminatory methods for establishing prices and tariffs in the sphere of natural monopolies (Article 13, Section 4) (some methods may also be set by rulemaking),
- (d) Establish prices (tariffs) or the ceilings thereof for natural monopoly entities (Article 15),
- (e) Approve alienation of fixed assets of the natural monopoly entity (Article 5, Section 1, subsection 6),
- (f) Make decisions on introduction, modification or termination of state regulation (Article 14, Section 1, subsection 3)

5 2 2 Complaint Dockets

- (a) Oversee the observance of the requirements set forth by the Law governing the operation of natural monopolies and take measures for eliciting, preventing and redressing violations (Article 13, Section 2) (some of these matters might also be addressed by rulemaking),
- (b) Make decisions to prevent and redress violations of the Law (Article 14, Section 1, subsection 4),
- (c) Pass regulations and orders regarding the conclusion of agreements with customers, amendments to agreements, transfer of the income generated as a result of violations of the Law into the state budget and/or imposing administrative penalties (Article 14, Section 1, subsection 5) (some of these matters might be addressed by rulemaking),
- (d) Require a natural monopoly entity to dispose of the technologically related production facilities which are not a natural monopoly (Article 14, Section 1, subsection 6),
- (e) File a petition with a court when the Law is violated (Article 14, Section 1, subsection 7),
- (f) Examine administrative cases relating to the violations of legislation (Article 14, Section 1, subsection 9),
- (g) Complaints to enforce the prohibitions of Article 5 and the obligations of Article 7 of the Law

5 2 3 Rulemaking Dockets

- (a) To oversee the observance of the requirements set forth by the Law governing the operation of natural monopolies and take measures for eliciting, preventing and redressing violations (Article 13, Section 2) (some matters may be addressed by complaints),
- (b) To develop and introduce non-discriminatory methods for establishing prices and tariffs in the sphere of natural monopolies (Article 13, Section 4) (some methods will be standardized by general rule, others will need to be addressed on a case-by-case basis in rate applications),
- (c) Pass regulations and orders regarding the conclusion of agreements with customers, amendments to agreements, transfer of the income generated as a

result of violations of the Law into the state budget and/or imposing administrative penalties (Article 14, Section 1, subsection 5) (some of these matters will need to be addressed on a case-by-case basis in application or complaint dockets, general principles and procedures might be addressed by general rule through a rulemaking docket, as the language "pass regulations" says),

- (d) Obtain necessary information from legal and physical entities (Article 14, Section 1, subsection 8) (again, some of this information will be obtained on a case-by-case basis through other dockets, including orders on the Regulator's initiative, however, some necessary information from these entities might be required by general rule),
- (e) Request natural monopoly entities to present financial statements and other required information to the Regulator (may also be done by rulemaking),

5 2 4 Orders on the Regulator's Initiative

- (a) Request natural monopoly entities to present financial statements and other required information to the Regulator (may also be done by rulemaking),
- (b) Submit proposals for improvement of the legislation on natural monopolies (Article 13, Section 3),
- (c) Make decisions on introduction, modification or termination of state regulation (Article 14, Section 1, subsection 3) (may also be done by application),
- (d) File a petition with a court when the Law is violated (Article 14, Section 1, subsection 7) (may be done at the conclusion of a complaint case, if violation of Law is proven in the complaint case),
- (e) Obtain necessary information from legal and physical entities (Article 14, Section 1, subsection 8)

5.3 APPLICATION DOCKETS

In an application docket, the natural monopoly entity filing the application is called the "Applicant " After the application docket is created, the assigned Law Judge would draft, and present to the Regulator for its approval, a public notice advising the public (and other entities or other interested or effected parties) of the application and what it requests In this notice, interested parties would be given a date (usually 30-days later) to file (in writing) an

application to "intervene" (be permitted to participate) in the case. General rules should be established defining what individuals or entities, state bodies, public associations including consumer societies, or others, will be allowed to participate in hearings before the Regulator. Any applications to intervene would be placed into the official "case file" of that docket by the Chief Docket Clerk and become part of the official record of the case. The Regulator, and regulatory Law Judge would then make a recommendation to the Regulator as to whether each of the applicants to intervene should be granted. The Regulator would reach a decision (which would be issued in written form and sent to all interested parties and made public).

In an application requesting a change in rates, the Regulator may require, by rule or regulation, that the natural monopoly entity file certain, required information with its application ("Minimum Filing Requirements"). An example is set out in the rules of the Missouri Public Service Commission, attached to this report, at 4 CSR 240-10 070.

In an application case, the Regulator would next establish a schedule of proceedings for the rest of the case to follow. For example, the Regulator would set a date on which the Applicant would file written pre-filed "direct" testimony supporting its application, and set a later date on which other parties (such as the Advocacy Staff and intervenors) would file their written pre-filed "rebuttal" testimony responding to Applicant's position. Frequently, the parties are also allowed to pre-file "surrebuttal" testimony. The Regulator also sets dates for a pre-hearing conference, for discovery (exchange of information and data) and for the hearing in the case. These are discussed later in this section of the report.

After the hearing is concluded, lawyers for each party would file "briefs" (written arguments of the law and the facts) on behalf of their clients. A standard schedule for the filing of briefs is usually part of the rules of practice and procedure. Typically, in an application case, Applicant, intervenors and Advocacy Staff all file their "initial briefs" within 30 days of the filing of the transcript of the hearing. Then, all parties file "reply briefs" within 15 days after the initial briefs are filed. The Regulator could allow the parties to present oral arguments at the end of the hearing instead of the filing of written briefs.

After submission of the briefs (or oral arguments), the Regulator studies the evidence and arguments and decides the outcome of the case. The Regulatory Law Judge participates in these discussions, although he does not have a vote on the outcome.

5.4 COMPLAINT DOCKETS

A complaint alleges that a natural monopoly entity) has violated a statute, Agency rule or regulation, or tariff. A complaint may be filed by a customer or competitor, or the Regulator's Advocacy Staff (the "Complainant"). The natural monopoly entity against whom the complaint is made is called the "Respondent." The type of information that is required to

be submitted in a complaint is set out in the rules of practice and procedure *See, sample Missouri rules, at 4 CSR 240-2 070, "Complaints"* After a complaint is filed, the Chief Docket Clerk should mail a copy of the complaint to the Respondent, along with a notice that the Respondent must file (submit) an "answer" responding to the complaint within 30 days of the date of the notice The Respondent may offer to resolve the complaint, or show that he has, or the answer may deny that the Respondent has violated any statute, rule, regulation or tariff and deny that Respondent ought to be required to take any action as a result of the complaint

In a complaint case, a schedule of proceedings would be established by the Regulator A date would be set for the filing of Complainant's written pre-filed testimony seeking to prove the allegations in the complaint Respondent would be allowed to file its responsive pre-filed testimony some time later (usually two or three months) Intervenors will also be allowed to pre-file testimony Discovery (exchange of data and other information) then occurs A pre-hearing conference and a hearing are scheduled and held After the hearing, Complainant typically has 20 days to file its brief after the hearing transcript is filed with the Chief Docket Clerk Respondent then has 20 days to file its brief Complainant typically then gets the "last word" by filing a reply brief 5 days after Respondent's brief is filed The Regulator could allow the parties to present oral arguments at the end of the hearing instead of the filing of written briefs

After submission of the briefs (or oral arguments), the Regulator studies the evidence and arguments and decides the outcome of the case The Regulatory Law Judge participates in these discussions, although he does not have a vote on the outcome

5.5 RULEMAKING DOCKETS

The Regulator will want to issue rules and regulations on a variety of matters, as discussed throughout this report These include rules of practice and procedure, rules concerning standards of conduct, and rules that govern certain aspects of the operations of natural monopoly entities, such as establishing a uniform system of accounts, billing practices rules, and others (See listing above, under, "B Examples of Possible Cases in Each Type of Docket Category Under Law on Natural Monopolies")

It is important that any rules adopted by the Regulator not be unnecessarily burdensome or expensive to carry out Rules should be limited to those necessary to assure safe and adequate electricity (or other utility) service, protect fundamental rights of consumers, and promote consistency and predictability in the electricity sector (which will increase investor confidence)

These rules and regulations of general applicability to all natural monopoly entities should be considered in a public process before they are officially adopted by the Regulator The

natural monopoly entities, other interested parties and the public should have an opportunity to present their views on such rules before they are adopted. Such a public process will help improve the rules and make them work better in actual practice. The public process will also increase the public acceptance of the rules.

The rulemaking process should begin with the filing by the Regulator of a "Notice of Proposed Rulemaking" and the creation of a rulemaking docket. Specific notice of the proposed rules (and of the docket) should be given to the natural monopoly entities, public associations including consumer societies, state bodies and any other parties who might be expected to have an interest in them. Then, interested parties should be given an opportunity to file written comments with the Regulator about the proposed rules. The Regulator should seriously evaluate these comments and, where persuaded to do so, make changes in the proposed rules before making them final.

It might also be advisable to hold a public hearing about any proposed rules. At the hearing, the Regulator would hear interested parties, including the companies (licensees), explain any opposition they have to any of the proposed rules and any changes they suggest the Regulator make to the proposed rules. Other parties may have different opinions about these issues, and the Regulator will hear these differing views expressed in the hearing.

Rulemaking hearings generally should be less formal than the application, complaint or rate case hearings, discussed in other parts of this report. Instead of "swearing in" witnesses and having them give "testimony" and be "cross-examined," interested parties can simply be invited to offer their suggestions to the Regulator at the rulemaking hearing. The Regulator might also want to ask for different opinions about a particular proposed rule (or issue related to those proposed rules) from the participants during the course of the rulemaking hearing. Again, this process should help the Regulator make sure that its rules are workable and not unduly expensive or burdensome to carry out. The Regulator may find out that there is a better way to accomplish the purpose of a particular proposed rule than it originally proposed. The hearing process will also add a higher level of public confidence in the reasonableness of any rules finally adopted by the Regulator.

5.6 ORDERS ON THE REGULATOR'S INITIATIVE

There are some matters under the Law of the Republic of Kazakhstan "On Natural Monopolies" which might best be addressed in a docket opened by the Regulator, on its own initiative. Some of these matters are listed above under, "B Examples of Possible Cases in Each Type of Docket Category Under Law on Natural Monopolies."

In these matters, it is recommended that the Regulator issue an order creating the docket and explaining what it proposes to do, and the reasons for its proposed actions. Notice of the proposed action and of the docket should be given to any natural monopoly entity or other

individual or entity which would be affected by the proposed action. Notice should also be given to appropriate state bodies, public associations including consumer societies, the public through the news media and to any other parties which might be interested.

Some of these matters, which are generic in effect, could be handled in a procedure similar to a rulemaking docket, to assure input from the public and any interested parties before a decision is made.

However, if the subject matter of such a docket would affect a specific natural monopoly entity, it is recommended that the docket be handled like a complaint case. This would give the affected entity an opportunity to file an answer to the Regulator's initial order, and to present evidence and argument to the Regulator, before any final action is taken by the Regulator. This would certainly be necessary and appropriate in cases deciding to file a petition with a court when the Law is violated (Article 14, Section 1, subsection 7), for example. Whenever possible, it would be better to have the Advocacy Staff file a complaint against the natural monopoly entity in a complaint docket rather than having the Regulator initiate the case. If the Regulator has initiated the case, its decision will be subject to criticism that it had pre-judged the outcome of the case before hearing all the evidence.

It must also be remembered that natural monopoly entities are entitled under the Law to an opportunity "to submit proposals with regard to the draft decisions of the Authorized agency that affect its activities and legal status" (Article 6, Subsection 2).

5.7 ALTERNATIVE RATE CASE METHOD – "FILE AND SUSPEND"

An alternative method for initiating certain types of cases, including rate cases, is called the "file and suspend" method. Under this method, any change in rates is requested by the natural monopoly entity by filing revised tariff sheets with the Regulator reflecting the requested, new rates. Unless the Regulator "suspends" the new tariffs within 30 days of filing, the new tariffs (and the change in rates) will take effect as filed.

During the thirty day period, the Advocacy Staff reviews the tariffs and makes a recommendation to the Regulator as to whether the tariffs should be suspended. The recommendation must be made early enough within the thirty days to allow the Regulator and the Advisory Staff sufficient time to evaluate the tariffs and the recommendation and make a decision.

If the tariffs are suspended, a docket must be created and the case must be set for hearing. The processing of the case, after suspension of the tariffs, would be similar to that of Application cases, discussed earlier. The Advocacy Staff would audit and investigate the natural monopoly entity, discovery (information exchange) would be conducted, testimony

would be filed by all parties, hearings would be held, and the Regulator would issue a decision about what the new rates will be

Typically, the suspension period would be subject to time limits. In Missouri, for example, the Public Service Commission can suspend rate tariffs for a total of ten months (beyond the original 30-day period). In other words, the Regulator would have a total of eleven months from the day the tariffs were filed to hold hearings and issue a decision as to what the new rates will be.

Natural monopoly entities usually have many different service offerings, billing practices and types of rates on tariffs. One advantage of the "file and suspend" method is that non-controversial changes in individual tariffs can be proposed and approved without the necessity of a full hearing process. This often makes for a more efficient regulatory process.

It should be noted, however, that it is the experience in the United States that tariffs proposing general rate increases are almost always suspended and set for hearing. This is necessary both for the Regulator and Staff, and other interested parties, to have sufficient time to evaluate the proposal, and also for the Regulator's decision to be politically acceptable to the general public affected by an overall increase in rates.

The Regulator may want to require, by rule or regulation, that the natural monopoly entity file certain, required information ("Minimum Filing Requirements") with any tariff filing that requests a general rate increase. An example is set out in the rules of the Missouri Public Service Commission, attached to this report, at 4 CSR 240-10 070.

5.8 LAW ON NATURAL MONOPOLIES, ARTICLES 16-18, RATE-SETTING PROCESS

The Law of the Republic of Kazakhstan "On Natural Monopolies" (adopted July 1998) establishes procedures for submitting, reviewing and approving prices and tariffs for natural monopoly entities in Articles 16, 17 and 18 of the Law. These Articles appear to establish a system similar to the "file and suspend" method just discussed.

If Articles 16 and 17 allow for the proposed prices and tariffs to be "suspended" and set for hearing, that would allow sufficient time for the thorough review of the proposed rates and tariffs described above under subsection "G Alternative Method – "File and Suspend" ". Article 17, Section 1 contemplates an "expert assessment of the proposed prices and tariffs," in the nature of the audit, investigation and hearing process described and recommended in this report.

However, if Articles 16 and 17 require that "expert assessment" to take place within 30 days (Article 16, Section 3), then the Regulator will not have enough time to follow this recommended procedure

It is also noted that Article 18 of the Law provides that tariffs for any natural monopoly entity may be changed only once a quarter. If rates and tariffs are likely to be changing that frequently, the audit, investigation and hearing process recommended above will be too slow and complex to respond to such frequent rate changes

One possibility is for the Regulator to set rates for each natural monopoly entity as required, but to undertake a longer, audit and investigation process nonetheless. Rates and tariffs might need to be changed as often as quarterly while the general rate investigation docket is being conducted. However, at the conclusion of the longer general rate investigation docket, the Regulator will have a more detailed and sophisticated idea of what the reasonable costs of the entity are. The decision in that general rate investigation docket can then become the basis, "or benchmark," for future rate increase requests by the natural monopoly entity

CHAPTER 6

ROLE OF THE STAFF IN DOCKETS AND HEARINGS

When an application or complaint is filed with the Chief Docket Clerk and a docket is created, copies should be distributed to the Director of the Advocacy Staff and the Advocacy Counsel for review. The Director of the Advocacy Staff should also seek review and input by other departments which may need to be involved in deciding the Advocacy Staff's position on the issues in the case, such as Economic Analysis, Financial Analysis, Accounting and Audits, and Engineering. The Director of the Advocacy Staff should work together with the Advocacy Counsel to decide what steps the Advocacy Staff should take to address the issues raised in the case. The Director of the Advocacy Staff should then make assignments to other staff members for analysis, audits or other investigation.

If the complaint was filed by the Advocacy Staff itself, it will have already performed an investigation and developed evidence that the Respondent had violated some law, rule, regulation or tariff. Staff will still need to develop the testimony it will present in hearings before the Regulator.

If the "file and suspend" method is used, when a natural monopoly entity files any new tariff, copies should be provided to the Director of the Advocacy Staff and the Advocacy Counsel. The tariff should be reviewed by the different Advocacy Staff departments for recommendations as to whether the tariff should be allowed to go into effect within 30 days, or whether the tariff should be suspended for further investigation. Tariff changes may be too long or complex to thoroughly review in less than 30 days. In that case, suspension should be recommended to allow sufficient time to analyze the proposed tariffs and assure a good decision is made.

If new tariffs are suspended by the Regulator, a hearing process will be implemented similar to the hearing process in an application case, as discussed earlier. At that point, the Director of the Advocacy Staff should assign staff members to do the necessary analysis, audits and investigation to determine Advocacy Staff's positions at hearing.

To illustrate, suppose a natural monopoly entity filed for a general increase in its electricity rates, either through an application or by filing new tariffs¹. Once the docket is created, the Director of the Advocacy Staff would supervise the assignment of staff members to perform necessary analysis. The Director of the Accounting and Audits Department would assign regulatory accountants to perform a financial audit of the books and records of the natural monopoly entity. This audit would assure that the entity's books and records are being kept in compliance with the Uniform System of Accounts adopted by the Regulator. The audit would also evaluate whether any of the actual costs incurred by the entity are unreasonable, excessive or imprudent, so that the new rates to be set by the Regulator should not provide for such costs to be fully recovered.

The Director of the Engineering Department would assign staff members from that department to investigate the value of the physical plant and property of the natural monopoly entity, and the appropriate depreciation rate to be included in rates. Engineering department staff members could also assist Accounting and Audits department personnel in evaluating the reasonableness of the entity's costs related to the operation of power plants (including fuel and maintenance costs).

The Director of the Financial Analysis Department would assign staff members to analyze the financial condition of the natural monopoly entity, including its capitalization, interest rates on debt, and return on investment. The financial staff would look at the financial markets and the returns of other licensees and develop a recommendation as to an appropriate rate of return for the entity, to be included in calculating the entity's new rates.

The Director of Economic Analysis would assign staff members to analyze the rate design proposed by the natural monopoly entity, and to make recommendations about what the appropriate rate design should be. The economists would develop policies and procedures for assigning the entity's costs among the different classes of customers (typically industrial, commercial and residential), and for determining what the appropriate structure of rates should be within each class (for example, whether to recover fixed distribution costs through a fixed monthly "customer charge," and then to recover other costs through a variable per-kWh charge, and what each charge should be). The Economic Analysis department might also evaluate the capacity and/or transmission planning process of the company and make

Traditionally, rates for utilities in the United States have been set on the following formula: Revenue Requirement (the total annual revenues that the new rates are designed to recover from customers) equals Total Reasonable Operating Expenses plus a fair and reasonable financial Return on Rate Base. Rate Base is the total value of necessary physical property (power plants, transmission and distribution lines, rights of way, office buildings, etc.) less depreciation reserve. Other methods gaining in popularity are described briefly in the last section of this report, "Recommended Policies for the Promotion of Privatization of the Regional Electricity Companies."

recommendations as to whether the company's plans for new facilities are in the public interest

The Director of the Advocacy Staff, working with the Advocacy Counsel, would supervise these various analyses, audits and investigations, receive and evaluate the results and determine the decisions to be recommended to the Regulator in evidence in the hearings in the case. Assigned staff members would then work closely with the Advocacy Counsel in writing their testimony to be filed in the case.

After the conclusion of the hearings, the assigned staff members would also provide support and advice to the Advocacy Counsel in the writing of briefs to be submitted in the case, which argue in favor of the recommendations made and supported in the Advocacy Staff's evidence.

CHAPTER 7

HEARING PROCESS

7.1 DISCOVERY

After a docket is opened, and before pre-filed written testimony is filed and hearings are held, the parties will need to engage in an exchange of necessary and useful information and data. This process of seeking and receiving information from the other parties is called "discovery."

The rules of practice and procedure should provide for discovery. Providing all parties with reasonable access to information and data from the other parties to the case helps to avoid surprise at hearing, and helps the Regulator get full information upon which to base its decision.

Discovery in regulatory proceedings in the United States is typically accomplished through the use of "Data Requests." A party to the case seeking information or data from another party submits a form to that party specifying the information being requested. The other party is required to respond within 20 days with the information, returned using the same form. The responding party must sign the form, verifying that the information being provided "is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief." Once a Data Request has been answered, the responding party has an ongoing obligation to update its response to that Data Request if it becomes aware of any new information that would materially affect the accuracy or completeness of the original response. *A copy of a Data Request form (entitled, "Data Information Request") is attached to this report.*

Procedures must be established for the protection of proprietary or confidential information that another party legitimately needs to see to develop its testimony in a case. Such information may include information relating directly to specific customers of the company, employee-sensitive information, marketing analyses that would give competitors an unfair advantage, information concerning trade secrets, and other matters. It is customary for the Regulator to issue a "Protective Order" that defines "Highly Confidential" and "Proprietary" information and established procedures for (1) filing such information (in data request responses or in testimony) marked "Highly Confidential" or "Proprietary," (2) limiting the people who may see such information, and (3) providing for such information to be filed

under lock and key by the Chief Docket Clerk. *A copy of a typical "Protective Order" concerning such information is attached to this report*

Sometimes disagreements arise about Data Requests and Protective Orders. Provision should be made for parties to bring such disputes to the Regulatory Law Judge or the Regulator for prompt resolution.

7 1 1 Pre-hearing Conference

The schedule of proceedings in a case also typically sets a date for a "pre-hearing conference," where the parties would try to reach agreement on as many contested issues as possible. Also, the pre-hearing conference should be used to establish a schedule for issues and witnesses to be presented during the hearing. The Regulator could require the parties to prepare a "Hearing Memorandum" at, or shortly after, the pre-hearing conference, which identifies and summarizes the unresolved issues that need to be addressed in the hearing, which summarizes each party's position on each of the unresolved ("contested") issues, and which sets out a proposed schedule for the order in which issues and witnesses are to be presented at the hearing.

7 1 2 Hearings

Regulatory hearings in the United States are generally based upon civil court procedures. In other words, the hearing before the Regulator is very similar to a trial in a court of law (except in rulemaking hearings, discussed earlier).

The factual record upon which the Regulator will base its decision is established through "testimony" or "evidence" presented, under oath, at the hearing. Each witness is "sworn in," meaning he or she is asked to promise that everything they say will be "the truth, the whole truth and nothing but the truth." If a witness is later shown to have lied under oath, he or she could be subject to criminal prosecution for perjury.

The assigned Regulatory Law Judge would preside over the hearing, acting as the judge and ruling upon legal objections which may be raised to certain testimony. The Regulator would sit in the hearings and listen to the testimony and cross-examination, and ask questions it might have. The hearing might take a day or might take weeks, depending on how complicated and important the case is.

One difference between a regulatory proceeding and a courtroom trial is that, in regulatory proceedings, it is customary to require witnesses to file their direct testimony in writing in advance of the hearing ("pre-filed"). "Direct" testimony is the initial testimony of that witness, explaining that witness' recommendations to the Regulator and providing the factual and policy support for those recommendations. Since these issues are usually very technical and complex, pre-filing written testimony helps the Regulator understand the testimony more

easily. It also saves time in the hearing room, because the pre-filed direct testimony is not read into the record, it is simply submitted in written form. What actually occurs in the hearing room is cross-examination of the witnesses, concerning their direct testimony, by the other parties. The Regulator or the Regulatory Law Judge may also ask questions of the witnesses at the hearing.

The pre-filing of written direct testimony also facilitates the preparation of written rebuttal or surrebuttal testimony by the parties. The schedule for the case established by the Regulator would typically include dates for the pre-filing of direct testimony by all parties, a date for the filing of written rebuttal testimony by all parties, and a date for the filing of written surrebuttal testimony. "Rebuttal" testimony responds to issues raised in another party's direct testimony on which a party disagrees – it seeks to "rebut" the other party's testimony (or some part or parts of it). "Surrebuttal" testimony rebuts the rebuttal of another party, but only on some issue or facts not already addressed in the direct or rebuttal testimony.

At the hearing, each witness would be sworn in, would identify his or her written, pre-filed direct testimony for the record, and then would be "cross-examined" by the other parties (usually through attorneys). After the attorneys finish their cross-examination, the Regulator and Regulatory Law Judge would ask that witness any questions they have. Then, that witness' own attorney could ask additional or clarifying questions that respond to questions that were asked during cross-examination (this is called "re-direct" examination). "Re-cross" is then allowed, limited to new issues raised on "re-direct". Then the witness is excused and the next witness is called to testify.

During the hearing, parties might raise legal objections to some portions of the testimony of other parties. The Regulatory Law Judge would rule on the admissibility of evidence. However, generally, the rules of evidence for regulatory proceedings are more relaxed than in a civil court. The Regulatory Law Judge should generally err on the side of allowing too much information into the record rather than too little.

A record of the cross-examination is made by a court reporter, and a transcript of the hearing is produced. The transcript is filed in the official record (case papers) of the case. The filing of the transcript typically triggers the time period for attorneys to write and file their written arguments ("briefs") with the Regulator. In the briefs, each attorney summarizes that party's key issues, the evidence that supports that party's recommendation (position) on the issue, and explains (argues) why that party's position is stronger than the positions of the other parties.

In a rate case, initial briefs are usually required to be filed 30 days after the filing of the transcript. Reply briefs (responding to the briefs of the other parties) are usually required to be filed 15 days after the filing of the initial briefs.

The transcript is used by the attorneys in writing their briefs (written arguments) at the conclusion of the case, and is used by the Regulator (and Regulatory Law Judge) in studying the case and making and writing a decision

7 1 3 Process and Format for Decisions

After the briefs have been filed, the Regulator begins the process of studying the evidence and the briefs and reaching a decision on each issue of the case. In a rate case, for example, "issues" include each contested item concerning operating costs, value of property, reasonable rate of return, or the proper rate design to be employed in setting new rates for the company

The Regulatory Law Judge customarily discusses the case with the Regulator during this decision-making process, and begins writing a decision based on conclusions reached by the Regulator on the issues in the case

The Advisory Staff may be called upon during the decision-making process for technical advice and interpretation of technical evidence. The ability of the Regulator to rely upon the Regulatory Law Judge and the Advisory Staff in the decision-making process depends upon the insulation of the both from the Advocacy Staff throughout the docket. The Regulatory Law Judge and the Advisory Staff must not have received any ex parte communications from the Advocacy Staff or any other interested party. Otherwise, the fairness and objectivity of the decision-making process will be called into question

The final decision of the Regulator should be in writing, and should explain the Regulator's reasons for its decision. It is customary in the United States for the Regulator's decisions to include the following: (1) A summary of the history of the case and the issues being decided, (2) "Findings of fact," the findings of the Regulator as to the facts as it has determined them from the record of the case, and (3) "Conclusions," the announcement of the decision of the Regulator on each contested issue based on the Regulator's findings of fact from the evidence

It must also be noted that natural monopoly entities are entitled under the Law to an opportunity "to submit proposals with regard to the draft decisions of the Authorized agency that affect its activities and legal status" (Article 6, Subsection 2)

7 1 4 Rehearing and Appeal

If any party to a case believes the Regulator has erred in reaching its decision, it may file a "motion for rehearing," (within a certain time, usually 10 to 30 days, after the decision was issued) asking the Regulator to reconsider its decision in the case. All parties must be notified of the filing of a motion for rehearing and given an opportunity to file a response. If

the Regulator agrees some mistake has been made, it may correct it in an additional order or resolution, or it may hold additional hearings before deciding whether to change its decision

In the United States, if the regulatory Commission (Regulator) denies the motion for rehearing, any party who filed a motion for rehearing and believes it is harmed by the Regulator's decision may appeal the decision to the courts. There, the decision will not be overturned based on the findings of fact from the evidence or any policy decision reached by the Regulator, but only if the Commission (Regulator) has exceeded its legal jurisdiction in its decision or violated the rules of fairness during the proceedings in a manner that gave some party an unfair advantage over another party or parties in the Regulator's decision-making process

CHAPTER 8

RULES OF PRACTICE AND PROCEDURE

A sample set of Rules of Practice and Procedure (from the Missouri Public Service Commission, USA) is attached to this report (4 CSR 240-2). These rules establish standard, uniform procedures for the processing of matters to be decided by the Commission. These rules and regulations are published by another agency of the state government (the Secretary of State of Missouri) and are available for public inspection at the Commission's offices and at public libraries and law libraries across the state. Copies of all Commission rules may also be purchased from the Commission.

Rules of practice and procedure for the Kazakhstan Regulator could include the following elements (*References in parentheses are to sections of the sample Missouri PSC Rules of Practice and Procedure, 4 CSR 240-2*)

- ▶ State the location and mailing address of the principal office of the Regulator, so that utilities, the public and other interested parties can find out how to reach the Regulator if they need to. (2 020)
- ▶ Set a regular time and day (or days) for official meetings of the Regulator, where agency decisions will be made. (2 020)
- ▶ Define a "quorum" for the transaction of business (the minimum number of Members of a Regulatory Agency or Committee which must be present in order to make binding decisions on behalf of the Regulator). (2 020)
- ▶ Establish responsibility for maintaining the official records of the Regulator, and for public access to, and copies of, official records. (More specific details of how files are created, numbered and maintained will be part of the Manual of Internal Procedures, discussed later in this report.) (2 030)
- ▶ Describe the requirements for attorneys, companies (natural monopoly entities), members of the public and others to appear before (participate in proceedings at) the Regulator. In the United States, people or companies (natural monopoly entities) participating in an official proceeding of a regulatory agency (such as the Missouri Public Service Commission, or the Federal Energy Regulatory Commission in Washington, D C) must be represented by an attorney at law ("lawyer"). The rules of

practice and procedure of the Missouri PSC explain who is eligible to participate. They also explain who is entitled to “intervene” as a party to a case. Generally, individual customers may not intervene in an application for a license or in a tariff case, but may bring consumer complaints against the utility to the regulator for resolution. Residential customers are usually represented in cases before the regulator by a person employed by the government for that person, the “Consumer Advocate” (2 040)

- ▶ Define how periods of time are computed for purposes of deciding when filings are due in Committee proceedings. For example, if the Regulator issues an order or resolution in a case directing the parties to file evidence or briefs (written arguments) with the Regulator within 30 days, it must be known how that period of days is to be counted. In the United States, the *first* day that counts is usually the day *after* the order is issued. It also must be established whether holidays and Sundays count, and what happens if the 30 days ends on a day when the Regulator’s offices are closed. By defining these matters, everyone will be able to calculate when filings are due. If a decision of the Regulator says it will take effect on a certain date, it must be clear when on that date it takes effect (for example, 12 01 a m , or one minute after midnight). These definitions increase the consistency and fairness of proceedings before the Regulator. (2 050)

- ▶ Define different types of “pleadings” (which are the documents filed by a person or a company that wants the Committee to decide some matter) and prescribe what is required to be included in each type of pleading. For example,
 - Different types of information are required to be submitted in an application, depending upon the subject of the application (for example, approval of a financing transaction or merger, granting of a new license or transfer of an existing one). *See, sample Missouri rules, at 4 CSR 240-2 060, “Applications ”*
 - The type of information that is required to be submitted in a complaint is set out in the rules of practice and procedure. *See, sample Missouri rules, at 4 CSR 240-2 070, “Complaints ”*
 - Requirements for a proposed rulemaking are set out in the rules of practice and procedure. *See, sample Missouri rules, at 4 CSR 240-2 180 and 2 190*

- ▶ Prescribe procedures for a party to a case to seek and get data and other information from other parties to the case through “discovery” methods or by subpoena (legal order). (2 090, 2 100)

- ▶ Prescribe procedures for pre-hearing conferences, hearings, and non-unanimous stipulations and agreements among the parties to a case (2 090, 2 110, 2 115)
- ▶ Prescribes the rules of evidence to be followed in proceedings before the Regulator (2 130)
- ▶ Sets forth the rights and procedures for filing briefs and presenting oral arguments before the Regulator (2 140)
- ▶ Prescribes the method of issuing a decision of the Regulator and defining the date on which the decision will become legally effective (2 150)
- ▶ Provides sample forms for Applications, Complaints, and Answers to Complaints (2 170)
- ▶ Provides procedures for the Regulator to propose rules of general applicability (rules and regulations), or for other parties to petition the Regulator to propose rules, and establishing procedures and policy for hearings concerning proposed Agency rules and regulations (2 180, 2 190)

CHAPTER 9

MANUAL OF INTERNAL PROCEDURES

The Regulator should also implement Internal Procedures for handling cases and other matters of importance to the Agency in a systematic and consistent manner. These could include procedures for such things as giving notice of Agency proceedings to parties to the case, other interested parties, the public and the media (*IP-4 and IP-5*), assigning docket numbers to new cases that are filed (*IP-7*), assigning new cases to Regulatory Law Judges (*IP-6*), preparing hearing transcripts and providing copies to parties to the case (*IP-10*), preparing and filing recommendations from the Advocacy Staff on matters that will not or may not require a hearing (*IP-17*), handling of confidential and proprietary information filed with the Agency (*IP-21*), handling and storage of, and public access to, official case files ("case papers") and other documents filed with the Agency (such as annual reports filed by utility companies) (*IP-22*). *The references in parentheses above are to the sample "Manual of Internal Procedures" of the Missouri Public Service Commission, provided as an attachment to this report.*

CHAPTER 10

UNIFORM SYSTEMS OF ACCOUNTS

In order to assure accuracy and consistency in the regulatory process, all regulated companies (natural monopoly entities) must keep their financial books and records in a uniform manner. All electric and gas utilities in the United States are required to use the Uniform System of Accounts, which is prescribed by the Federal Energy Regulatory Commission. Individual states, like the State of Missouri, may modify the requirements of the Uniform System of Accounts.

A copy of the Uniform System of Accounts for electric utilities is enclosed with this report (*"Accounting and Reporting Requirements for Public Utilities and Licensees," United States Federal Energy Regulatory Commission*). The Missouri Public Service Commission's modifications to the Uniform System of Accounts are set out in the PSC rules, at 4 CSR 240-20.030, *"Uniform System of Accounts – Electrical Corporations"*.

CHAPTER 11

SUBSTANTIVE RULES GOVERNING OPERATION OF REGULATED ENTITIES

Additional rules and regulations may be adopted by the Regulator to govern other aspects of providing electricity service to customers, to promote minimum standards for service quality, billing and collection practices, and other matters. Such matters may include *(references in parentheses are to Missouri Public Service Commission rules on each subject, in 4 CSR 240, attached to this report)*

- ▶ Requiring accounts, books and records of utility companies to be kept in an office within the State of Missouri and accessible to the Regulator for audit and review *(10 010)*
- ▶ Standards of quality *(10 030)*
- ▶ Minimum filing requirements for general rate increase requests *(10 070)*
- ▶ Billing and collection practices for residential customers of electric and other utilities, including security deposits and connection of service, methods of billing, length of time allowed for payment of bill by customer, adjustments for billing errors, methods for resolving disputes about bills, notice requirements before service is terminated for nonpayment of bills, arrangements for repaying past-due amounts, and special rules for terminating residential electric or gas service during cold-weather months *(13 010 through 13 070)*
- ▶ Safety standards for electric utilities *(18 010)*
- ▶ Requirements for utility companies to maintain a schedule (“tariffs”) of all rates, charges and rules which apply to their provision of service to customers, to have current tariffs on file with the Regulator, and to keep copies of all current tariffs at the company’s offices and branch offices, available for public inspection *(20 010)*
- ▶ Requirements that individual electric meters (devices for recording the services delivered to customers) be installed for each residential or commercial unit in a multiple-occupancy building, with certain exceptions *(20 050)*

- ▶ Requiring electrical corporations to report certain events to the Regulator on a regular basis, including generating unit outages and accidents, fuel purchases, net hourly generation and hourly purchases and sales of electricity from or to other utilities, fuel burns and heat rate tests, and other matters (20 080)
- ▶ Requiring electric utilities to engage in a detailed, integrated resource planning process on a regularly-scheduled basis (22 010 through 22 080) (Note This process may not be appropriate in a competitive electricity system It was designed for vertically-integrated electric utilities in a fully-regulated context)
- ▶ Rules and regulations on safety and operations of other types of utilities, such as natural gas, telephone, water and sewer, and mobile and modular homes (30 010 through 123 090)

CHAPTER 12

TARIFFS

All rates, charges and rules of service of any electric utility can be printed on "tariff sheets" that are filed with the Regulator. Each type of rate or charge (for example, residential electricity service rates, or commercial electricity service rates), and each rule of service (for example, charges for installation of new service, or reasons service may be terminated by the company and notice requirements before service is terminated) should be on a separate tariff. This allows individual rates or rules to be changed, or new services to be added, without changing the entire set of rates, charges and rules. Rules that are established by the Regulator in its general rules (for example, billing and collection rules) are, in turn, set out in each utility supplier's tariffs.

This system of setting out all company rates, charges and rules on tariffs accomplished two things: (1) it makes it easier for the Regulator, consumers and the public to find out exactly what a supplier's rates and rules are at a given moment in time, and (2) it makes it easier for the Regulator to consider changes to a particular rate, charge or rule of a supplier. (See the discussion of the "file and suspend" method, earlier in this report, under the heading of "Recommended Procedures for the Regulator's Rate-Setting Process 'Dockets' (Cases) as Vehicles for Decision-making," and the subsection called, "Alternative Method - 'File and Suspend'")

As competition increases for certain markets or services, the Regulator may give suppliers a higher level of rate flexibility. Instead of requiring companies to file tariffs which become effective 30 days later, unless suspended by the Regulator, the company might be allowed to change its rates by filing a notice with the Regulator that will become effective 7 days later, or some other period of time established by the Regulator by rule.

CHAPTER 13

ANNUAL REPORT OF REGULATED ENTITIES

Electricity suppliers (licensees) are typically required to file annual reports with the Regulator. Annual reports are required by statute in the State of Missouri. In *Revised Statutes of Missouri Section 193.140 (6)*, the Public Service Commission is authorized to

Require every person and corporation under its supervision to file with the commission an annual report, verified by the oath of the president, treasurer, general manager or receiver, if any, thereof. The report shall show in detail the amount of its authorized capital stock and the amount thereof issued and outstanding, the amount of its authorized bonded indebtedness and the amount of its bonds and other forms of evidence of indebtedness issued and outstanding, its receipts and expenditures during the preceding year, the amount paid as dividends upon its stock and as interest upon its bonds, the names of its officers and the aggregate amount paid as salaries to them and the amount paid as wages to its employees, the location of its plant or plants and system, with a full description of its property and franchises, stating in detail how each franchise stated to be owned was acquired, and such other facts pertaining to the operation and maintenance of the plant and system, and the affairs of such person or corporation as may be required by the commission. Such reports shall be in the form, cover the period and be filed at the time prescribed by the commission. The commission may, from time to time, make changes and additions in such forms. When any such report is defective or believed to be erroneous, the commission shall notify the person or corporation making such report to amend the same within a time prescribed by the commission. Any such person or corporation which shall neglect to make any such report or which shall fail to correct any such report within the time prescribed by the commission shall be liable to a penalty of one hundred dollars and an additional penalty of one hundred dollars for each day after the prescribed time for which it shall neglect to file or correct the same, to be sued for in the name of the state of Missouri. The amount recovered in any such action shall be paid to the public school fund of the state. The commission may extend the time prescribed for cause shown.

Annual reports are also required by the Federal Energy Regulatory Commission (FERC). All investor-owned electric utilities are under the jurisdiction of the FERC (for bulk power, or wholesale, sales of power, and interstate transmission), as well as under the jurisdiction of the State Commission (for generation, distribution and retail sales). Therefore, many of the State commissions allow the utility to file their FERC annual report with the State Commission to comply with the State's annual report requirement, to reduce the burden of this regulatory requirement.

A copy of the "FERC Form No 1 Annual Report of Major Electric Utilities, Licensees and Others" is attached to this report. Also attached is a copy of the annual report for 1997 filed with the Missouri Public Service Commission by Missouri's largest electric utility, Union Electric Company (now called Ameren Corporation after a recent merger)

CHAPTER 14

RECOMMENDED POLICIES FOR THE PROMOTION OF PRIVATIZATION OF THE REGIONAL ELECTRICITY COMPANIES

14.1 OPEN PROCESS AND CONSISTENCY

As emphasized throughout this report, the ability of the Republic of Kazakhstan to attract necessary investment to the electricity sector will be improved by a regulatory process that is open and accessible to the public, and is consistent in process and principle. Public and news media access to the regulatory process is very important to both the reality and the perception of the fairness of the process. If important decisions are made by the Regulator (Authorized Body) in a closed process, they will lack credibility. This will discourage investment.

In addition, consistency in regulatory decisions is important to investors. The decisions of the Regulator may vary from case to case based upon the specific facts that are proven. However, the decisions of the Regulator should not vary based upon arbitrary changes in policies or regulatory principles from case to case. The Regulator needs to establish consistent principles that it will apply in deciding cases, including principles for setting rates. Reasonable consistency in decision-making will promote investor confidence and public support.

14.2 REASONABLE RATE OF RETURN

Investors must be permitted a fair opportunity to earn a reasonable return on investment. This is specifically contemplated in the Law on Natural Monopolies. Article 18, Section 1, states:

The prices and tariffs of a natural monopoly entity approved by the Authorized agency, must not be lower than the costs required for the delivery of the services (production of goods, works), and must provide for the possibility for the natural monopoly entity to gain return which would ensure an efficient operation of the natural monopoly entity.

Successful privatization requires an economic and political environment which investors feel they can trust. For privatization in Kazakhstan to inspire investor-confidence, investors must have good reason to believe that the money they invest in Kazakhstan will not be lost, or

reduced in value, by arbitrary actions of the government (including the Regulator) Investors must also have good reason to believe that they will have a reasonable opportunity to earn (gain) a fair and reasonable financial return on their investment

As stated earlier in this report (in a footnote), rates for utilities in the United States traditionally have been set on a "cost-of-service" basis Under traditional cost-of-service regulation, a utility's rates are set at a level designed to recover its reasonable and necessary operating expenses (including depreciation expense) and a reasonable return on the value of the physical assets employed by the utility to provide service ("rate base") This is sometimes expressed as a formula in the following manner

Revenue Requirement (the total annual revenues that the new rates are designed to recover from customers) equals Total Reasonable Operating Expenses plus a fair and reasonable financial Return on Rate Base Rate Base is the total book value of necessary physical property (power plants, transmission and distribution lines, rights of way, office buildings, etc) less depreciation reserve

This "cost-of-service" approach appears to be intended in the Law on Natural Monopolies (adopted July 1998) Some modifications of the "cost-of-service" method have gained popularity in the United States and elsewhere in recent years These are described briefly in the last subsection of this section of this report, "Performance-Based Regulation (PBR) or 'Incentive Regulation'" It should be noted, however, that assuring cost recovery and a reasonable rate of return on investment is especially important when additional investment in the improvement and expansion of facilities is needed PBR may be more appropriate when the electricity system has already been upgraded to the highest technological standards and operational efficiency, and where universal service has generally been achieved

In "cost-of-service" ratemaking, the determination of actual, reasonable operating costs is fact-based The portion of "cost-of-service" ratemaking that employs the highest degree of judgment (discretion) by the Regulator is the determination of a "reasonable rate of return"¹

The "rate of return" is the amount of money earned by a utility company (natural monopoly entity), over and above operating costs, expressed as a percentage of the rate base As stated earlier, the "rate base" is the value of the entity's physical assets, such as transmission and distribution lines, transformers and other equipment, office buildings, et cetera, necessary to provide electricity service

¹In the language of the Law on Natural Monopolies, Article 18, Section 1, "The prices and tariffs of a natural monopoly entity approved by the Authorized agency must provide for the possibility for the natural monopoly entity to gain return which would ensure an efficient operation of the natural monopoly entity" (Emphasis added)

The rate of return includes interest paid by the entity on long-term debt, dividends paid by the entity on preferred stock and earnings on common stock (including surplus or retained earnings). Therefore, the rate of return is not just financial "profit." It includes all the cost of capital of the entity, including interest payments and dividends to owners.

It is accepted in traditional regulatory concepts that the rate of return is not a "guarantee." Rates are required to be set by the Regulator at a level that gives the natural monopoly entity a "reasonable opportunity" to earn the established rate of return. However, various factors can effect the actual ability of the entity to earn ("gain") its authorized rate of return. These factors include (1) conditions in the general economy, (2) weather conditions, which might cause the entity to sell more or less electricity than normal, thereby affecting revenues and earnings, and (3) management efficiency.

The way in which the rate base is valued is important in determining the authorized rate of return. Rate base is often valued at original cost ("book" cost, or the cost at which it was originally placed on the entity's books of account). Instead of setting rate base at original (book) cost, rate base sometimes is valued at replacement cost (the cost of replacing the physical plant) or at "fair value" (which tries to adjust the rate base for economic factors such as the rate of inflation and volatility of interest rates). These methods might result in rate base valuations higher than original cost. If there is significant inflation in the economy, fair value rate base (or replacement cost) would help protect investors from a declining value in the currency.

The initial step in estimating the overall cost of capital is to establish the appropriate capital structure for the natural monopoly entity. Since the cost of debt is generally lower than the cost of equity (ownership of shares of the entity), the overall cost of capital may be somewhat lower when the debt-equity ratio is higher than when it is lower. Some Regulators set rates on what they believe the optimal debt-equity ratio should be, rather than what it actually is. Generally, in order to make the entity not as risky as other businesses might be, Regulators in the United States have preferred that debt and equity capitalization be roughly even, or no more than 45%-55% equity to debt (or debt to equity). At the same time, Regulators do not want the entity to have excessive equity capitalization, because that capital is generally more expensive than debt.

The cost of debt is relatively easy to calculate, because the interest rates and amounts of debt are fixed. The Regulator may inquire as to whether these amounts and interest rates are reasonable in the financial markets, but there is seldom any real disagreement as to the cost of debt.

The most controversial element of calculating the cost of capital is for the Regulator to determine what the appropriate "Return on Equity" (ROE) should be. This is the portion of the rate of return that reflects the possible gain for the owners of the natural monopoly entity.

on their investment in the entity (shares of ownership stock) There are several standards for calculating Return on Equity that are commonly used in the United States One is a market-based standard, which relies upon stock market transactions and estimates of investor expectations Three frequently-used methods for applying a market-based standard are (1) Earnings-Price Ratios, (2) Discounted Cash Flow (DCF) model, and (3) the Capital Asset Pricing Model (CAPM) These methods are described more fully in two documents attached to this report (1) excerpts from a book by Professor Charles F Phillips, Jr ², and (2) testimony concerning rate of return from two rate cases before the Missouri Public Service Commission

Another standard, the "Comparable Earnings Standard," recognizes the fundamental economic concept of "opportunity cost" As explained by Professor Phillips

This concept states that the cost of using any resource – land, labor and/or capital – for a specific purpose is the return that could have been earned in the next best alternative use [T]he opportunity cost to an investor in a utility's common stock is what that capital would yield in an alternative investment – in another utility's or industrial's common stock, in utility, corporate or government bonds, in real estate, etc ³

In the comparable earnings approach, evidence is presented to the Regulator on earnings on book common equity for business enterprises that have comparable risks, or showing earnings on book common equity for enterprises that have different risks and then making an allowance for those risk differences Comparisons need to be made to earnings of both regulated and non-regulated entities, since both offer alternative uses of the capital in question (of the natural monopoly entity)

Another method is the "Risk Premium Method," which is based upon the premise that common equity carries a higher risk than debt This is true because, if the natural monopoly entity fails and goes bankrupt, the holders of debt will be paid out of the assets of the entity before the owners of equity Under this method, the historic spread between the return on debt and the return on common equity is determined Then, this "risk premium" is added to the current debt yield to derive an approximation of a reasonable return on equity Questions arise as to how long a historic period should be examined If the spread between debt and equity returns has changed significantly in recent months or years, using a longer period of time for this historic analysis could produce inappropriate results

Phillips, Charles F , Jr , The Regulation of Public Utilities, Theory and Practice, Third Edition (Arlington, Virginia, PUR, 1993), at pages 375-432, *See*, pages 392-400

Phillips, *ibid* , at 397

As Professor Phillips concludes, "It is clear that determining the cost of capital is not an exact science. It is based on as objective and comparable data as possible, but experience and judgment must be used in drawing conclusions from that data."⁴

One of the practical problems faced by the Regulator in the Republic of Kazakhstan is that there is little historic experience of returns on equity for natural monopoly entities in Kazakhstan. Therefore, there may not be enough market data to apply these various ROE standards and models. In order to attract new, private capital into the Republic of Kazakhstan for investment in the electricity sector, the determination of a reasonable rate of return will need to look beyond the financial markets of Kazakhstan to global markets. The various models discussed above could be applied using data on earnings experience and investor expectations in other industrialized nations, to fashion rates of return that could be expected to attract investment from investors in those nations.

14.3 Performance-Based Regulation (PBR) or "Incentive Regulation"

Performance-based regulation (sometimes called, "incentive regulation") may improve traditional regulation. The idea is that managers of a natural monopoly entity may be better positioned than regulators to recognize opportunities for efficiency and productivity improvements, if they are given meaningful financial incentives to do so. "Incentive regulation" must be distinguished from traditional rate base rate of return regulation (or "cost-of-service" regulation). As discussed in the previous subsection, under traditional cost-of-service regulation, a utility's rates are set at a level designed to recover its reasonable and necessary operating expenses (including depreciation expense) and a reasonable return on the value of the physical assets employed by the utility to provide service ("rate base"). There are certain financial "incentives" that are implicit in traditional cost-of-service regulation, of course, primarily, the incentive to manage operations and finances in such a way as to actually achieve or "earn" the authorized rate of return.

However, cost-of-service regulation essentially sets prices for utility services on a "cost-plus" basis (expenses plus return, or profit). Some analysts believe that, in some ways, this discourages innovation and aggressive cost and service management. The traditional regulatory process may also cause utility managers to focus more attention on certain limited issues known to be of concern to regulators and parties to rate cases, rather than on overall operations, efficiency and customer service.

Performance-based regulation (PBR), or incentive regulation, is, at minimum, a means of promoting higher levels of efficiency, productivity and customer satisfaction in utility operations by providing incentives above and beyond that of the authorized rate of return. In

Phillips, *ibid.*, at 399

its fullest form, incentive regulation (1) changes the focus of regulators and utilities from cost of service to the price and quality of service, consistent with the focus in competitive markets, (2) provides utility managers with more flexibility both to manage the business and to market and price products and services, and (3) provides direct financial incentives to those managers not just to achieve the cost-plus rate of return, but to find and implement new efficiencies, cost savings and revenue sources

Performance-based regulation recognizes that the opportunity for improved financial profit is a real and strong motivating factor in human behavior that could be used to better advantage within the regulatory process to promote operating efficiencies that would benefit both customers and the owners of the natural monopoly entity. PBR, or incentive regulation, may also reduce the burden and cost of the regulatory process, conserving both public and private resources

It should be noted, however, that assuring cost recovery and a reasonable rate of return on investment is especially important when additional investment in the improvement and expansion of facilities is needed. PBR may be more appropriate when the electricity system has already been upgraded to the highest technological standards and operational efficiency, and where universal service has generally been achieved

A number of methods of PBR or incentive regulation have been employed in the United States and elsewhere in recent years. These include rate moratoria, price caps, rate of return premiums or penalties, rate of return "bands" and profit-sharing "grids," targeted incentives that reward or penalize utility performance in relation to specified cost or service standards, and combinations of the above

Rate moratoria may be the simplest form of incentive regulation. A rate moratorium is a fixed period of time (months or years) when the utility neither seeks a rate increase nor is called before the Regulator for a review of its rates. Thus, the utility's rates remain constant during the period of the rate moratorium, giving the utility the benefit of any cost reductions and improved financial performance it achieves, but also the risk that current rates will prove insufficient to allow it to achieve adequate earnings. A rate moratorium may be specifically established by the Commission for an explicit period of time or be simply de facto (by reason of "unofficial" regulatory forbearance, where the utility does not seek a change in rates and the Commission does not bring the utility in for a review of rates)

Price caps are a regulatory method which sets a "cap" or ceiling on the prices that can be charged by utilities. This idea seems to be specifically contemplated in the July 1998 Law of the Republic of Kazakhstan on Natural Monopolies, in Article 15, subsection 1) This subsection provides that the "Authorized agency shall regulate the activities of natural monopoly entities by the following 1) establishing prices (tariffs) *or the ceilings thereof*,

“

Price caps may be a cap on average prices of defined groups of services, allowing the utility flexibility in pricing specific services as long as the overall cap for that group of services is not exceeded. A price cap may also be a ceiling on the price of any particular service, allowing the natural monopoly entity to charge less than the price cap, but not more. Under a system of price caps, a utility may be allowed to raise its rates each year based on a predetermined index (such as the Consumer Price Index or Producer Price Index) less an established "productivity factor" (which assumes the price cap system is promoting increased productivity and thereby flowing rate benefits to customers).

Price caps have been widely used in the regulation of telecommunications companies in the United States since the late 1980's. The Federal Communications Commission (FCC) began employing price caps for AT&T's rates in 1989, and just removed AT&T from rate regulation altogether late in 1995 in recognition that AT&T is no longer the "dominant" carrier in the domestic toll market. A number of States have used price cap regulation for AT&T's operations and for local exchange companies' rates during the transition to competition in the telecommunications industry. One industry analysis indicates that as of October, 1995, thirty-eight States had some form of incentive regulation in place or under consideration for telephone companies. Of these plans, those in twenty-nine States were classified as forms of "price regulation," and at least twenty-two involved a form of price cap.⁵

Price caps are now being employed for electric utilities, as well. Wayne Olson of the Maine PUC Staff and Ken Costello of the National Regulatory Research Institute (the research arm of NARUC), published an interesting article on the potential use of price caps for electric utilities in the January/February 1995 issue of The Electricity Journal.⁶ A copy of this article is attached to this report.

Rate of return premiums or bonuses for management efficiency have been used in several states. For example, under rules adopted pursuant to statutory authority, the Iowa Utilities Board (IUB) may set a higher or lower rate of return on common equity (equity return premium or penalty) for a utility depending on the level of management efficiency the Company demonstrates, based on such criteria as price, operation and maintenance costs, fuel costs, availability factor, quality of service and "innovative ideas implemented by utility management" (IUB Rule 199-29 3(476), 29 3). Determinations of efficiency or inefficiency are made on a case-by-case basis.

Regulatory Study "State Telecommunications—Alternative Regulation Plans " Regulatory Focus (Regulatory Research Associates, Inc., October 19, 1995)

Olson, Wayne P. and Costello, Kenneth W., "Electricity Matters: A New Incentives Approach for a Changing Electric Industry," Electricity Journal (January/February 1995), at pages 28-40

In 1994, the IUB added a management efficiency award of 75 basis points to the return on common equity for U S West. The Board particularly cited the Company's response to the major 1993 floods in its service area, financial savings and efficiencies realized as a result of the merger of three former operating companies into U S West and the savings achieved by reducing its labor force ("vigorous efforts in responsibly downsizing ")

Management efficiency premiums were requested in three later cases before the IUB, but the cases were settled without specific resolution of that issue. However, in cases in 1992, the Iowa Board granted ROE management efficiency bonuses to Iowa Power, Iowa Public Service Company, Iowa Southern and Midwest Gas, ranging from 30 basis points to 150 basis points.

A rate of return band is a range of earned returns on equity within which the utility operates at its own risk during a fixed period of years. To illustrate, a ROE (Rate of Return on Equity) band might be set that ranges from 150 basis points above, to 150 basis points below, the utility's authorized rate of return on equity. Thus, a utility with an authorized ROE of 12.0% would have an ROE band ranging from 10.5% to 13.5% on equity. As long as the utility's earned return on equity is within that band, everyone must live with the results: the utility cannot file a rate increase request and other parties (including the Commission and its Staff) cannot file a complaint alleging that the utility is "overearning" and should reduce its rates.

A "sharing grid" is a mechanism for sharing earnings above the band, or underearnings (below the band), between customers and the utility. In the illustration just given, a possible sharing grid would require the utility to share all earnings above the band (above 13.5% ROE) with customers on a 50-50 basis. For symmetry, if earnings fell below the band (below 10.5% in our illustration), the utility could also be allowed to raise rates during the moratorium period by at least half the amount needed to bring its earned ROE back up to the bottom of the ROE band.

Sometimes a sharing grid will have more than one sharing threshold. For example, earnings of up to 150 basis points above the ROE band could be shared 50-50 with customers, but if actual earnings are above that level, the company could be authorized to retain 75% of that increment of earnings and share 25% of them with customers (thus recognizing the higher level of efficiency and productivity required to achieve the higher level of earnings).

ROE bands and sharing grids are in use in a number of states in the United States. For example, in the summer of 1995, the Missouri Public Service Commission approved a stipulation providing Union Electric Company (UE) a three-year rate moratorium, an ROE band of 10% to 12.61% and a "sharing grid." Under this plan, UE is authorized to retain all earnings up to a 12.61% return on equity. UE's earnings will be calculated ("trued-up") at the end of each year of the plan, in accordance with a methodology set out in the stipulation. If

its return on equity for those 12 months was between 12.61% and 14%, UE will retain 50% of the earnings above 12.61% and refund the other 50% to its customers through a bill credit. If UE's return on equity exceeds 14%, all of the excess over 14% will be refunded to customers through a bill credit. There will be no rate or rate design changes during the three-year moratorium. The UE plan is modeled after an ROE band and "sharing grid" plan implemented by the Missouri PSC for Southwestern Bell Telephone Company in 1989. Idaho, Maine and Mississippi currently have incentive plans in place that include ROE bands or caps and sharing mechanisms.

Several states have employed what may be referred to as "targeted" performance incentives for specific individual cost areas or incentives for generating plant capacity factors, availability factors or heat rates. At one time or another since 1980, at least seventeen (17) states have employed performance incentive programs of this sort, usually focused on nuclear power plant performance. Some of those plans only include penalties for failure to meet a standard, and not rewards for exceeding a standard or benchmark.

Parts of various incentive regulatory plans described above have been put together in a more comprehensive but complex manner in states such as New York and California. For example, San Diego Gas and Electric Company (SDG&E) has a Performance-Based Rate program with three major components: (1) Base Rates, (2) Gas Procurement, and (3) Generation and Dispatch. Each component employs a set of highly detailed procedures. In addition to a "sharing grid" for earnings at various levels, the SDG&E base rate plan provides incentives for SDG&E to improve its electric rates in relation to a national index of rates, and measures of reliability, safety, customer satisfaction and work safety, with related rewards or penalties depending on actual performance in relation to established standards.

PBR plans generally have been very successful. For example, incentive regulatory plans (including price caps) in the telephone industry have successfully accompanied the transition to a more competitive market and have provided effective incentive for management efficiency and customer service. A study by Mathios and Rogers on the effect of price cap regulation on AT&T's intrastate, inter-exchange prices in multi-exchange states found that average prices were lower in States that allowed price flexibility in conjunction with a cap on average prices, compared with States which employed traditional regulation.⁷

The first two years of the San Diego Gas & Electric Company three-year incentive plan in California have produced very positive results for both customers and the Company. Customer rates have decreased, safety, reliability and customer satisfaction have improved,

Mathios, Alan D., and Rogers, Robert P., "The Impact of Alternative Forms of State Regulation of AT&T on Direct Dial Long Distance Telephone Rates," *RAND Journal of Economics* 20, no. 3 (Autumn 1989) 437-53

customers have received the benefit of shared savings of approximately \$49.72 million, and SDG&E shareowners have received incentive rewards of \$22.88 million.

The California Public Utilities Commission (PUC) has recently confirmed its commitment to the continuation of PBR in that State. For example, among the CPUC's findings of fact in its December, 1995 Policy Decision on electric restructuring are these:

- 1 Performance based ratemaking (PBR) promotes desirable utility behavior by rewarding efficient performance.
- 2 PBR offers flexibility and encourages utilities to focus on their performance, reduce operational cost, increase service quality, and improve productivity.

ATTACHMENTS

LIST OF ATTACHMENTS TO REPORT

- 1 Sample Job Descriptions of Certain Staff, Missouri Public Service Commission
- 2 Rules and Regulations of the Missouri Public Service Commission, Code of State Regulations (4 CSR 240-), including Rules of Practice and Procedure (chapter 2), Standards of Conduct (chapter 4), and substantive rules governing the operations of electricity companies (chapters 10, 13, 18, 20, 22, and 80)
- 3 Manual of Internal Procedures, Missouri Public Service Commission
- 4 Data Information Request form used for discovery in cases at the Missouri Public Service Commission
- 5 "Order Granting Motion for Protective Order," governing proprietary and confidential information, issued by Missouri Public Service Commission on September 24, 1998 in Application docket of Ameren Corporation (Missouri PSC Case No EO-99-108)
- 6 Uniform System of Accounts, "Accounting and Reporting Requirements for Public Utilities and Licensees," United States Federal Energy Regulatory Commission (FERC)
- 7 Annual Report Form (FERC Form No 1 "Annual Report of Major Electric Utilities, Licensees and Others", United States Federal Energy Regulatory Commission (FERC)
- 8 Annual Report of Union Electric Company (1997), filed with the Missouri Public Service Commission
- 9 Phillips, Charles F , Jr , The Regulation of Public Utilities, Theory and Practice, Third Edition (Arlington, Virginia, PUR, 1993), pages 375-432
- 10 Olson, Wayne P and Costello, Kenneth W , "*Electricity Matters A New Incentives Approach for a Changing Electric Industry*," Electricity Journal (January/February 1995) -

- 11 Testimony Regarding Rate of Return Direct, Rebuttal and Surrebuttal Testimony by John C Dunn, witness for the regulated entity, filed in Missouri Public Service Commission Case No ER-97-394 (Rate Case of Utilicorp United, Inc , an electric entity)
- 12 Testimony Regarding Rate of Return Direct, Rebuttal and Surrebuttal Testimony by Ronald L Bible, witness for the Regulator's Advocacy Staff, filed in Missouri Public Service Commission Case No GR-98-140 (Rate case of Missouri Gas Energy Company, a natural gas entity)

Attachments to

**“The Role of the Regulator
in the Process of Privatization
of the Regional Electricity Companies
in Kazakhstan”**

**Prepared on behalf of
Hagler Bailly Consulting, Inc.
by
William D. Steinmeier**

Attachment 1:

Sample Job Descriptions
Of Certain Staff Members,
Missouri Public Service Commission

**MISSOURI PUBLIC SERVICE COMMISSION
JOB DESCRIPTION**

 <p align="center">Regulatory Law Judge</p> <p align="center">Adjudication</p>	Range	Page 1 of 2	Class Code 9738
	Revised	Approval	

DEFINITION

The position of the Regulatory Law Judge requires the legal expertise and professional responsibility necessary to manage a case load of filings involving the regulation of public utilities. The Administrative Law Judge must be able to work effectively with the Commissioners and other Commission employees under the guidance of the Chief Administrative Law Judge.

DUTIES AND RESPONSIBILITIES

%of time ESSENTIAL FUNCTIONS

- 50% Draft proposed and final Commission orders and provide Commission with sound legal analysis and well-drafted documents in a timely manner
- 20% Aid the Commissioners' review of the record, pleadings and applicable law in docketed cases before the Commission's discussion of issues presented, as well as advise the Commission on other legal questions when requested
- 20% Efficiently and effectively conduct hearings, rule on the admission of evidence, and other matters
- 10% Perform other duties as directed by the Commission or Chief Administrative Law Judge such as rule makings, internal procedures and other assignments

ESSENTIAL KNOWLEDGE AND ABILITIES

- Must be able to work directly with a five-member Commission appointed by the Governor
- Ability to work harmoniously with others
- Ability to operate independently with minimal supervision
- Comprehensive knowledge of substantive and procedural law, both federal and state, affecting the agency's jurisdiction and regulation of public utilities

REGULATORY LAW JUDGE

**MISSOURI PUBLIC SERVICE COMMISSION
JOB DESCRIPTION**

 <p align="center">Regulatory Law Judge</p> <p align="center">Adjudication</p>	Range	Page 2 of 2	Class Code 9738
	Revised	Approval	

Thorough working knowledge of the rules of evidence and procedure and the Commission's rules and regulations

Thorough working knowledge of the laws and rules governing the issuance of subpoenas, depositions, and the service of notices and orders of the Commission

Thorough knowledge and understanding of precedent and current Commission policy

Demonstrated ability to research legal problems and to analyze appraise, and apply legal principles evidence and precedent to issues before the Commission

Ability to understand and make accurate summaries of evidence and to prepare well-reasoned proposed reports and orders consisting of legally sufficient findings of fact and conclusions of law

Ability to conduct fair and impartial hearings

Good working knowledge of the operations, organizations, structure and financing of public utilities

Ability to present ideas clearly and concisely, both orally and in writing, and a demonstrated ability to quickly comprehend and utilize new concepts and strategies

TRAINING AND EXPERIENCE

Graduation from an accredited school of law and a minimum of two (2) years legal experience in the practice of law

Admitted to practice and in good standing in the Missouri Bar

REPORTS TO

Chief Administrative Law Judge

REGULATORY LAW JUDGE

**MISSOURI PUBLIC SERVICE COMMISSION
JOB DESCRIPTION**

 <p align="center">Utility Regulatory Auditor I</p> <p align="center">Utility Services Accounting</p>	Range 21	Page 1 of 2	Class Code 7800
	Revised	Approval	

DEFINITION

This is an entry-level professional position requiring general knowledge of auditing and accounting practices and procedures. Auditors in this position must be able to handle standard audit areas of lesser complexity under the supervision of higher level auditors.

DUTIES AND RESPONSIBILITIES

% of Time ESSENTIAL FUNCTIONS

- 50%* Professionally conduct the timely and efficient examination of the accounts, books, records and reports of jurisdictional utilities
- 50%* Ensure all deadlines are met during the pendency of any assigned case
- 25% Take a significant role in audits related to very small or informal water/sewer rate cases without extensive day-to-day supervision
- 5% Prepare and present expert testimony in proceedings before the Commission and aid Staff attorneys in preparation for hearings and arguments as requested
- 10% Professionally interact with utility company personnel and other Commission Staff

*These items together comprise 60% of the time necessary to complete these functions

OTHER FUNCTIONS

Maintain CPE credits as may be necessary and stay current on new developments in the utility industry and regulation through regular review of relevant publications and attendance at seminars and conferences

Perform any other duties, as directed

UTILITY REGULATORY AUDITOR I

**MISSOURI PUBLIC SERVICE COMMISSION
JOB DESCRIPTION**

 <p align="center">Utility Regulatory Auditor I</p> <p align="center">Utility Services Accounting</p>	Range 21	Page 2 of 2	Class Code 7800
	Revised	Approval	

ESSENTIAL KNOWLEDGE AND ABILITIES

Good working knowledge of modern accounting/auditing practices and procedures

Ability to conduct timely and professional audits in coordination with management, upper level auditors, and other staff outside the Department

Ability to work well with others

Ability to communicate effectively both orally and in writing

Ability to accurately present and defend audit findings and staff positions under cross-examination at hearings

Ability to display professional judgment and the highest level of integrity in the conduct of official duties

Ability to work extended hours on projects

Ability to work under pressure and meet frequent deadlines

An employee in this classification should expect to travel at least fifty percent of the time, throughout the state and to other states to conduct official business

TRAINING AND EXPERIENCE

Graduation from an accredited college or university, with a major in accounting or a minimum of 24 core hours of accounting course work

REPORTS TO

Utility Regulatory Auditor V

UTILITY REGULATORY AUDITOR I

**MISSOURI PUBLIC SERVICE COMMISSION
JOB DESCRIPTION**

	Rate & Tariff Examiner II Utility Operations Rate & Tariff Design-Electric	Range 25	Page 1 of 2	Class Code 7841
		Revised 9/24/98	Approval	

DEFINITION

This is a responsible technical position entrusted with the care and administration of tariffs, service schedules, and energy utility company rules and regulations

DUTIES AND RESPONSIBILITIES

% of Time ESSENTIAL FUNCTIONS

- 45% Reviews and makes recommendations on energy utility company rates and tariffs
- 20% Verifies application of new rates, prepares responses to correspondence relating to rates service, or regulations
- 15% Prepares replies to certain consumer complaints relating to rates, rules and tariff interpretations
- 10% Compiles statistics and lists of company names, maintains service area maps, collects data, and generally assists other staff members in the discharge of their regulatory responsibilities
- 5% Provides testimony and exhibits as an expert witness at Commission hearings and assists Commission attorneys in hearing preparation
- 5% Professionally participates in conference with utility company officials, public officials, members of the general public, and other interested parties to resolve matters relating to rates, tariffs, and other utility matters for which the department has responsibility

OTHER FUNCTIONS

Performs other duties as instructed by the Commission or by supervisors

**MISSOURI PUBLIC SERVICE COMMISSION
JOB DESCRIPTION**

 <p align="center">Rate & Tariff Examiner II</p> <p align="center">Utility Operations Rate & Tariff Design-Electric</p>	<p align="center">Range 25</p>	<p align="center">Page 2 of 2</p>	<p align="center">Class Code 7841</p>
	<p align="center">Revised 9/24/98</p>	<p align="center">Approval</p>	

ESSENTIAL KNOWLEDGE AND ABILITIES

Working knowledge of or ability to quickly learn federal, state, and local regulations relating to regulatory work and methods

Working knowledge of or ability to quickly learn the rules, regulations and trends in the energy utility industry

Working knowledge of or ability to quickly learn engineering and accounting principles in rate structure determination

Working knowledge of or the willingness and ability to learn to use computers

Ability to present ideas clearly and concisely, both orally and in writing

Ability to establish and maintain effective and professional working relationships with the Commission, staff members, utility company representatives, governmental officials, and the general public

Ability to travel in the State of Missouri and to other states as necessary to conduct state business

TRAINING AND EXPERIENCE

Graduation from an accredited four (4) year college or university with a degree in engineering, accounting, or related field, or four (4) years of utility related experience, or a combination of training and experience

Computer training and experience in word processing, spreadsheet, and/or database required

REPORTS TO

Supervisor, Rates and Tariffs Section

**MISSOURI PUBLIC SERVICE COMMISSION
JOB DESCRIPTION**

 <p align="center">Utility Regulatory Engineer II</p> <p align="center">Utility Operations Engineering</p>	<p align="center">Range 34</p>	<p align="center">Page 1 of 3</p>	<p align="center">Class Code 7829</p>
	<p align="center">Revised 9/24/98</p>	<p align="center">Approval</p>	

DEFINITION

This is a highly responsible and professional position. It requires the ability to analyze, investigate, coordinate, and perform technical engineering work related to energy utilities. It also requires the ability to effectively advise and assist the Commission in discharging its statutory responsibilities. This position requires experience and expertise in the area of energy engineering and safety matters and the ability to make crucial interpretations, recommendations, and decisions related to the regulation of jurisdictional utilities.

DUTIES AND RESPONSIBILITIES

% of Time ESSENTIAL FUNCTIONS

- 60% Investigates, inspects, reports, and advises on service complaints, incidents and outages as well as checks compliance with Commission orders and regulations
- 20% Reviews, analyzes, and makes recommendations related to tariff filings, service, safety, construction, operating standards, procedures allocations, fuel, and regulations
- 15% Provides testimony and exhibits as an expert witness at Commission and other hearings and assists Commission attorneys in hearing preparation
- 5% Arranges and professionally participates in conferences with utility company officials, public officials, members of the general public, and other interested parties to resolve matters for which the department has responsibility

OTHER FUNCTIONS

Assists in the preparation and review of rules and standards associated with the provision of utility services

Prepares and/or directs the preparation of cost studies and evaluations of utility property

Performs other duties as instructed by the Commission or by supervisors

ESSENTIAL KNOWLEDGE AND ABILITIES

UTILITY REGULATORY ENGINEER II

**MISSOURI PUBLIC SERVICE COMMISSION
JOB DESCRIPTION**

	Utility Regulatory Engineer II Utility Operations Engineering	Range 34	Page 2 of 3	Class Code 7829
		Revised 9/24/98	Approval	

Good working knowledge of the principles and practices of engineering as applied in the construction and operation of energy utilities

Good working knowledge of federal, state, and local regulations relating to regulatory work and methods

Good working knowledge of the modern trend and practices in public utility service, investigation and regulation and a general knowledge of accounting factors as they relate to utility regulation

Ability to organize direct and coordinate the work of technical and clerical personnel to effectively attain the Commission's regulatory goals

Ability to delegate authority, fix responsibility, and evaluate the work of a technical staff

Ability to present ideas clearly and concisely, both orally and in writing, and possess a good working knowledge and experience in the use of computers

Ability to establish and maintain effective and professional working relationships with the Commission, staff members, utility company representatives, governmental officials, and the general public

Ability to travel in the State of Missouri and to other states as necessary to conduct state business

Ability to conduct physical inspections of utility facilities--inspections require considerable walking, the ability to climb ladders, walk on elevated and narrow walkways, crawl through small apertures, work in extreme weather conditions and lift up to approximately fifty (50) pounds overhead

Ability to effectively use computers in the department

TRAINING AND EXPERIENCE

Graduation from an accredited four (4) year college or university with a major in engineering, plus,

Four (4) years of responsible utility related experience or training

Possess registration as a Professional Engineer in the State of Missouri or have eligibility therefor

MISSOURI PUBLIC SERVICE COMMISSION
JOB DESCRIPTION

	Utility Regulatory Engineer II	Range 34	Page 3 of 3	Class Code 7829
	Utility Operations Engineering	Revised 9/24/98	Approval	

Computer training and experience in word processing, spread-sheet, and/or database required

REPORTS TO

Utility Regulatory Engineer Supervisor

**MISSOURI PUBLIC SERVICE COMMISSION
JOB DESCRIPTION**

	Regulatory Economist III	Range 32	Page 1 of 3	Class Code 7812
	Utility Operations Rate & Tariff Design-Electric	Revised 9/24/98	Approval	

DEFINITION

This is a highly responsible position that requires mature professional judgement in planning, directing and supervising a technical staff in electric utility regulation. The position requires expert knowledge in the application of economic principles and statistical methods to conduct analysis of regulated utility supply systems, rates, and the demand for services. The position requires the ability to advise and assist in designing efficient research strategies and developing appropriate analytical methods to address major policy issues and provide high-quality information to decision makers. It also requires a high level of communication and interactive skills to organize and direct the work of technical teams that are formed to carry out specific research projects or rate making studies.

This position requires experience and expertise in the area of energy utility rate making and administration and the ability to make crucial recommendations and decisions related to tariff and rate matters.

DUTIES AND RESPONSIBILITIES

% of TIME ESSENTIAL FUNCTIONS

- 25% Provide leadership and supervision to five-member section charged with responsibility for electric rate design, class cost of service, weather normalization, load forecasting, demand-side programs, resource planning, tariff filings to initiate or change rates or the rules and regulations under which electric utilities operate, and complaints regarding application of the utilities' tariffs.
- 25% Plan and design economic research projects, perform research and analysis, provide testimony as a expert witness, and make technical and policy recommendations to the Commission in the above areas.
- 10% Serve as Staff's Case Coordinator in all electric class cost-of-service and rate design cases and in designated rate and/or complaint cases. Communicate and negotiate with utility company officials to coordinate cases and attempt to narrow or settle issues without formal hearings.

**MISSOURI PUBLIC SERVICE COMMISSION
JOB DESCRIPTION**

	Regulatory Economist III	Range 32	Page 2 of 3	Class Code 7812
	Utility Operations Rate & Tariff Design-Electric	Revised 9/24/98	Approval	

- 30% Provide leadership and analysis for development of the Commission's position on emerging issues Chair of the Staff's Electric Retail Wheeling Pilots Team Chair of the Staff's Electric Reliability Team Staff Vice Chair of the Commission's Retail Competition Task Force Working Group on Reliability Draft reports for the various reams working groups, and the Task Force
- 10% Provide consultation and support to other sections and departments on regulatory matters and to various internal staff teams on internal policies and procedures

ESSENTIAL KNOWLEDGE AND ABILITIES

- Ability to listen effectively
- Ability to establish and maintain effective working relationships
- Ability to delegate authority, assign responsibility, and evaluate the work of a technical staff
- Ability to delegate responsibility and organize, direct and evaluate the work of technical teams formed to carry out specific research projects or rate making studies
- Ability to develop research strategies, design research projects and evaluate the quality and applicability of research results
- Ability to present ideas clearly and concisely, both orally and in writing
- Ability to travel as necessary to conduct Commission business
- Working knowledge of economic principles and practices and applied statistical methods
- Working knowledge of electronic data processing methods and the ability to use computer resources efficiently and effectively to apply statistical methods and engineering principles to the analysis of regulatory issues and problems
- Working knowledge of the available sources and types of information and methods of analysis used in regulated utility industries
- Ability to effectively use computer systems

REGULATORY ECONOMIST III

MISSOURI PUBLIC SERVICE COMMISSION
JOB DESCRIPTION

	Regulatory Economist III	Range 32	Page 3 of 3	Class Code 7812
	Utility Operations Rate & Tariff Design-Electric	Revised 9/24/98	Approval	

TRAINING AND EXPERIENCE

Graduation from an accredited four (4) year college or university with a degree in economics or related area, plus,

Four (4) years of responsible utility related experience or training

Master's degree preferred

Possess professional registration or license in appropriate field of endeavor or have eligibility therefor

Computer training and experience in word processing, spread-sheet, and/or database required

REPORTS TO

Supervisor, Rates and Tariffs Section

**MISSOURI PUBLIC SERVICE COMMISSION
JOB DESCRIPTION**

	Deputy Counsel	Range	Page 1 of 4	Class Code 9749
	General Counsel	Revised	Approval	

DEFINITION

The position of Deputy Counsel requires an extremely high level of competence, responsibility, professionalism, leadership and integrity. The Deputy Counsel must be able to conduct and direct the legal activities of the Commission, including direct supervision of one or more Division Director and Assistants Division Director. The Deputy Counsel must also be capable of performing the functions of the Division Director in the absence of Division Director, and must communicate effectively with persons inside and outside the agency on all matters affecting the agency's operations.

DUTIES AND RESPONSIBILITIES

To assist the Division Director in directing and coordinating the legal activities of the Commission, to conduct litigation and to resolve regulatory problems of the highest degree of importance and complexity.

To assist in directing the Senior Counsel, Assistants Division Director and other legal staff in coordinating with the technical staff the preparation of evidence, comments and argument in all cases heard before the Commission, the courts, and other regulatory bodies before which the Commission may be a party.

To assist in recruiting, interviewing, selecting, supervising and training Senior Counsel, Division Directors, law clerks and paralegal as assigned, including preparation of performance expectations and performance appraisals.

To serve as chief trial counsel in the major utility rate, rule making, policy, and other regulatory cases pending before the Commission subject to the direction and supervision of the Division Director.

In the absence of and at the direction of Division Director, to direct the operations of the Office of Division Director.

To act as liaison of the Division Director with other Commission departments as assigned.

To consult and advise members of the Commission and the staff on legal and policy matters.

To appear for the Commission before all levels of courts and before federal agencies.

DEPUTY COUNSEL

**MISSOURI PUBLIC SERVICE COMMISSION
JOB DESCRIPTION**

	Deputy Counsel		Range	Page 2 of 4	Class Code 9749
	General Counsel		Revised	Approval	

To prepare briefs, pleadings, memoranda, findings of facts, conclusions of law, orders, and other documents as appropriate before the Commission and all levels of courts and federal agencies

To assist in preparing material for various reports and other administrative material issued by the Commission

To assist in legislative activities, including

- reviewing and preparing digests of bills and amendments introduced in or adopted by the legislature relating to the Public Service Commission
- advising the Commission on recommended positions and strategy regarding proposed legislation,
- drafting bills and amendments
- appearing before legislative committees regarding proposed legislation at the direction of the Commission,
- preparing or reviewing fiscal notes bill reviews correspondence, testimony, etc

To advise Commissioners and staff members on application of regulatory statutes to Commission's and individual Commissioner's powers, duties and procedures

To advise practitioners and members of the public on legal and procedural problems involving the Public Service Commission laws

To assist in handling and reviewing correspondence and reports

ESSENTIAL KNOWLEDGE AND ABILITIES

Thorough knowledge of the law governing and administered by the Public Service Commission, and the judicial interpretation of such law

Thorough knowledge of the rules and regulations of the Commission and relevant federal administrative agencies

Thorough knowledge of the rules of the court for the State of Missouri and applicable federal courts, including the rules of the United States Supreme Court

DEPUTY COUNSEL

**MISSOURI PUBLIC SERVICE COMMISSION
JOB DESCRIPTION**

	Deputy Counsel		Range	Page 3 of 4	Class Code 9749
	General Counsel		Revised	Approval	

Thorough knowledge of the conduct of proceedings and of the rules of evidence and procedure in state and federal courts and before public utility regulatory bodies

Thorough knowledge of the purposes, organization and operation of the Public Service Commission

Wide knowledge of administrative law applicable to the Public Service Commission

Wide knowledge of the basic principles organization, structure and financing of public utilities

Ability to analyze legal problems and to apply legal practice and precedents to particular set of facts

Ability to prepare statements of facts, law and argument clearly and logically in written or oral form

Ability to draft rules, regulations and legislative measures

Ability to supervise professional employees and prepare and present performance expectations and appraisals

Ability to conduct legal research, including on-line legal research ,and to utilize the Commission's computerized docket system

Ability to manage personnel and budget of Division Director's office as assigned

Ability to work effectively with other Division Directors, mid-level managers, and agency staff of Commission

DEPUTY COUNSEL

25

**MISSOURI PUBLIC SERVICE COMMISSION
JOB DESCRIPTION**

 Deputy Counsel General Counsel	Range	Page 4 of 4	Class Code 9749
	Revised	Approval	

TRAINING AND EXPERIENCE

Juris doctorate degree from accredited law school required Responsible relevant legal experience in on (1) or more field of law directly or indirectly related to the field of public utility regulation required

Admitted to practice and in good standing in the Missouri Bar and in appropriate federal courts

Responsible management and/or supervisory experience preferred

SPECIAL REQUIREMENTS

Active membership in the Missouri Bar and one or more relevant committees may be expected
Membership in the Federal Energy Bar or Federal Communications Bar may be expected

REPORTS TO

Division Director

DEPUTY COUNSEL

**MISSOURI PUBLIC SERVICE COMMISSION
JOB DESCRIPTION**

	Legal Counsel	Range	Page 1 of 4	Class Code 9734
	General Counsel	Revised	Approval	

DEFINITION

The position of Legal Counsel requires a high level of competence, responsibility, professionalism, and integrity. The Legal Counsel must be able to conduct the legal activities of the Commission, conduct litigation and resolve regulatory problems of varying degrees of importance and complexity, under the direction of the Division Director (General Counsel) or a designated Deputy Counsel. The Legal Counsel must also communicate affecting the agency's operations.

DUTIES AND RESPONSIBILITIES

<u>% of time</u>	<u>ESSENTIAL FUNCTIONS</u>
15%	Facilitate and actively participate in settlement negotiations
10%	Assist and advise agency staff in preparation of evidence, comments, and argument in all cases heard before the Commission, courts, and other regulatory bodies in which the Commission may be a party
15%	Consult and advise the Commissioners and agency staff on all matters of law and policy affecting the Commission
10%	Appear for the Commission before all levels of courts and federal agencies, which may require some travel outside of Jefferson City
10%	Prepare briefs, pleadings, and other documents, as well as findings of fact, conclusions of law, memoranda and orders as appropriate before the Commission and all levels of courts and federal agencies
5%	Provide assistance in the Commission's legislative activities including 1) reviewing and preparing digests of bills and amendments introduced in or adopted by the Legislature relating to the Public Service Commission, 2) advising the Commission on recommended positions and strategy regarding proposed legislation, 3) drafting bills and amendments, 4) appearing before legislative committees regarding proposed legislation, at the direction of the Commission, and 5) preparing or reviewing fiscal notes, bill reviews, correspondence, testimony, etc

LEGAL COUNSEL

**MISSOURI PUBLIC SERVICE COMMISSION
JOB DESCRIPTION**

	Legal Counsel		
	Range	Page 2 of 4	Class Code 9734
General Counsel			Revised
			Approval

- 15% Advise Commissioners and staff members on application of regulatory statutes to commission powers, duties, and procedures
- 5% Respond to inquiries from practitioners and members of the public on legal and procedural problems related to the Public Service Commission law, rules, and procedures
- 5% Assist Commission Utility Consumer Services staff in handling, reviewing, and resolving consumer complaints
- 10% Assist in drafting Public Service Commission rules and internal procedures

OTHER FUNCTIONS

- Assist in preparing material for various reports and other administrative material
- Assist in handling and reviewing correspondence and reports

ESSENTIAL KNOWLEDGE AND ABILITIES

- Thorough knowledge of state and federal law governing and administered by the Public Service Commission and the judicial interpretation of such law
- Thorough knowledge of applicable administrative law and rules regulations, and procedures of the Commission
- Thorough knowledge of the conduct of proceedings and of the rules of evidence and procedure in state federal courts and before federal regulatory bodies
- Thorough knowledge of the purposes, organization and operation of the Public Service Commission
- Extensive knowledge of the basic principles of organization, structure, and financing of public utilities

LEGAL COUNSEL

**MISSOURI PUBLIC SERVICE COMMISSION
JOB DESCRIPTION**

	Legal Counsel	Range	Page 3 of 4	Class Code 9734
	General Counsel	Revised	Approval	

Ability to analyze legal problems and to apply legal practice and precedent to a particular set of facts

Ability to prepare statements of facts, law and argument clearly and logically in written or oral form

Ability to draft rules, regulations and legislative measures

Ability to work effectively with assigned Deputy Counsel, other attorneys in the General Counsel's office, and agency staff

Ability to perform legal research including electronic, on-line legal research, and to utilize the Commission's computerized docket system

Ability to operate computer

Ability to work effectively with support staff including assigned secretary and paralegal, and to provide input into performance appraisals and expectations for support staff, as required

Ability to travel to various sites to appear on behalf of the Commission

TRAINING AND EXPERIENCE

Juris doctorate degree from an accredited law school and admission to practice law in Missouri or eligibility for admission to practice law in Missouri required Relevant legal experience in one or more fields of law which involve broad and extensive experience in the field of public utility regulation preferred

(Legal Counsel FTE may, under certain conditions, be filled with a non-licensed law school graduate pending notice of passing the Missouri Bar Exam on the first available date following hire)

Computer training and/or experience preferred

SPECIAL REQUIREMENTS

Active membership in the Missouri Bar and one or more relevant committees may be expected

LEGAL COUNSEL

MISSOURI PUBLIC SERVICE COMMISSION
JOB DESCRIPTION

	Legal Counsel	Range	Page 4 of 4	Class Code 9734
	General Counsel	Revised	Approval	

REPORTS TO

Division Director or assigned Deputy Counsel

LEGAL COUNSEL

Attachment 2:

Rules and Regulations,
Missouri Public Service Commission,
Missouri Code of State Regulations
(4 CSR 240-)

Includes:

Rules of Practice and Procedure
(chapter 2);

Standards of Conduct
(chapter 4); and

Substantive rules governing the operations
of electricity companies
(chapters 10, 13, 18, 20, 22, and 80)



State of Missouri Code of State Regulations

Annotated

Published by

Rebecca McDowell Cook, Secretary of State

Administrative Rules Division

Oct 31,
1995

UPDATE SERVICE

Supplement to
Vol 3
10 95 64



MATERIAL IN THIS UPDATE This update includes rules for which the final text (Orders of Rulemaking) has been filed with the Secretary of State through September 15 1995 Retain all pulled copies for future reference and judicial review

Note For *Missouri Register* subscribers this update incorporates all material through the May 15 1995 issue Some of the material in issues after May 15 1995 is still under consideration Back copies through May 15 1995 may be discarded if desired although they provide documentation of public comments received in rulemaking

FILING INSTRUCTIONS

Following this instruction sheet are looseleaf pages that are to be inserted into Volume 3 of the *Code of State Regulations* You will also have to remove some of the existing pages The table on the back of this page shows what pages come out and what pages are to be put in Please follow it carefully The usefulness of the set depends on material being in the right place

Some pages will not have page numbers These are usually the first pages within a chapter or the table of contents for an entire title The table of contents for a title is right after the index tab in the volumes

Most of the pages in the *Code* have a number in the upper right or left corner of the page such as 4 CSR 195 1 This is the chapter number referred to in the table The insert remove instructions are keyed to this number Once you locate the pages in the *Code* with this number on them look to the bottom of the page for the page numbers Then follow the instructions as to which pages to remove and which to insert

When you have completed all the instructions (you might use the check off squares to keep track) insert this page in the front of the volume it covers It will signify how recently the volume was updated

If you get confused as to which pages are new or old the new pages always have the current month and year indicated in the bottom corner such as (10/31/95) The 10 95-64 below the Vol 3 on this sheet shows the number of updates this year followed by total number of updates

If you have any questions you may call the Administrative Rules Division at (314) 751-4015

HOW TO CITE RULES AND RSMo

RULES

The rules are codified in the *Code of State Regulations* in this system—

Title	CSR	Division	Chapter	Rule
4		195	1	010
Department	<i>Code of State Regulations</i>	Agency Division	General area regulated	Specific area regulated

and should be cited in this manner 4 CSR 195-1 010

Each department of state government is assigned a title Each agency or division in the department is assigned a division number The agency then groups its rules into general subject matter areas called chapters and specific areas called rules Within a rule the first breakdown is called a section and is designated as (1) Subsection is (A) with further breakdown into paragraphs 1 subparagraphs A parts (I) subparts (a) items I and sub items a

They are properly cited by using the full citation for example 4 CSR 195 1 010 NOT Rule 195-1 010

RSMo

Cite material in the RSMo by date of legislative action The asterisked note gives the original and amended legislative history The Office of the Revisor of Statutes recognizes that this practice gives *Code* users a concise legislative history

Supplement for Volume 3

Check Off	Chapter Number	Agency	Take Out Pages	Put In Pages
<input type="checkbox"/>	† 4 CSR 240 2	Public Service Commission	1, 3-17	1-19
<input type="checkbox"/>	Insert this sheet in front of Volume 3 to indicate that the Code has been updated			

† This chapter contains a rule(s) that has been rescinded and readopted. If you are planning to use or are interested in keeping the corresponding take-out pages, please retain until November 30, 1995.

Please retain all take-out pages until November 30, 1995.

The Secretary of State's Office makes every effort to provide program accessibility to all citizens without regard to disability. If you desire this publication in alternate form because of a disability, please contact the Director of Administrative Rules, P O Box 778 Jefferson City MO 65102 (314) 751 3367. Hearing impaired citizens should contact the Director through Missouri Relay, (800) 735-2966.

Rules of Department of Economic Development

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**Title 4—DEPARTMENT OF
ECONOMIC DEVELOPMENT
Division 240—Public Service
Commission**

Chapter 2—Practice and Procedure

4 CSR 240-2 010 Definitions

PURPOSE This rule defines terms used in the rules comprising Chapter 2 Practice and Procedure and supplements those definitions found in Chapter 386 of the Missouri Revised Statutes

- (1) Applicant means any person corporation municipality political subdivision or public utility on whose behalf an application is made before the commission
- (2) Commission means the Missouri Public Service Commission as created by Chapter 386 of the Missouri Revised Statutes
- (3) Commissioner means one (1) of the members of the commission
- (4) Commission staff means all personnel employed by the commission whether on a permanent or contractual basis who are not attorneys in the general counsel's office or administrative law judges
- (5) Complainant means the commission any person corporation municipality political subdivision the Office of the Public Counsel or public utility who files a complaint with the commission
- (6) Corporation includes a corporation company association or joint stock association or company
- (7) General counsel means the attorney who serves as counsel to the commission and includes the general counsel and all other attorneys who serve in the office of the general counsel
- (8) Intervenor means a person corporation municipality political subdivision or public utility which has been granted intervention as a party in a proceeding before the commission
- (9) Participant without intervention means any person corporation municipality political subdivision or public utility allowed by the commission to take part in a proceeding

before it without formal intervention as provided for in 4 CSR 240-2 075

- (10) Party includes any applicant, complainant, petitioner, respondent, intervenor or public utility in proceedings before the commission Commission staff and the public counsel are also parties unless they file a notice of their intention not to participate within the period of time established for interventions by commission rule or order
- (11) Person includes an individual, corporation municipality, political subdivision and a partnership
- (12) Pleading means any application complaint petition answer motion or other similar written document which is not a tariff or correspondence, and which is filed with the commission in a docketed case A brief is not a pleading under this definition
- (13) Presiding officer means a commissioner or an administrative law judge licensed to practice law in the state of Missouri and appointed by the commission to preside over matters pending before the commission
- (14) Public counsel means the Office of Public Counsel as created by the Omnibus State Reorganization Act of 1974 and includes the assistants who represent the public before the commission
- (15) Public utility includes every common carrier pipeline corporation, gas corporation electrical corporation telecommunications corporation, water corporation heat or refrigeration corporation sewer corporation and any joint municipal utility commission pursuant to section 386 020 RSMo regulated by the commission
- (16) Respondent means any person corporation or public utility subject to regulation by the commission against whom any complaint is filed
- (17) Secretary means the executive secretary of the commission

*Auth section 386 410 RSMo (1994)
Original rule filed Dec 19 1975
effective Dec 29 1975 Amended
Filed Nov 7 1984 effective June 15
1985 Amended Filed June 9 1987
effective Nov 12 1987 Rescinded and
readopted Filed March 10 1995
effective Nov 30 1995*

4 CSR 240-2 020 Meetings and Hearings

PURPOSE This rule announces the time and place of meetings and hearings of the Public Service Commission

- (1) The principal office of the Public Service Commission is located in the Harry S Truman State Office Building Floor 5A 301 W High St, Jefferson City Missouri All general inquiries to the commission cover letters motions responses and other pleadings shall be addressed to the Executive Secretary Missouri Public Service Commission P O Box 360 Jefferson City MO 65102
- (2) Regular meetings for the purpose of conducting public business before the commission are scheduled to be held in the agenda room of the commission at 9 00 a m Monday through Friday except holidays unless otherwise posted The time of each meeting and the matters to be discussed will be posted at the commission offices and are available to the public by contacting the commission
- (3) Hearings conducted by the commission will be held in Room 520B of the Harry S Truman State Office Building unless otherwise ordered by the commission
- (4) Three (3) commissioners constitute a quorum for the transaction of business the performance of any duty or the exercise of any power of the commission

*Auth section 386 410 RSMo (1994)
Original rule filed Dec 19 1975
effective Dec 29 1975 Amended
Filed Nov 7 1984 effective June 15
1985 Rescinded and readopted Filed
March 10 1995 effective Nov 30
1995*

4 CSR 240-2 030 Records of the Commission

PURPOSE This rule sets forth the recordkeeping requirements of the commission and the availability of these records to the public Charges for copies are subject to statutory limitations

- (1) The secretary shall keep a full and true record of all the proceedings of the

commission of all books maps documents and papers ordered filed by the commission of all orders made by each of the commissioners and of all orders made by the commission or approved and confirmed by it and ordered filed In addition the secretary shall maintain a docket of all proceedings filed and proceedings set for hearing and shall assign each matter an appropriate docket number These records shall be available for public inspection in the office of the secretary from 8 00 a m to 5 00 p m Monday through Friday, except for legal holidays

(2) Copies of records official documents, pleadings transcripts and orders filed with the commission may be requested from the secretary Any such request must be made in writing Copies of records official documents pleadings transcripts and orders furnished to public officers for use in their official capacity will be provided without charge Copies will be provided to all others as follows

- (A) Records official documents pleadings and orders thirty-five cents (35c) per page
- (B) Certificate under seal one dollar (\$1)
- (C) Transmittal by electronic telephone fifty cents (50c) per page
- (D) Copies of official transcripts fifty cents (50c) per page A diskette shall be provided upon request with a request for a printed copy of the transcript

Auth sections 386 300 and 386 410 RSMo (1994) Original rule filed Dec 19 1975 effective Dec 29 1975 Amended Filed Nov 7 1984 effective June 15 1985 Rescinded and readopted Filed March 10 1995 effective Nov 30 1995

4 CSR 240-2 040 Practice Before the Commission

PURPOSE This rule sets forth who may practice as an attorney before the commission

(1) Any natural person who files or signs a pleading or brief or other document requesting commission action in a docketed case or who enters an appearance for a party, expressly represents that such person is authorized to so act and that such person is a licensed attorney at law in good standing in Missouri or has complied with subsection (6)(C) below or is appearing on his/her own behalf

(2) Any representation of a party before the commission shall be deemed the practice of law as it is defined in section 484 010 RSMo

(3) Every signature of an attorney which appears upon a pleading brief or other document shall be immediately followed by that attorney's official address telephone number and Missouri Bar number If the attorney is not licensed in Missouri the signature shall be followed by the name of the state in which the attorney is licensed and any identifying number or nomenclature similarly used by the licensing state

(4) The general counsel represents the staff in investigations contested cases and other proceedings before the commission and appears for the commission in all courts and before federal regulatory bodies and in general performs all duties and services as attorney and counsel to the commission which the commission may reasonably require

(5) The public counsel represents the interests of the public before the commission

(6) Attorneys who wish to practice before the commission must comply with one (1) of the following criteria

(A) An attorney who is licensed to practice law in the state of Missouri and in good standing may practice before the commission

(B) A nonresident attorney who is a member of the Missouri Bar in good standing but who does not maintain an office for the practice of law within the state of Missouri may appear before the commission as in the case of a resident attorney

(C) Any attorney who is not a member of the Missouri Bar but who is a member in good standing of the bar of any court of record may petition the commission for leave to be permitted to appear and participate in a particular case before the commission under all of the following conditions

1 The visiting attorney shall file in a separate pleading a statement identifying each court of which that attorney is a member and certifying that neither the visiting attorney nor any member of the attorney's firm is disqualified to appear in any of these courts and

2 The statement shall also designate some member in good standing of the Missouri Bar having an office within Missouri as associate counsel and

3 The designated Missouri attorney shall

simultaneously enter an appearance as an attorney of record and

(D) An eligible law student may petition the commission to be allowed to appear before the commission Such application must comply with Missouri Civil Rule 13

(7) Practice by Nonattorneys A natural person may represent him/herself in a docketed case before the commission Such practice is strictly limited to the appearance of an individual on his/her own behalf and may not be made for any other person or entity

Auth section 386 410 RSMo (1994) Original rule filed Dec 19 1975 effective Dec 29 1975 Amended Filed Nov 7, 1984 effective June 15 1985 Rescinded and readopted Filed March 10 1995 effective Nov 30 1995

4 CSR 240-2 050 Computation of Effective Dates

PURPOSE This rule sets standards for computation of effective dates of an order or time prescribed by the commission when no specific date is set by commission order

(1) In computing any period of time prescribed or allowed by the commission the day that the commission order is issued is not to be included The last day of the period shall be included unless it falls on a Saturday Sunday or legal holiday in which case it is extended to the end of the next working day This rule does not apply where the commission establishes a specific date by which an action must occur

(2) When the period of time prescribed or allowed is less than seven (7) days Saturdays Sundays or legal holidays falling within the period will be excluded and the period will be extended accordingly This rule does not apply where the commission establishes a specific date by which an action must occur

(3) In computing the effective date of any order of the commission the order is considered effective at 12 01 a m on the effective date designated in the order whether or not the date is a Saturday Sunday or legal holiday

(4) When an act is required or allowed to be done at or within a specific time with the

exception of the operation of law date of suspended tariffs the commission, at its discretion may

(A) Order the period enlarged if a request is made before the expiration of the period originally prescribed or extended by a previous order or

(B) Permit the act to be done after the expiration of the specified period except after the effective date of a tariff, where the failure to act was the result of excusable neglect

*Auth section 386 410 RSMo (1994)
Original rule filed Dec 19 1975
effective Dec 29 1975 Amended
Filed Nov 7 1984 effective June 15
1985 Rescinded and readopted Filed
March 10 1995 effective Nov 30
1995*

4 CSR 240-2 060 Applications

PURPOSE Applications to the commission requesting relief under statutory or other authority must meet the requirements set forth in this rule

Editor's Note The secretary of state has determined that the publication of this rule in its entirety would be unduly cumbersome or expensive The entire text of the material referenced has been filed with the secretary of state This material may be found at the Office of the Secretary of State or at the headquarters of the agency and is available to any interested person at a cost established by state law

(1) All applications shall comply with the requirements of 4 CSR 240-2 080 and 4 CSR 240-2 040 and shall include the following information

(A) Legal name of applicant as well as evidence of registration of fictitious name with the Missouri secretary of state and street and mailing address of the principal office or place of business of applicant

(B) A brief statement of the character of business performed by each applicant

(C) Name title address and telephone number of the person to whom correspondence communications and orders and decision of the commission are to be sent

(D) Reference to the statutory provision or other authority under which relief is requested

(E) A clear and concise statement of the relief requested,

(F) All applications shall be subscribed and verified by affidavit under oath by one (1) of the following methods if an individual by that individual if a partnership by an authorized member of the partnership if a corporation by an authorized officer of the corporation if a municipality or political subdivision by an authorized officer of the municipality or political subdivision, or by the attorney for the applicant if the application includes or is accompanied by a verified statement that the attorney is so authorized

(G) An association filing an application shall list all of its members as an attached appendix to the application and

(H) Attorneys not licensed to practice law in Missouri must comply with 4 CSR 240-2 040 when they file applications or pleadings

(2) Applications for a certificate of convenience and necessity by a gas electric water sewer or heating company shall include the following information

(A) If the applicant is a Missouri corporation a certified copy of the Articles of Incorporation and Certificate of Incorporation from the secretary of state

(B) If the applicant is not a Missouri corporation a certificate from the secretary of state that it is authorized to do business in Missouri

(C) If the applicant is a partnership a copy of the partnership agreement

(D) If the applicant does business under a fictitious name a copy of the registration of the fictitious name with the secretary of state

(E) If the applicant has submitted the applicable information as set forth in subsections (2)(A)—(D) of this rule in a previous application the same may be incorporated by reference to the case number in which the information was furnished,

(F) If the application is for a service area

- 1 A statement as to the same or similar utility service regulated and nonregulated available in the area requested

- 2 If there are ten (10) or more residents or landowners the name and address of no fewer than ten (10) persons residing in the proposed service area or of no fewer than ten (10) landowners in the event there are no residences in the area or if there are fewer than ten (10) residents or landowners the name and address of all residents and landowners

- 3 The metes and bounds description of the area to be certificated

- 4 A plat drawn to a scale of one-half inch

(1/2") to the mile on maps comparable to county highway maps issued by the Missouri Highways and Transportation Department or a plat drawn to a scale of two thousand feet (2,000) to the inch and

5 A feasibility study containing plans and specifications for the utility system and estimated cost of the construction of the utility system during the first three (3) years of construction plans for financing proposed rates and charges and an estimate of the number of customers revenues and expenses during the first three (3) years of operations

(G) Applications for electrical transmission lines gas transmission lines or electrical production facilities shall include the following information instead of the information required in subsection (2)(F) of this rule

- 1 A description of the route of construction and a list of all electric and telephone lines of regulated and nonregulated utilities railroad tracks or any underground facilities as defined in section 319 015 RSMo, which the proposed construction will cross

- 2 The plans and specifications for the complete construction project and estimated cost of the construction project or a statement of the reasons the information is currently unavailable and a date when it will be furnished

3 Plans for financing

(H) Evidence of approval of the affected governmental bodies must be provided as follows

- 1 When consent by franchise by a city or county is required approval shall be shown by a certified copy of the document granting the consent or franchise or an affidavit of the applicant that consent has been acquired and

- 2 A certified copy of the required approval of other governmental agencies and

(I) The facts showing that the granting of the application is required by the public convenience and necessity

(3) Applications for a certificate of interexchange service authority to provide customer owned coin telephone (COCT) service shall be filed on the form provided by the commission

(A) Applications for COCT service shall include

- 1 The general area in which service is to be offered

- 2 If the applicant is a Missouri corporation a certified copy of its Certificate of Incorporation from the secretary of state

- 3 If the applicant is a foreign corporation a certified copy of its certificate of authorization to do business in Missouri from

the secretary of state

4 If the applicant is a partnership a certified copy of the partnership agreement

5 If the applicant does business under a fictitious name a certified copy of the registration of the fictitious name with the secretary of state

(B) COCT certificates of service authority shall be subject to the following conditions

1 The maximum charge for a local call shall not exceed twenty five cents (25¢)

2 Users of the equipment shall be able to reach the operator without charge and without the use of a coin

3 Any intrastate operator services provider employed shall hold a certificate of service authority and have on file with the commission approved tariffs for the provision of operator services to traffic aggregators

4 Users of the equipment shall be able to reach local 911 emergency service where available without charge and without the use of a coin If 911 is unavailable there shall be a prominent display on each instrument of the required procedure to reach local emergency service without charge and without using a coin

5 The equipment shall be mounted in accordance with all applicable federal state and local laws for disabled and hearing-impaired persons

6 The equipment shall allow completion of local and long distance calls

7 The equipment shall permit access to directory assistance

8 There shall be displayed in close proximity to the equipment in twelve (12) point times bold print the name address and telephone number of the COCT provider the procedures for reporting service difficulties the method of obtaining customer refunds and the name address and telephone number of the operator services provider If applicable the notice shall state that only one (1) way calling is permitted

9 The equipment shall be registered under Part 68 of the rules of the Federal Communications Commission's registration program

10 The equipment shall not block access by the use of alternative dialing methods such as 800 950 and 10xxx0+ to a caller's interexchange telecommunications company of choice and

(C) Providers of COCT service shall be exempt from the provisions of sections 392 390(1) and (3) RSMo but shall remain subject to the provisions of section 386 370 RSMo

(4) Applications for a certificate of service authority to provide telecommunications services, whether interexchange local exchange or basic local exchange shall include

(A) If the applicant is a Missouri corporation a certified copy of the Articles of Incorporation and Certificate of Incorporation from the secretary of state

(B) If the applicant is not a Missouri corporation a certificate from the secretary of state that it is authorized to do business in Missouri

(C) If the applicant is a partnership a copy of the partnership agreement

(D) If the applicant does business under a fictitious name a copy of the registration of the fictitious name with the secretary of state

(E) If the applicant has submitted the applicable information as set forth in subsections (4)(A)—(D) of this rule in a previous application the same may be incorporated by reference to the case number in which the information was furnished

(F) A request to be classified as a competitive telecommunications company, if applicable and a description of the types of service the applicant intends to provide,

(G) If the application is for basic local exchange service authority the applicant shall indicate the exchange(s) in which service is to be offered and

(H) A proposed tariff with a forty-five (45)-day effective date

(5) Applications for authority to sell assign lease or transfer assets shall include

(A) A brief description of the property involved in the transaction including any franchises permits operating rights or certificates of convenience and necessity

(B) A copy of the contract or agreement of sale

(C) The verification of proper authority by the person signing the application or a certified copy of resolution of the board of directors of each applicant authorizing the proposed action

(D) The reasons the proposed sale of the assets is not detrimental to the public interest

(E) If the purchaser is subject to the jurisdiction of the commission, a balance sheet and income statement with adjustments showing the results of the acquisitions of the property

(F) If the purchaser is not subject to the jurisdiction of the commission but will be subject to the commission's jurisdiction after the sale the purchase must comply with 4 CSR 240-2 060(2) or (4)

(G) For gas electrical telecommunications water and sewer companies a statement of the impact if any the sale assignment lease or transfer of assets will have on the tax revenues of the political subdivisions in which any structures facilities or equipment of the companies involved in that sale are located and

(H) Competitive telecommunications companies are exempt from subsections (5)(A)—(E) of this rule however they must file a pleading indicating which company will be holding the certificate of service authority and providing service to Missouri customers the tariff under which service will be provided and whether the purchaser has any pending or final judgments or decisions against it from any state or federal agency which involve customer service or rates

(6) Applications for authority to merge or consolidate shall include

(A) A copy of the proposed plan and agreement of corporate merger and consolidation

(B) A certified copy of the resolution of the board of directors of each applicant authorizing the proposed merger and consolidation

(C) The balance sheets and income statements of each applicant and a balance sheet and income statement of the surviving corporation

(D) The reasons the proposed merger is not detrimental to the public interest

(E) An estimate of the impact of the merger on the company's Missouri jurisdictional operations and a list of all documents generated relative to the analysis of the merger and acquisition in question

(F) If the purchaser is not subject to the jurisdiction of the commission but will be subject to the commission's jurisdiction after the sale the purchase must comply with 4 CSR 240-2 060(2) or (4)

(C) For gas electrical water sewer and telecommunications companies a statement of the impact if any the merger or consolidation will have on the tax revenues of the political subdivision in which any structures facilities or equipment of the companies involved are located and

(H) Competitive telecommunications companies are not required to comply with subsections (6)(A)—(E) of this rule but they must file a pleading indicating what company will be holding the certificate of service authority and providing service to Missouri customers the tariff under which service will be provided and whether the remaining company has either pending or final decisions or judgments against it from any state or federal

agency involving service to customers or rates charged

(7) Applications for gas storage companies for authority to acquire property through eminent domain proceedings shall include

(A) The metes and bounds description of the areas to be acquired

(B) A map showing the areas to be acquired

(C) Names and addresses of all persons who may have any legal or equitable title of record in the property to be acquired and

(D) The reasons it is necessary to acquire the property and why it is in the public interest

(8) Applications for authority to issue stock bonds notes and other evidences of indebtedness shall contain the following

(A) A brief description of the securities which applicant desires to issue

(B) A statement of the purpose for which the securities are to be issued and the use of the proceeds

(C) Copies of executed instruments defining the terms of the proposed securities—

1 If these instruments have been previously filed with the commission a reference to the case number in which the instruments were furnished

2 If these instruments have not been executed at the time of filing a statement of the general terms and conditions to be contained in the instruments which are proposed to be executed and

3 If none of these instruments is either executed or to be executed a statement of how the securities are to be sold

(D) A certified copy of resolutions of the directors of applicant authorizing the issuance of the securities

(E) A balance sheet and income statement with adjustments showing the effects of the issuance of the proposed securities upon—

1 Bonded and other indebtedness

2 Stock authorized and outstanding

(F) If any of the items required in section (6) are unavailable at the time the application is filed they shall be furnished prior to the granting of the authority sought

(G) A statement of what portion of the issue is subject to the fee schedule in section 386 300 RSMo

(H) A five (5)-year capitalization expenditure schedule as required by section 392 310 or 393 200 RSMo and

(I) Competitive telecommunications companies subject to commission jurisdiction pursuant to section 392 290 RSMo are

exempt from the filing requirements of subsections (8)(C)—(F) and (H) above

(9) Applications for authority to acquire the stock of a public utility shall include

(A) A statement of the offer to purchase stock of the public utility or a copy of any agreement entered with shareholders to purchase stock,

(B) A certified copy of the resolution of the directors of applicant authorizing the acquisition of the stock and

(C) Reasons why the proposed acquisition of the stock of the public utility is not detrimental to the public interest

(10) Applications for commission approval of territorial agreements shall include

(A) If the applicant is a Missouri corporation a certified copy of the Articles of Incorporation and a Certificate of Incorporation from the secretary of state,

(B) If the applicant is not a Missouri corporation a certificate from the secretary of state that it is authorized to do business in Missouri,

(C) If the applicant is a partnership, a copy of the partnership agreement

(D) If the applicant does business under a fictitious name a copy of the registration of the fictitious name with the secretary of state,

(E) If the applicant has submitted the applicable information as set forth in subsections (10)(A)—(D) of this rule in a previous application the same may be incorporated by reference to the case number in which the information was furnished

(F) A copy of the territorial agreement and a specific designation of the boundary including metes and bounds description

(G) An illustrative tariff which would reflect any changes in a regulated utility's operations or certification,

(H) An explanation as to why the territorial agreement is in the public interest

(I) A list of all persons whose utility service would be changed by the agreement and

(J) A check for fees required by Chapters 4 CSR 240-21 and 4 CSR 240-51

(11) Applications for variances from commission rules and tariff provisions shall contain information as follows

(A) If the applicant is a Missouri corporation a certified copy of the Articles of Incorporation from the secretary of state

(B) If the applicant is not a Missouri corporation a certificate from the secretary of state that it is authorized to do business in Missouri

(C) If the applicant is a partnership, a copy

of the partnership agreement

(D) If the applicant does business under a fictitious name a copy of the registration of the fictitious name with the secretary of state

(E) If the applicant has submitted the applicable information as required by subsections (11)(A)—(D) of this rule in a previous application the same may be incorporated by reference to the case number in which the information was furnished

(F) All applications for variance shall state specifically from which statute rule or tariff the variance is sought All applications shall also describe the reason for the proposed variance and shall provide the name of any public utility affected by the variance and

(G) A complete justification setting out the good cause for granting the variance

(12) Applications for commission authority for a change of electrical suppliers shall include

(A) The name street address and phone number of the applicant

(B) A description of the structure where the change of supplier is sought and the street address of the structure if different from the applicant's street address

(C) The name and address of the electrical supplier currently providing service to the structure

(D) The name and address of the electrical supplier to which the applicant wishes to change

(E) The applicant's reasons for seeking a change of supplier

(F) If the applicant's reasons involve service problems a description of the problems and dates of occurrence if known

(G) If the applicant's reasons involve service problems what contacts applicant has had with the current supplier regarding the problems if any and what efforts the current supplier has made to solve the problems if any,

(H) Why the applicant believes a change of electrical suppliers is in the public interest and

(I) If the current electrical supplier and the requested electrical supplier agree to the requested change the applicant shall file a verified statement for each supplier with the application indicating agreement

*Auth section 386 410 RSMo (1994)
Original rule filed Dec 19 1975
effective Dec 29 1975 Amended
Filed Nov 7 1984 effective June 15
1985 Amended Filed Sept 6 1985
effective Dec 15 1985 Amended*

Filed Feb 3 1987 effective May 1 1987 Amended Filed May 11 1988 effective Aug 11 1988 Amended Filed Feb 5 1993 effective Oct 10 1993 Rescinded and readopted Filed March 10 1995 effective Nov 30 1995

State ex rel Kansas City Transit, Inc v Public Service Commission 406 SW2d 5 (Mo banc 1966) Commission is an administrative body of powers limited to those expressly granted by statute or necessary or proper to effectuate statutory purpose Commission s authority to regulate does not include right to dictate manner in which company conducts its business

4 CSR 240-2 065 Tariff Filings Which Create Docketed Cases

PURPOSE This rule establishes when a docketed case will be established for a tariff

(1) When a public utility regulated by the commission submits a tariff which proposes a general increase in a company s revenues, the commission shall establish a case file for the tariffs and file the tariffs in the case file All pleadings and letters regarding the tariffs shall be filed in the case file established for the tariffs The tariffs submitted shall be in compliance with the provisions of the rules relating to the separate utilities electric 4 CSR 240 20 010 telecommunications 4 CSR 240 30 010 gas 4 CSR 240 40 010 water, 4 CSR 240 50 010 and sewer 4 CSR 240 60 030 Tariffs filed which propose a general increase in a company s revenues shall also comply with the provisions of 4 CSR 240-10 070

(2) When a public utility regulated by the Public Service Commission submits a tariff for commission approval but requests the tariff become effective in less than thirty (30) days the commission shall establish a case file for the tariff and file the tariff in the case file All pleadings and orders shall be filed in the case file established for the tariffs The request for less than thirty (30) day approval must state good cause for such treatment

(3) When a pleading, which objects to a tariff or requests the suspension of a tariff, is filed with the commission, the commission shall establish a case file for the tariff and

shall file the tariff and pleading in that case file All subsequent pleadings and orders concerning the tariff shall be filed in the case file established for the tariff

(4) A docketed case will not be established to consider tariff sheets submitted by a regulated utility which do not meet the circumstances of sections (1)—(3) of this rule except that a docket will be established when tariff sheets are suspended by the commission on its own motion or when suspended upon the recommendation of staff

Auth section 386 410 RSMo (1994) Original rule filed March 10 1995, effective Nov 30 1995

4 CSR 240-2 070 Complaints

PURPOSE This rule establishes the procedures for filing formal and informal complaints with the commission

(1) The commission, the public counsel, or any person or public utility as defined in 4 CSR 240-2 010 who feels aggrieved by a violation of any statute rule order or decision within the commission s jurisdiction may file a complaint The aggrieved party or complainant has the option to file either an informal or a formal complaint

(2) Informal Complaints To file an informal complaint the complainant shall state either in writing by telephone (consumer services hotline—1-800-392-4211, or TDD hotline—1-800-829-7541), or in person at the commission s offices—

(A) The name, street address and telephone number of each complainant and, if one (1) person asserts authority to act on behalf of the others the source of that authority,

(B) The address where the utility service was rendered,

(C) The name and address of the party against whom the complaint is filed

(D) The nature of the complaint and the complainant s interest therein

(E) The relief requested,

(F) The measures taken by the complainant to resolve the complaint, and

(G) If a complainant is not satisfied with the outcome of the informal complaint, a formal complaint may be filed

(3) Formal Complaints Formal complaint may be made by the commission on its own motion by its general counsel or by the public counsel or by any person as defined in 4 CSR 240-2 010 by petition or complaint in writing setting forth any act or thing done or omitted to be done by any person corporation or public utility including any rule or charge established or fixed by or for any person, corporation or public utility in violation or claimed to be in violation of any provision of law or of any rule or order or decision of the commission provided that no complaint shall be entertained by the commission except upon its own motion as to the reasonableness of any rates or charges of any public utility unless the complaint is signed by the public counsel the mayor or the president or chairman of the board of aldermen or a majority of the council or other legislative body of any town village county or other political subdivision within which the alleged violation occurred or not less than twenty-five (25) consumers or purchasers or prospective consumers or purchasers of public utility gas, electricity, water sewer or telephone service as provided by law Any public utility has the right to file a formal complaint on any of the grounds upon which complaints are allowed to be filed by other persons and the same procedure shall be followed as in other cases

(4) The commission shall not be required to dismiss any complaint because of the absence of direct damage to the complainant

(5) The complaint shall contain the following information

(A) The name street address signature and telephone number of each complainant and if different the address where the subject utility service was rendered

(B) The name and address of the person corporation or public utility against whom the complaint is being filed

(C) The nature of the complaint and the complainant s interest in the complaint in a clear and concise manner

(D) The relief requested and a statement as to whether the complainant has directly contacted the person corporation or public utility about which complaint is being made

(E) The jurisdiction of the commission over the subject matter of the complaint and

(F) An association filing a formal complaint shall list all of its members as an appendix to the complaint

(6) The commission without argument and without hearing may dismiss a complaint for failure to state facts upon which relief can be granted or may strike irrelevant allegations

(7) Upon the filing of a complaint in substantial compliance with these rules the secretary shall serve by certified mail, postage prepaid, a copy of the complaint upon the person corporation or public utility against whom the complaint has been filed which will be accompanied by a notice that the matter complained of be satisfied or that the complaint be answered by the respondent unless otherwise ordered within thirty (30) days of the date of the notice

(8) The respondent shall file an answer to the complaint within the time provided All grounds of defense both of law and of fact, shall be raised in the answer If the respondent has no information or belief upon the subject sufficient to enable the respondent to answer an allegation of the complaint the respondent may so state in the answer and assert a denial upon that ground

(9) If the respondent in a complaint case fails to file a timely answer the complainant's averments shall be deemed admitted unless good cause is found by the commission to extend the filing date of the answer

(10) The commission may order at any time after the filing of a complaint an investigation by its staff as to the cause of the complaint The staff shall file a report of its findings with the commission and all parties to the complaint case The investigative report shall not be made public unless released in accordance with section 386 480 392 210(2) or 393 140(3) RSMo or during the course of the hearing involving the complaint

(11) When the commission determines a hearing should be held the commission shall fix the time and place that a hearing will be had upon the complaint and shall serve notice upon the affected person corporation or public utility not fewer than ten (10) days before the time set for the hearing unless the commission shall find the public necessity requires that the hearing be held at an earlier date

(12) All matters upon which a complaint may be founded may be joined in one (1) hearing and no motion for dismissal shall be entertained against a complainant for misjoinder of

causes of action or grievances or misjoinder or nonjoinder of parties

(13) Formal complaints must comply with the filing requirements of 4 CSR 240-2 080 and 4 CSR 240-2 040

*Auth section 386 410 RSMo (1994)
Original rule filed Dec 19 1975
effective Dec 29 1975 Amended
Filed Nov 7 1984 effective June 15
1985 Amended Filed June 9 1987
effective Nov 12 1987 Rescinded and
readopted Filed March 10 1995
effective Nov 30 1995*

4 CSR 240-2 075 Intervention

PURPOSE This rule prescribes the procedures by which an individual or entity may intervene in a proceeding or may participate without intervention

(1) Applications to intervene in a proceeding shall comply with 4 CSR 240-2 080 and shall be filed within thirty (30) days after the commission issues its order giving notice of the case unless otherwise ordered by the commission

(2) Applications to intervene shall state the applicant's interest in the proceeding and reasons for seeking intervention and shall state whether the applicant supports or opposes the relief sought

(3) An association filing on behalf of its members shall file the names of the members as an appendix to the application to intervene

(4) The commission may permit intervention on a showing that—

(A) The applicant has an interest in the proceeding which is different from that of the general public

(B) The applicant is a municipality or other political subdivision

(C) Granting the proposed intervention would serve the public interest, or

(D) Applications to intervene filed after the intervention date set by the commission may be granted upon a showing of good cause

(5) Participation without intervention may be permitted where the persons requesting to participate—

(A) Make full disclosure of their interests in the proceeding

(B) Make a full statement of the position they intend to take in the proceeding

(C) Make contentions which are reasonably relevant to the issues already presented and

(D) Make a written request to participate without intervention or enter an appearance at the hearing

(6) A person who becomes a participant under section (4) is not entitled to any affirmative relief Participation shall be to the degree permitted by the presiding officer

*Auth section 386 410 RSMo (1994)
Original rule filed March 10 1995
effective Nov 30 1995*

4 CSR 240-2 080 Pleadings

PURPOSE This rule prescribes the content and procedure for filing pleadings before the commission

(1) Any person filing a pleading as defined by 4 CSR 240-2 010(13) or a brief with the commission shall file with the secretary of the commission one (1) original or duplicate original and fourteen (14) copies of the pleading

(2) Each pleading shall be accompanied by a cover letter which states the subject matter of the pleading being filed This cover letter shall contain no matter for commission decision

(3) The commission will not accept for filing facsimile transmissions made directly to the commission A copy of a facsimile transmission may be utilized when necessary to meet a filing date if it is accompanied by the fourteen (14) copies required by section (1) of this rule The original or duplicate original must be mailed to the commission by next day mail to preserve the filing date established by the facsimile transmission copy

(4) One (1) copy of the pleading or brief and a copy of the cover letter shall be served on the public counsel

(5) Any person filing a pleading which initiates a formal complaint at the commission or filing a pleading in a formal complaint proceeding shall file one (1) original or duplicate original and ten (10) copies of the pleading



with the secretary of the commission unless otherwise ordered by the commission

(6) The party filing a pleading or brief shall serve each other party a single conformed copy of the pleading or brief and cover letter. Any party may contact the secretary of the commission for the names and addresses of the parties in a case. Service of any pleading or brief may be made by first class mail and a certificate of counsel shall be adequate proof of service. For purposes of this rule the date of mailing shall constitute the date of service.

(7) The date of filing shall be the date the pleading or brief is stamped filed by the secretary of the commission.

(8) The attorney representing an individual, partnership, corporation, municipality or political subdivision shall sign all pleadings or briefs. If an individual is not represented by an attorney the individual must sign all pleadings or briefs.

(9) Pleadings and briefs in every instance shall display on the cover or first page the case number and the title of the proceedings before the commission. In the event the title of a proceeding contains more than one (1) name as applicants, complainants or respondents it shall be sufficient to show only the first of these names as it appears in the first document commencing the proceeding followed by an appropriate abbreviation (et al) indicating the existence of other parties.

(10) Pleadings and briefs shall be bound at the top or at an edge shall be typewritten or printed upon eight and one-half inch by eleven inch (8 1/2" x 11") paper. Attachments to pleadings will be referred to as appendices. Appendices shall be annexed and folded to eight and one-half inch by eleven inch (8 1/2" x 11") size whenever practicable. Impression on both sides of the page is encouraged. Impressions shall be double-spaced except that footnotes and quotations in excess of three (3) lines may be single-spaced. Reproduction of any of these documents may be by any process provided all copies are clear and permanently legible.

(11) Pleadings and briefs which are not in substantial compliance with this rule applicable statutes or commission orders shall not be accepted for filing. The secretary after conferring with the presiding officer may return these pleadings or briefs with a concise

explanation of the deficiencies and the reasons for not accepting them for filing. Tendered filings which have been rejected shall not be entered on the commission's docket. The mere fact of filing shall not constitute a waiver of any noncompliance with these rules and the commission may require amendment of a pleading or entertain appropriate motions in connection with the pleading.

(12) Parties shall be allowed ten (10) days from the date of filing in which to respond to any motion or other pleading unless otherwise ordered by the commission.

(13) Pleadings or briefs which contain information for which a claim of confidentiality is made must follow procedures established in a protective order approved by the commission. If the pleading which initiates a case contains information deemed to be confidential, then the pleading shall be filed as follows and the party shall request a protective order from the commission:

(A) An original and fourteen (14) copies of the public version of the pleading shall be filed with the information claimed to be confidential redacted, and

(B) The pages containing confidential information shall be placed in a separate envelope. Eight (8) copies of the confidential information shall be filed.

(14) Amendments to applications or other documents which institute a proceeding before the commission and pleading in response may be offered at any time prior to submission of the matter to the commission for its decision.

*Auth section 386 410 RSMo (1994)
Original rule filed Dec 19 1975
effective Dec 29 1975 Amended
Filed May 15 1980 effective Sept 12
1980 Amended Filed Nov 7 1984
effective June 15 1985 Amended
Filed Sept 6 1985 effective Dec 15
1985 Amended Filed Feb 23 1990
effective May 24 1990 Rescinded and
readopted Filed March 10 1995
effective Nov 30 1995*

4 CSR 240-2 090 Discovery and Prehearings

PURPOSE This rule prescribes the procedures for depositions written

interrogatories data requests and pre-hearing conferences

(1) Any party in any proceeding before the commission may obtain discovery by one (1) or more of the following methods: depositions upon oral examination or written questions, written interrogatories, requests for production of documents or things and requests for admission upon and under the same conditions as in civil actions in the circuit court. Sanctions for abuse of the discovery process or failure to comply with commission orders regarding discovery will be the same as those provided for in the rules of civil procedure.

(2) Parties may use data requests as a means for discovery in proceedings before the commission. The party to whom data requests are presented shall answer the requests within twenty (20) days after receipt unless otherwise agreed by the parties to the data requests. If the recipient objects to data requests or is unable to answer within twenty (20) days the recipient will serve all of the objections or reasons for its inability to answer in writing upon the requesting party ten (10) days after receipt of the data requests unless otherwise ordered by the commission. If the recipient asserts an inability to answer the data requests within the twenty (20)-day time limit the recipient will include the date it will be able to answer the data requests simultaneously with its reasons for its inability to answer. Upon agreement by the parties or for good cause shown the time limits may be modified. As used in this rule the term data request shall mean an informal written request for documents or information which may be transmitted directly between agents or employees of the commission, public counsel or other parties to a proceeding before the commission. Answers to data requests need not be under oath or be in any particular format. Sanctions for failure to answer data requests shall be the same as those provided for abuse of the discovery process in section (1) of this rule.

(3) All prehearing conferences will be held as directed by the commission or presiding officer with reasonable notice of the prehearing conference time being given to the parties involved.

(4) Any party may petition the commission to hold a prehearing conference at any time prior to the hearing.

(5) If a party does not attend a prehearing conference and is not excused by the commission or presiding officer, the party is subject to dismissal from the case

(6) Parties may consider procedural and substantive matters at the prehearing conference which may aid in the disposition of the issues in the case. Matters which require a decision may be presented to the presiding officer during the conference

(7) Facts disclosed in the course of a prehearing conference are privileged and, except by agreement, shall not be used against participating parties before the commission unless fully substantiated by other evidence

*Auth section 386 410 RSMo (1994)
Original rule filed Dec 19 1975
effective Dec 29 1975 Amended
Filed Nov 7 1984 effective June 15
1985 Amended Filed June 9 1987
effective Nov 12 1987 Rescinded and
readopted Filed March 10 1995
effective Nov 30 1995*

4 CSR 240-2 100 Subpoenas

PURPOSE The commission may issue subpoenas for the production of witnesses and records. This rule prescribes the procedures for requesting and issuing subpoenas.

(1) A request for a subpoena requiring a person to appear and testify at the taking of a deposition or at a hearing shall be made in writing and shall be directed to the secretary of the commission or a commissioner

(2) A request for a subpoena duces tecum requiring a person to appear and testify at the taking of a deposition or at a hearing and for production of documents or records shall be made in writing, shall specify the particular document or record to be produced, and shall state the reasons why the production is believed to be material and relevant to the proceedings. The request shall be directed to the secretary of the commission or a commissioner

(3) Except for a showing of good cause, a subpoena will not be issued fewer than twenty (20) days before a hearing

(4) Objections to a subpoena shall be made

within ten (10) days from the date the subpoena is served

(5) Subpoenas shall be signed and issued by a commissioner or by the secretary of the commission. The name and address of the witness shall be inserted in the original subpoena and a copy of the return shall be filed with the secretary of the commission. Subpoenas shall show at whose instance the subpoena is issued. Subpoena *duces tecum* shall be signed and issued by the commission or by a commissioner. Blank subpoenas shall not be issued

(6) The commission, by its counsel or the party seeking the subpoenas or subpoena *duces tecum*, may seek enforcement of same by applying to a judge of the circuit court of the county in which—the hearing has been held, is being held, is scheduled to be held, or the witness resides or may be found for an order directed to any witness who shall fail to obey a subpoena to show cause why the subpoena should not be enforced

(7) All subpoenas shall extend to all parts of the state and may be served by any person authorized to serve process in courts of record or by any person of full age designated for that purpose by the commission or by a commissioner. The person executing any such process and any witness shall receive the fees in the amount and in the manner as provided in civil cases in the circuit courts of this state

(8) Whenever a subpoena is issued at the instance of a party to any proceeding before the commission, service of the subpoena shall be made by the requesting party and service shall be by a person competent to be a witness. The cost of service and the fee of the witness shall be borne as provided by section 386 440, RSMo

*Auth section 386 410 RSMo (1994)
Original rule filed Dec 19 1975
effective Dec 29 1975 Amended
Filed Nov 7, 1984 effective June 15
1985 Rescinded and readopted Filed
March 10 1995 effective Nov 30
1995*

4 CSR 240-2 110 Hearings

PURPOSE This rule prescribes the procedures for the setting, notices, and conduct of hearings.

(1) The commission shall set a date for hearing after it determines that the issues are adequately defined by the pleadings. Requests for hearing dates should be addressed to the secretary and should be filed at least fifteen (15) days before the requested hearing date. When a party requests a hearing date which is fewer than fifteen (15) days from the time of the request, the requesting party must show good cause for the shortened notice period

(2) Notice of the day, hour, and place of hearing shall be served on the parties by the secretary at least ten (10) days prior to the time set for hearing, unless the commission finds that the public necessity requires the hearing to be held on shorter notice

(A) The secretary shall serve a copy of the notice of hearing upon each party either by personal delivery or by regular mail

(B) In all matters which the commission believes to be of general interest to the citizens of a particular community, the secretary shall serve notice of the hearing upon the mayors, the presiding county officials, the local newspapers, and members of the general assembly in the affected area

(C) Whenever it is advisable in the opinion of the commission to order publication of the notice of hearing in one (1) or more newspapers, the commission shall specify the size and duration of this publication, with the costs to be apportioned as directed by the commission

(3) Once the commission has set a date for hearing concerning a request for a change in any rate of a public utility, the public utility shall give notice to each affected customer. The public utility shall give notice not more than forty-five (45) days, nor less than ten (10) days, before the first day of the local customer hearing or evidentiary hearing, whichever comes first, unless otherwise ordered by the commission. The notice shall include the date, time, and place of any local customer hearing and any evidentiary hearing, the proposed rate increase, and the approximate percentage of the proposed increase. The utility shall notify affected customers either by an imprint on the bill, in a separate insert accompanying the billing, or in a separate mailing

(4) The commission or the presiding officer may order continuance of a hearing date for good cause

(A) When a continuance has been granted at the request of the applicant or complainant



the commission may dismiss the proceeding for failure to prosecute if it has not received a request from the applicant or complainant that the matter be again continued or set for hearing within ninety (90) days from the date of the order granting the continuance

(B) Failure to appear at a hearing without previously having secured a continuance shall constitute grounds for dismissal of the party's complaint, application or other action unless good cause for the failure to appear is shown

(5) When actions pending before the commission involve related questions of law or fact the commission may order a joint hearing of any or all the matters in issue and may make other orders concerning proceedings before it to avoid unnecessary costs or delay

(6) The presiding officer may limit the number of witnesses or the time for testimony on a particular issue in order to avoid irrelevant or cumulative evidence

(7) The order of procedure in hearings before the commission will be as follows, unless otherwise agreed to by the parties or ordered by the presiding officer

(A) In all proceedings except investigation proceedings the applicant or complainant shall open and close with intervenors following the general counsel and the public counsel in introducing evidence

(B) In investigation proceedings the general counsel shall open and close and

(C) In rate cases the general counsel shall be given the first opportunity to cross-examine

(8) A reporter appointed by the commission shall make a full and complete record of all proceedings and testimony in any formal hearing before the commission

(9) Suggested corrections to the transcript of record must be offered within ten (10) days after the transcript is filed in the proceeding except for good cause shown. The suggestions shall be in writing and shall be served upon the presiding officer and each party. Objections to proposed corrections shall be made in writing within ten (10) days after the filing of the suggestions. The commission shall determine what changes, if any, shall be made in the record after a review of the suggested corrections and any objections

(10) A party may request that the commission reopen a proceeding for the taking of additional evidence if the request is made after

the hearing has been concluded but before briefs have been filed or oral argument presented, or before a decision has been issued in the absence of briefs or argument. Such a request is made by filing with the secretary of the commission a petition to reopen the record for the taking of additional evidence in accordance with 4 CSR 240-2 080, and serving the petition on all other parties. The petition shall specify the facts which allegedly constitute grounds in justification including material changes of fact or of law alleged to have occurred since the conclusion of the hearing. The petition shall also contain a brief statement of the proposed additional evidence and an explanation as to why this evidence was not offered during the hearing

*Auth section 386 410 RSMo (1994)
Original rule filed Dec 19 1975
effective Dec 29 1975 Amended
Filed Nov 7 1984 effective June 15
1985 Amended Filed Sept 6 1985
effective Dec 15 1985 Rescinded and
readopted Filed March 10 1995
effective Nov 30 1995*

4 CSR 240-2 115 Nonunanimous Stipulations and Agreements

PURPOSE The commission is charged with the responsibility of prescribing the rules governing all hearings before it. This rule prescribes the proceeding which results when a nonunanimous stipulation and agreement is presented to the commission

(1) A nonunanimous stipulation and agreement is defined as any stipulation and agreement which is entered into by less than all parties in a case and where one (1) or more parties requests a hearing of one (1) or more issues. If no party requests a hearing the commission will treat the stipulation and agreement as a unanimous stipulation and agreement

(2) Where a hearing is requested by one (1) or more parties, the commission will grant the hearing and will conduct the hearing in accordance with its rules of procedure

(3) When a nonunanimous stipulation and agreement is executed by the parties the attorney for the applicant company or other moving party shall file an original and fourteen (14) copies with the secretary of the commission and serve notice and a copy on all nonsignatory parties. Each party shall

then have five (5) days from the receipt of the notice to file a request for hearing with the commission. Failure to file a timely request for hearing shall constitute a full waiver of that party's right to a hearing

*Auth section 386 410 RSMo (1986) *
Original rule filed June 9 1987 effective
Sept 15 1987*

**Original authority 1939 amended 1947 1977*

4 CSR 240-2 116 Dismissal

PURPOSE This rule prescribes the conditions under which an initiating party may voluntarily dismiss a proceeding

(1) An applicant or complainant may voluntarily dismiss an application or complaint without an order of the commission at any time before prepared testimony has been filed or oral evidence has been offered by filing a notice of dismissal with the commission and serving a copy on all parties. Once evidence has been offered or prepared testimony filed an applicant or complainant may dismiss an action only by leave of the commission or by written consent of the adverse parties

(2) Cases before the commission may be dismissed for lack of prosecution if no action has occurred in the case for ninety (90) days and no party has filed a pleading requesting a continuance beyond that time

*Auth section 386 410 RSMo (1994)
Original rule filed March 10 1995
effective Nov 30 1995*

4 CSR 240-2 120 Presiding Officers

PURPOSE This rule states the duties and responsibilities of presiding officers

(1) In each case docketed with the commission, the presiding officer is authorized to do the following by express delegation of the commission

- (A) Approve or suspend tariffs,
- (B) Extend the effective date of any commission order or report and order except the operation of law date of suspended tariffs
- (C) Change the filing or procedural dates in cases pending before the commission
- (D) Order utilities to restore service to customers for good cause shown

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- (E) Order utilities not to disconnect service to a customer upon good cause shown
- (F) Grant applications to intervene
- (G) Rule on procedural motions,
- (H) Resolve discovery disputes
- (I) Establish procedural schedules for cases pending before the commission
- (J) Give notice of cases pending before the commission
- (K) Give notice of complaints requiring answers
- (L) Establish protective orders
- (M) Establish a case
- (N) Set prehearing conferences
- (O) Direct calling studies in Community Optional Service (COS) cases
- (P) Regulate the course of hearing and the conduct of the parties
- (Q) Require opening statements of counsel
- (R) Administer oaths and affirmations
- (S) Receive evidence and rule upon all objections and motions which do not involve final determination of proceedings
- (T) Hold appropriate conferences before or during hearings
- (U) Order and fix the time for filing of briefs and presentation of oral arguments and
- (V) Take other action as may be necessary and appropriate during a hearing in the discharge of duties consistent with the statutory authority or other authority under which the commission functions and with the rules and policies of the commission

(2) All delegated authority under section (1) shall be exercised in the name of the Public Service Commission of Missouri and any written order issued under this rule shall be issued over the signature of the secretary and the seal of the Public Service Commission. To exercise the authority under this rule for written orders other than orders-and-notices or orders setting a prehearing conference orders adopting protective orders and orders approving tariffs filed in compliance with a commission decision the presiding officer shall first circulate the proposed order to the commissioners with a notation voting slip. If no commissioner indicates a question or indicates a dissent on the voting slip the order may be issued by the presiding officer pursuant to this rule. Presiding officers may issue orders approving tariffs involving rates filed in compliance with a commission decision only where the commission has approved the new rates to be charged.

(3) Whenever any party shall deem the presiding officer for any reason to be disqualified to preside or to continue to preside in a particular proceeding the party may file with the secretary of the commission a motion to disqualify with affidavits setting forth the alleged grounds for disqualification. A copy of the motion shall be served by the commission on the presiding officer whose removal is sought and the presiding officer shall have ten (10) days from the date of service within which to reply. The commission shall promptly determine the validity of the grounds alleged either directly or on the report of another presiding officer appointed to conduct a hearing for that purpose.

(4) A presiding officer shall have the duty to conduct full fair and impartial hearings to take appropriate action to avoid unnecessary delay in the disposition of proceedings to maintain order and shall possess all powers necessary to that end. The presiding officer may take action as may be necessary and appropriate to the discharge of duties consistent with the statutory authority or other authorities under which the commission functions and with the rules and policies of the commission.

(5) Any party aggrieved by a written order issued by a presiding officer under this rule shall be permitted to file a motion for reconsideration as allowed by 4 CSR 240-2 160.

*Auth section 386 410 RSMo (1994)
Original rule filed Dec 19 1975
effective Dec 29 1975 Amended
Filed June 9 1987 effective Nov 12,
1987 Rescinded and readopted Filed
March 10 1995 effective Nov 30
1995*

*Union Electric Co v PSC 591 SW2d
134 (Mo App 1979) Prohibition will
be under common law rule to disqualify
a PSC commissioner who was a
party in a case now pending before her*

4 CSR 240-2 125 Procedures for Use of a Presiding Officer in Settlement Negotiations

PURPOSE This rule establishes procedures which will allow parties to utilize a presiding officer in settlement negotiations in order to resolve issues or the entire matter in dispute

(1) When the parties to a case before the commission agree that the participation of a presiding officer in the settlement process would be beneficial those parties shall file a motion for appointment of a settlement officer for that case. The motion shall contain—

(A) A statement that all parties agree to the procedure,

(B) A list of the issues to be addressed or matters the parties wish the presiding officer to aid them in resolving

(C) If there is no prefiled testimony a description of the issues of each party and

(D) A date by which a settlement will be reached or settlement negotiations under this procedure will end

(2) If the commission grants the motion for a settlement officer it will issue an order scheduling a settlement conference and will appoint a presiding officer to participate in settlement negotiations. The settlement officer shall not participate in the case in any other role and shall not make any communication regarding the settlement discussions in the case to the presiding officer appointed to preside over the case.

(3) The negotiations and statements of the parties or attorneys made at the settlement conference will be off the record and will not be made a part of the official case.

(4) If a settlement is not reached before the date specified by the parties in their motion the procedure will end unless the parties all agree to an extension and the procedure is extended by order of the commission.

*Auth section 386 410 RSMo (1994)
Original rule filed March 10 1995
effective Nov 30 1995*

4 CSR 240-2 130 Evidence

PURPOSE This rule prescribes the rules of evidence in any hearing before the commission

(1) In any hearing before the commission section 536 070 RSMo shall apply as supplemented by these rules.

(2) If any information contained in a document on file as a public record with the commission is offered in evidence the document need not be produced as an exhibit unless



directed otherwise by the presiding officer, but may be received in evidence by reference provided that the particular portions of the document are specifically identified and are relevant and material

(3) The presiding officer shall rule on the admissibility of all evidence Evidence to which an objection is sustained at the request of the party seeking to introduce the same or at the instance of the commission may nevertheless be heard and preserved in the record, together with any cross-examination with respect to the evidence and any rebuttal of the evidence unless it is wholly irrelevant, repetitious privileged or unduly long When objections are made to the admission or exclusion of evidence the grounds relied upon shall be stated briefly Formal exceptions to rulings are unnecessary and need not be taken

(4) In extraordinary circumstances where prompt decision by the commission is necessary to promote substantial justice, the presiding officer may refer a matter to the commission for determination during the progress of the hearing

(5) The rules of privilege shall be effective to the same extent that they are now or may hereafter be in civil actions

(6) Prepared testimony shall be typed or printed in black type on white paper eight and one-half inches by eleven inches (8 1/2" x 11") it shall be double-spaced and pages numbered consecutively at the bottom right-hand corner or bottom center beginning with the first page as page 1, it shall be filed unfolded and stapled together at the top left hand margin or bound at an edge in booklet form and it shall be filed in sufficient number of copies as required by order of the commission observing the following margins left-hand margin one inch (1") top margin one inch (1") right-hand margin one inch (1") and bottom margin one inch (1") Impressions on both sides of the page are encouraged Exhibits attached to prepared testimony shall be labeled "schedules" and the word schedule and the number of the schedule shall be typed in the lower right-hand margin of the first page of the schedule All prepared testimony and other exhibits and schedules which are expected to be offered as exhibits shall contain the following information in the following format on the upper right-hand corner of a cover sheet

Exhibit No _____ (To be marked by the hearing reporter)
Issue _____ (If known at the time of filing)
Witness _____ (Full name of witness)
Type of Exhibit _____ (Specify whether direct, rebuttal, or other type of exhibit)
Sponsoring Party _____
Case No _____

The prepared testimony of each witness shall be bound and filed separately, or the testimony of several witnesses may be filed in a loose-leaf binder If the testimony of a witness exceeds fifty (50) pages it shall be bound separately in booklet form Prepared testimony shall be filed on line-numbered pages Testimony which addresses more than one (1) issue shall contain a table of contents

(7) For purposes of filing prepared testimony, the commission defines direct, rebuttal, and surrebuttal testimony and schedules as follows

(A) Direct testimony and schedules shall include all testimony and schedules asserting and explaining that party's entire case-in-chief

(B) Where all parties file direct testimony, rebuttal testimony shall include all testimony and schedules which are responsive to the testimony and schedules contained in any other party's direct case A party need not file direct testimony to be able to file rebuttal testimony

(C) Where only the moving party files direct testimony rebuttal testimony and schedules shall include all testimony and schedules which explain why a party rejects disagrees or proposes an alternative to the moving party's direct case, and

(D) Surrebuttal testimony and schedules shall be limited to material which is responsive to matters raised in another party's rebuttal testimony and schedules

(8) No party shall be permitted to supplement prefiled prepared direct rebuttal or surrebuttal testimony or schedules unless ordered by the presiding officer or the commission A party shall not be precluded from having a reasonable opportunity to address matters not previously disclosed which arise at the hearing This provision does not forbid the filing of supplemental direct testimony for the purpose of replacing projected financial information with actual results

(9) Any or all parties may file a stipulation as to the facts in which event the same shall be numbered as a joint exhibit This stipulation shall not preclude the offering of additional

evidence by any party unless otherwise agreed in the stipulation

(10) Exhibits shall be legible and unless otherwise authorized by the commission shall be prepared on standard eight and one half inch by eleven inch (8 1/2" x 11")-size paper The sheets of each exhibit should be numbered and rate comparisons and other figures shall be set forth in tabular form

(11) Exhibits shall be tendered to the reporter at the time of hearing without being prenumbered by the offering party unless otherwise ordered by the commission

(12) All exhibits shall be marked at the time of hearing using a single series of numbers unless otherwise ordered by the commission

(13) When exhibits are offered in evidence the original and two (2) copies shall be furnished to the reporter and the party offering exhibits should also be prepared to furnish a copy to each commissioner and presiding officer and each party unless the copies have previously been furnished or the presiding officer directs otherwise

(14) At the hearing the presiding officer may require the production of further evidence upon any issue The presiding officer may authorize the filing of specific evidence as a part of the record within a fixed time after submission reserving exhibit numbers

(15) Evidence for which a claim of confidentiality is made shall be filed in conformance with a protective order approved by the commission Parties shall obtain a protective order prior to filing of documentary evidence

*Auth section 386 410 RSMo (1994)
Original rule filed Dec 19 1975
effective Dec 29 1975 Amended
Filed Nov 6 1981 effective Feb 15
1982 Amended Filed Nov 7 1984
effective June 15 1985 Amended
Filed June 9, 1987 effective Nov 12
1987 Amended Filed Feb 23 1990
effective May 24 1990 Rescinded and
readopted Filed March 10 1995
effective Nov 30 1995*

*State ex rel Utility Consumers
Council v Public Service Commission
562 SW2d 688 (Mo App 1978) At a
hearing on the issuance of a certificate
of convenience and necessity the*

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commission denied appellant consumers council opportunity to cross-examine electric utility's witnesses on certain testimony regarding costs. The proprietary nature of the cost information involved does not protect it from cross-examination by consumers council and denial of right to such cross-examination was improper.

4 CSR 240-2 140 Briefs and Oral Arguments

PURPOSE This rule sets forth the procedures for filing briefs and presenting oral arguments in any hearing before the commission.

(1) The commission or presiding officer shall determine whether the parties may file briefs or present oral argument or both in any case before the commission.

(2) Unless otherwise ordered by the commission or presiding officer, when briefs are to be filed in any case the parties shall have twenty (20) days after the date on which the complete transcript of the hearing is filed with the commission to file their initial briefs. Unless otherwise ordered by the commission or presiding officer, the parties shall have ten (10) days after the filing of the initial briefs to file their reply briefs. When a reply brief is due ten (10) days after filing of initial briefs, the initial briefs shall be sent to all parties by overnight mail or hand-delivered on the day of filing or the next day.

(3) Unless otherwise ordered by the commission or presiding officer, the time allowed for oral argument before the commission shall be—

(A) For an applicant or complainant thirty (30) minutes which may be divided between the initial argument and reply argument but no more than one third (1/3) of the time shall be consumed by the reply argument and

(B) For all other parties a total of fifteen (15) minutes each.

(4) The commission may at its discretion order the parties to file suggested findings of fact, conclusions of law and ordered paragraphs.

*Auth section 386 410 RSMo (1994)
Original rule filed Dec 19 1975
effective Dec 29 1975 Amended*

Filed June 9 1987 effective Nov 12 1987 Rescinded and readopted Filed March 10 1995 effective Nov 30 1995

4 CSR 240-2 150 Orders of the Commission

PURPOSE This rule prescribes the method of issuing commission orders and the effective date of such orders.

(1) The record of a proceeding shall stand submitted for consideration by the commission after the recording of all evidence or, if applicable, after the filing of briefs or the presentation of oral argument.

(2) The commission's orders shall be in writing and shall be issued as soon as practicable after the record has been submitted for consideration.

(3) Every order of the commission shall be served by mailing a certified copy, with postage prepaid, to all parties of record.

(4) The commission may at its discretion, issue a preliminary order and allow parties to provide responses to the preliminary order. Responses to a preliminary order shall be limited to five (5) pages and shall be due five (5) days after the date the preliminary order is issued, unless otherwise ordered by the commission. The commission will then issue its order after reviewing the responses of the parties.

*Auth section 386 410 RSMo (1994)
Original rule filed Dec 19 1975
effective Dec 29 1975 Amended
Filed June 9 1987, effective Nov 12 1987 Rescinded and readopted Filed March 10 1995 effective Nov 30, 1995*

Am Petrol Exchange v Public Service Commission 172 SW2d 952 transferred 238 Mo App 92, 176 SW2d 533 (Mo 1943) Commission has no power to declare or enforce any principle of law or equity Commission cannot determine damages award pecuniary relief or abate a nuisance

4 CSR 240-2 160 Rehearings or Reconsideration

PURPOSE This rule prescribes the procedure for requesting a rehearing of a final order of the commission and the disposition of that request.

(1) Applications for rehearing may be filed prior to the effective date of the order. Motions for reconsideration of procedural and interlocutory orders shall be filed within ten (10) days of the date the order is issued unless otherwise ordered by the commission. The application shall set forth specifically the ground(s) on which the applicant considers the order to be unlawful, unjust or unreasonable.

(2) The filing of an application for rehearing or motion for reconsideration shall not excuse any party from complying with any order of the commission nor operate in any manner to stay or postpone the enforcement of any order unless otherwise ordered by the commission.

(3) The commission shall grant a rehearing or reconsider the order if in its judgment there is sufficient reason to do so. The commission may rehear or reconsider an entire order or any issue within an order. The commission may base a rehearing or reconsideration on the existing record or may require additional evidence, pleadings or briefs.

(4) The commission, after a rehearing or reconsideration of the evidence, pleadings or briefs including any additional evidence, pleadings or briefs received since the issuance of the order, may affirm, rescind or modify the order.

*Auth section 386 410 RSMo (1994)
Original rule filed Dec 19 1975
effective Dec 29 1975 Amended
Filed Nov 7 1984 effective June 15 1985 Rescinded and readopted Filed March 10 1995 effective Nov 30 1995*

4 CSR 240-2 170 Forms

PURPOSE This rule provides examples of the form and contents of certain types of common filings.

(1) Applications for certificate of public convenience and necessity shall be filed in



accordance with 4 CSR 240-2 060 and Example 1 below

(2) Applications for permission to sell assets shall be filed in accordance with 4 CSR 240-2 060 and Example 2 below

(3) Formal complaints shall be filed in accordance with 4 CSR 240-2 070 and Example 3 below

(4) Subscriptions verifications and signatures shall comply with 4 CSR 240-2 080

(5) Compliance with the provisions of this rule does not render unnecessary compliance with any other applicable commission rule

Example 1

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In the matter of the application) of Public Utility Inc for a) certificate of convenience and) necessity authorizing it to) construct install own operate) control manage and) Case No.) maintain a sewer system for the) public located in an unin-) corporated area of Any County) Missouri)

APPLICATION

Comes now Public Utility Inc (Applicant) pursuant to section 393 170 RSMo and states as follows

1 Applicant has duly organized operates as a corporation under the laws of the state of Missouri and maintains its principal office and place of business at 100 Main Street Anytown Missouri 11111 It proposes to provide service to the public as a public utility under the jurisdiction of the commission A copy of its certificate of incorporation and articles of incorporation are attached to this application as Appendix 1

2 Communications regarding this application shall be made to

John Doe President Public Utility Inc 100 Main Street Anytown Missouri 11111

John Smith Attorney at Law 200 Main Street Anytown Missouri 11111

3 Applicant requests a certificate of public convenience and necessity to install own, acquire construct operate control manage and maintain a sewer system for the public in an unincorporated area in Any County, Missouri A map setting forth Applicant's proposed service territory is attached to this application as Appendix 2 A legal description in metes and bounds is attached to this application as Appendix 3

4 A feasibility study is attached to this application as Appendix 4

5 There are no municipalities located within the proposed service area Applicant has complied with all legal requirements of the Any County Court by obtaining a franchise to operate in Any County A certified copy of the franchise is attached to this application as Appendix 5

6 Applicant's proposed sewer system meets all requirements of the Commission and the Department of Natural Resources A copy of the construction permit issued by the Department of Natural Resources is attached to this application as Appendix 6

7 No other public utilities or governmental bodies provide sewer service within the area Applicant proposes to serve

8 The area requested is rapidly being developed and developers are building and planning to build residential homes and other establishments within the area all of which will need adequate sewer service Therefore a public need exists for adequate sewer service within the proposed service area and the public convenience and necessity will be promoted by the granting of the requested certificate

9 The following ten (10) people reside in the proposed service area (or are owners of land in the proposed service area where there are no residences)

Mr Joseph Davis 101 X Street Anytown Missouri 11111

Ms Jane Cooper 202 Y Street Anytown Missouri 11111

WHEREFORE, Applicant requests the commission to grant it a certificate of convenience and necessity authorizing it to install acquire build construct, own, operate, con-

trol manage and maintain a sewer system for the public within the area referred to in paragraph 3 above and to issue such further orders as the commission may deem appropriate and proper

(Signature(s)) (Attorney) Name Address Phone

Example 2

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In the matter of the application) of Public Utility Inc to sell) and transfer its franchise works) or system to Public Water) Case No.) Supply District No 00 of Any) County Missouri)

APPLICATION

Comes now Public Utility Inc (Utility) pursuant to section 393 190 RSMo and states as follows

1 Utility is duly organized operates as a corporation under the laws of the state of Missouri and maintains its principal office and place of business at 100 Main Street Anytown Missouri 11111 Utility is a water corporation and public utility as defined in section 386 020 RSMo therefore it is subject to the jurisdiction supervision and control of the Commission over the transmission distribution and sale of water in Utility's service area in Any County Missouri

2 Public Water Supply District No 00 of Any County Missouri (District) is a political corporation of the state of Missouri established and existing pursuant to Chapter 247 RSMo It presently is providing water service in its service area in Any County Missouri District's service area includes all of the area presently certificated to Utility

3 Communications regarding this application should be made to—

John Doe, President Public Utility Inc 200 Main Street Anytown Missouri 11111

John Smith Attorney at Law 200 Main Street Anytown Missouri 11111

Michael Johnson President
Public Water Supply District No 00
100 Broadway Boulevard
Anytown Missouri 11111

Mary Jones
Attorney at Law
200 Broadway Boulevard
Anytown, Missouri 11111

properties to the District and
(iv) For such other relief deemed appropriate and proper to accomplish the purposes of this application

(Signature(s)) _____ (Attorney)
Name
Address
Phone

4 Utility proposes to sell and transfer, and District proposes to buy all of Utility's franchise works or system necessary and useful to provide water service to its customers in Utility's certificated area. These properties are listed in Appendix 1 attached to this application. A copy of the proposed contract and agreement is attached to this application as Appendix 2.

5 A certified copy of the resolutions of the Board of Directors of Utility and the District authorizing the proposed transaction, are attached to this application as Appendices 3 and 4 respectively.

6 The proposed transaction would not harm the public interest in that (a) Utility does not have the financial ability to continue to expand the system for additional customers (b) the District has sufficient water supply to take care of the immediate demands of the present and future customers of Utility and (c) the location of the system fits in well with the overall plan of expansion by the District.

7 Customers of Utility will experience higher rates after the transfer. A comparison of the rates of Utility and the District and a bill comparison for a typical residential customer are attached to this application as Appendix 5.

8 Any County should experience a loss of tax revenues as the District does not pay taxes. The change in the amount of tax revenues that Any County should expect is attached to this application as Appendix 6.

9 Upon receipt of the proceeds from this sale, Utility intends to pay out the net proceeds to the shareholders and discontinue the rendition of water service in its certificated area.

WHEREFORE Utility respectfully requests the Commission to issue an order:

(i) Approving the sale and transfer of all of the franchise works or system of Utility to the District.

(ii) Authorizing Utility to distribute the proceeds of the sale to the shareholders of Utility.

(iii) Authorizing Utility to discontinue providing water service in its certificated area as of the date of sale and transfer of such

Example 3

BEFORE THE PUBLIC SERVICE
COMMISSION
OF THE STATE OF MISSOURI

John A. Jones)
Complainant) v Case No.
Anytown Telephone Company)
a corporation Respondent)

COMPLAINT

Comes now John A. Jones (Complainant) residing on RFD No. 1 Anytown, Missouri 65432, and pursuant to 4 CSR 240-2.070 respectfully state that:

1 Anytown Telephone Company (the Company) a corporation operates a telephone utility in Anytown, Missouri under the jurisdiction of the Public Service Commission of the state of Missouri.

2 On July 1, 1973, Complainant John A. Jones applied to the Company for telephone service at his residence located on RFD No. 1 Anytown, Missouri. Complainant resides within the service area of the Anytown Telephone Company as shown by its exchange area map on file with this Commission. The Company said that it did not have a telephone line sufficiently near the home of the Complainant to serve him but that the Company planned to serve that area within six to nine months.

3 On March 1, 1974, Complainant applied to the Company at its office in Anytown, Missouri, for telephone service at his residence and was again advised that no line had yet been constructed near the home of Complainant Jones to serve him, and that it would be a number of months until such could be done.

4 On October 1, 1974, Complainant again went to the Company's office in Anytown, Missouri, and asked about his prospects for receiving telephone service. The Company representative told him that if

five or more customers within his immediate neighborhood desired service, the Company could and would build a line to serve those customers provided that such customers deposited with the Company the amount of money above the amount which the Company would expend for said customers under its extension rule on file with this Commission based on an estimated cost of construction. During October, 1974, Complainant received a letter from the Company stating the estimated cost of construction and asking each of the five prospective customers to deposit \$50 with the Company or a total of \$250 as the excess of cost of construction under its extension rules.

5 Complainant states that he signed the letter and returned it to the office of the Company on November 1, 1974, and asked when the Company would begin providing service. The Company told them that it would probably complete construction around February 1, 1975. Complainant offered to deposit the specified sum of \$250 for the five prospective customers including himself but the Company said that it did not then require the deposit or that the Company was not then ready to receive it.

6 Complainant states that the Company still refuses to receive the proffered deposit of \$250 and has not yet begun construction of any telephone line to serve him. The Complainant needs telephone service but has not received it and has exhausted the possibility of securing service by requests directed to the Company.

WHEREFORE, Complainant asks this Commission to order the Company to immediately construct a telephone line from its present system to provide service to his residence as soon as the \$250 deposit is again proffered to the Company.

Signatures(s) _____
Name
Address
Phone

*Auth section 386.410 RSMo (1994)
Original rule filed Dec 19 1975
effective Dec 24 1975 Rescinded and
readopted Filed March 10 1995
effective Nov 30 1995*

4 CSR 240-2 180 Rulemaking

PURPOSE This rule provides a procedure for rulemaking and petitioning

for rulemaking, pursuant to Chapter 536 RSMo

(1) Promulgation amendment, or rescission of rules adopted by the commission in Division 240 of Title 4 may be proposed, adopted and published by approval of the commission as provided by law

(2) Promulgation amendment or rescission of rules may be instituted by the commission through an internally generated rulemaking proceeding or pursuant to a rulemaking petition filed with the commission

(3) Petitions for promulgation amendment or rescission of rules shall be as follows

(A) Each petition for promulgation, amendment, or rescission of rules made pursuant to Chapter 536 RSMo shall be filed with the secretary of the commission in writing and shall include

1 The name street address and mailing address of the petitioner,

2 One (1) of the following

A The full text of the rule sought to be promulgated if no rule on the subject currently exists

B The full text of the rule sought to be amended including the suggested amendments if amendment of an existing rule is sought

C The full text of the existing rule and the full text of the rule proposed to replace the existing rule, if the proposed changes to the existing rule are so substantial as to make replacement of the existing rule more efficient than amendment thereof or

D The full text of the rule sought to be rescinded if rescission of an existing rule is sought

3 A statement of petitioner's reasons in support of the promulgation amendment, or rescission of the rule including a statement of all facts pertinent to petitioner's interest in the matter,

4 Citations of legal authority which authorize support or require the rulemaking action requested by the petition,

5 An estimation of the effect of the rulemaking on private persons or entities with respect to required expenditures of money or reductions in income sufficient to form the basis of a fiscal note as required under Chapter 536 RSMo, and

6 A verification of the petition by the petitioner by oath or affirmation and

(B) Within thirty (30) days after the rulemaking petition is filed the commission shall either deny the petition in writing stating the

reasons for its decision or shall initiate rulemaking in accordance with Chapter 536, RSMo

(4) When the commission decides to promulgate, amend, or rescind a rule, it shall issue a notice of proposed rulemaking for the secretary of state to publish in the Missouri Register The notice of proposed rulemaking shall contain the following

(A) Instructions for the submission of written comments by anyone wishing to file a statement in support of or in opposition to the proposed rulemaking by a specific date which shall be not less than thirty (30) days after the publication date, or

(B) Instructions and notice for both a written comment period and hearing

(5) Persons wishing to file comments or testify at the hearing need not be represented by counsel, but may be so represented if they choose

(6) Hearings on rulemakings may be for commissioner questions or for the taking of initial or reply comments

(7) Hearings for the taking of initial or reply comments on rulemakings shall proceed as follows

(A) A commissioner or presiding officer shall conduct the hearing, which shall be transcribed by a reporter,

(B) Persons wishing to testify shall be sworn by oath or affirmation,

(C) Persons testifying may give a statement in support of or in opposition to a proposed rulemaking The commissioners or the presiding officer may question those persons testifying

(D) Statements shall first be taken from those supporting a proposed rule, followed by statements from those opposing the rule unless otherwise directed by the presiding officer and

(E) Persons testifying may offer exhibits in support of their position

(8) Within ninety (90) days after the end of a written comment period or the end of a hearing on a rulemaking, the commission shall issue an order of rulemaking which shall be published in the Missouri Register by the secretary of state The order of rulemaking shall briefly summarize the general nature of the comments or statements made during the comment period or hearing shall contain the findings required by Chapter 536, RSMo and shall either—

(A) Adopt the proposed rule or proposed amendment as set forth in the notice of proposed rulemaking without further change

(B) Adopt the proposed rule or proposed amendment with further changes

(C) Adopt the proposed rescission of the existing rule or

(D) Withdraw the proposed rule

*Auth sections 386 040 386 250
386 310 386 410 387 050 387 160
387 170 387 230 387 240 387 290
387 310 387 320 387 330 389 580
389 710, 389 795 389 945 389 992
389 993 390 041 390 126 390 136
390 138 392 200 392 210 392 220
392 240 392 280 392 290 392 330
393 110 393 140(3) (4) (6) (9) (11)
and (12) 393 160 393 220 393 240
393 290 and 394 160 RSMo (1994)
Original rule filed April 26 1976
effective Sept 11 1976 Amended
Filed Nov 7 1984 effective June 15
1985 Rescinded and readopted Filed
March 10 1995, effective Nov 30
1995*

State ex rel Southwestern Bell Telephone Co v PSC 592 SW2d 184 (Mo App 1979) A declaratory judgment action under section 536 050 RSMo is not available to challenge the validity of a rule of the Public Service Commission since a specific exclusive statutory scheme for review of commission actions is contained in section 386 510 RSMo

Jefferson Lines, Inc v Missouri Public Service Commission 581 SW2d 124 (Mo App 1979) In 4 CSR 240-2 180 the commission provided by rule a method for attack on any of its own rules A record could be made and if the commission ruled adversely to the petition an appeal would lie under section 386 510 RSMo Also under section 536 031 5, RSMo this court takes judicial notice of the rules printed in the Code of State Regulations

4 CSR 240-2 190 Hearings Under Rulemaking (Rescinded November 30 1995)

4 CSR 240-2 200 Small Company Rate Increase Procedure

PURPOSE This rule provides procedures for small water sewer and gas utilities to obtain rate increases

(1) Small companies, as defined in this rule may seek a general increase in revenues through a small company rate proceeding by filing a letter requesting the change. The request shall not be accompanied by any tariff sheets. For the purpose of this rule, small companies qualifying to use the small company rate proceeding described in this rule shall include water and sewer utilities having five thousand (5 000) or fewer customers and gas utilities having one thousand five hundred (1 500) or fewer customers. The small company rate proceeding shall be conducted as follows:

(A) The original letter requesting the change shall be filed with the secretary of the commission and one (1) copy shall be furnished to the public counsel. The letter shall state the amount of the additional revenue requested, the reason(s) for the proposed change and a statement that all commission annual assessments have been paid in full or are being paid under an installment plan. The letter should also include a statement that the company's current annual report is on file with the commission. The company in writing shall notify customers of the request for additional revenue and the effect on the typical residential customer's bill. The notice shall indicate that customers' responses may be sent to the appropriate commission department or the public counsel within thirty (30) days of the date shown on the notice. A draft copy of the notice shall be sent to the appropriate commission department for verification of the accuracy of the notice before being sent to the company's customers. A copy of the final notice shall then be sent to the appropriate commission department and the public counsel. The commission staff and the public counsel shall exchange copies of customer responses upon their receipt. Upon receipt of the company's request, the commission staff shall schedule an investigation of the company's operations and an audit of its financial records. When the investigation and audit are complete, the commission staff shall notify the company and public counsel whether the requested additional revenue is recommended in whole or in part of the rate design proposal for the increase and of any recommended operational changes. If public counsel wishes to conduct an investigation

and audit of the company, it must do so within the same time period as staff's investigation and audit.

(B) The commission staff, within twenty-one (21) days from the completion of its investigation, shall arrange a conference with the company and shall notify the public counsel of the conference prior to the conference in order to provide the public counsel an opportunity to participate.

(C) If the conference between the commission staff, the company and the public counsel results in an agreement concerning additional revenue requirements and any other matters pertaining to the company's operations, including responses to customer concerns, the agreement shall be reduced to writing. The company may then file tariff sheet(s) with a thirty (30) day effective date and no additional customer notice or local public hearing shall be required unless otherwise ordered by the commission. The company shall file a copy of the agreement with its tariff.

(D) If the conference results in an agreement between the commission staff and the company, the company at this time will file the necessary tariff sheet(s) with the commission in accordance with the agreement. The tariff sheet(s) shall contain an effective date of not less than forty-five (45) days from the issue date.

(E) If an agreement is reached between only the commission staff and the company, the company shall notify customers in writing of the proposed rates resulting from the agreement. The notice shall indicate that customers' responses may be sent to the appropriate commission department or the public counsel within twenty (20) days of the date shown on the notice. A copy of the notice shall be sent to the secretary of the commission and the public counsel. The commission staff and the public counsel shall exchange copies of the customer responses upon their receipt. The public counsel shall notify the commission staff and the company of its agreement or disagreement with the tariff sheet(s) within twenty-five (25) days of the date the tariff sheet(s) is filed, unless a public hearing is requested.

(F) A request for a local public hearing may be filed with the commission after the tariff sheet(s) is filed by the company. The request shall be filed within twenty (20) days of the filing of the tariff sheet(s) by the company. Public counsel shall notify the commission staff and the company of its agreement or disagreement with the tariff sheet(s) within ten (10) days after the local public hearing.

(G) An agreement must be reached and tariff sheet(s) filed based upon the agreement within one hundred fifty (150) days from the date the letter initiating the procedure is filed with the commission. This time period can be extended by the consent of the parties. Written consent for an extension shall be filed with the company's tariff and.

(H) If no agreement can be reached between the commission staff and the company, the company may initiate a standard rate proceeding.

*Auth section 386 410 RSMo (1994)
Original rule filed March 10 1995
effective Nov 30 1995*

Rules of
Department of Economic
Development
Division 240—Public Service Commission
Chapter 4—Standards of Conduct

Title		Page
4 CSR 240-4 010	Gratuities	3
4 CSR 240-4 020	Conduct During Proceedings	4

**Title 4—DEPARTMENT OF
ECONOMIC DEVELOPMENT
Division 240—Public Service
Commission
Chapter 4—Standards of Conduct**

4 CSR 240-4 010 Gratuities

PURPOSE The commission is obligated to promote the public interest and maintain public confidence in its integrity and impartiality. This rule prescribes measures to prohibit practices that possess a potential of wrong-doing.

(1) Each member of the commission and all of its employees are directed to read and comply with this rule and with Executive Order 92-04 dated January 31 1992 following which sets forth a standard of conduct for appointed officials and state employees. The commission shall be responsible for the enforcement of applicable statutes the provisions of the Executive Order and this rule by the suspension or discharge of employees violating the same.

(2) All companies, corporations or individuals and any representative subject to the jurisdiction of the commission shall be prohibited from offering and all members and employees of the commission shall not accept, directly or indirectly, any gifts, meals, gratuities, goods, services or travel, regardless of value except meals to a commissioner or an employee of the commission when given in connection with a speaking engagement or when the individual is a guest at a conference, convention or association meeting.

(3) All companies, corporations or individuals and any representative subject to the jurisdiction of this commission, and the members and employees of the commission shall immediately file with the chairman and each member of the commission from and after March 18, 1976, report of any direct or indirect gratuities, meals, services, gifts or travel given or received and the identity and value of same and the purpose for which given or received, which is not permitted by this rule.

*Auth section 386.040 RSMo (1986)
Original rule filed May 2 1973 effective
June 1 1973 Amended Filed Nov 7
1984 effective Feb 11 1985*

**EXECUTIVE ORDER
92-04**

WHEREAS public confidence in the integrity of the government of the State of Missouri is of utmost importance, and

WHEREAS, the executive branch of state government must discharge its duties in an independent and impartial manner and

WHEREAS executive branch employees must treat the public and fellow employees with respect, courtesy, and dignity and provide equal access to services for all members of the public, and

WHEREAS, executive branch employees' conduct not only must be within the letter of the law but must seek to fulfill the spirit and intent of the law, and

WHEREAS, executive branch employees must provide a full day's work for a full day's pay, giving to the performance of their duties their earnest effort and best thought, and

WHEREAS, executive branch employees must demonstrate the highest standards of personal integrity and honesty and must not realize undue personal gain from the performance of any official duties, and

WHEREAS, executive branch employees are responsible for enhancing the mission of their agencies, and

WHEREAS, a clear statement of the code of conduct which guides the executive branch is both an assurance to the citizens of Missouri and an aid to our steadfast efforts,

NOW THEREFORE, I, JOHN ASHCROFT, GOVERNOR OF THE STATE OF MISSOURI, UNDER THE AUTHORITY VESTED IN ME UNDER THE CONSTITUTION AND THE LAWS OF THIS STATE, INCLUDING THE PROVISIONS OF SECTION 105.969 RSMO CUM SUPP 1992 DO HEREBY SET FORTH A CODE OF CONDUCT FOR EXECUTIVE BRANCH EMPLOYEES OF MISSOURI STATE GOVERNMENT (EXCEPTING THE EMPLOYEES OF THOSE ELECTED OFFICIALS WHO ARE TO ESTABLISH AN INTERNAL CODE OF CONDUCT FOR THEIR OFFICES)

CODE OF CONDUCT

1 Executive branch employees shall conduct the business of state government in a manner which inspires public confidence and trust.

A Employees shall avoid any interest or activity which improperly influences or gives the appearance of improperly influencing, the conduct of their official duties.

B Employees shall act impartially and neither dispense nor accept special favors or privileges which might be construed to improperly influence the performance of their official duties.

C Employees shall not allow political participation or affiliation to improperly influence the performance of their duties to the public.

D Employees shall not engage in business with state government, hold financial interests or engage in outside employment when such actions are inconsistent with the conscientious performance of their official duties.

E Employees shall not use or improperly possess an illegal controlled substance or alcohol in the workplace or during working hours.

F Employees of the State are expected to comply with the statutes of Missouri at all times.

2 Executive branch employees shall conduct themselves in scrupulous compliance with applicable federal, state and local law.

A Employees shall observe all conflict of interest provisions in law applicable to their agencies and positions of employment.

B Employees shall adhere to all laws providing equal opportunity to all citizens.

C Employees shall perform their responsibilities as they are specified in law or other authority establishing those responsibilities.

3 Financial compensation of state employment consists of only authorized salaries and fringe benefits.

A Employees shall not use their public positions in a manner designed to create personal gain.

B Employees shall not disclose confidential information gained by reason of their public positions nor shall employees use such information for personal gain or benefit.

C Employees shall not directly or indirectly attempt to influence agency decisions or matters relating to prospective employers with whom employment has been accepted or is being negotiated.

4 Executive branch employees owe the public the diligent application of their knowledge, skills and abilities for which they are compensated.

A Employees shall not perform outside employment or other activities not appropriate during hours compensated for state employment and will use leave and other benefits provided by the State only for the purposes intended.

B Employees shall carry out all lawful instructions of designated supervisors and will report instructions not consistent with law to the proper authorities.

5 Equipment, material and supplies purchased with public funds are intended for the performance of public purposes only.

A Employees shall use and maintain state equipment, materials and supplies in an efficient manner which will conserve future usefulness.



B Employees shall use state equipment, materials and supplies solely for purposes related to the performance of state business

6 The work of state government will be conducted with respect concern and courtesy toward clients co workers and the general public

A Employees shall approach their duties with a positive attitude and constructively support open communication, dedication and compassion

B Employees shall conduct their duties with courtesy toward clients, co workers, patients, inmates and the general public, recognizing the diverse background, characteristics and beliefs of all those with whom they conduct state business

C Employees shall not engage in any form of illegal harassment or discrimination in the workplace, including on the basis of race, color, religion national origin, ancestry, sex, age or disability

D Employees, in connection with the performance of their duties, shall not seek sexual favors from a client, co worker patient, inmate or member of the public

7 This code shall provide guidance to the officials and employees of the executive branch of Missouri state government in matters of employment related conduct

A When questions arise in the application of this code the public interest will receive primary consideration in any resolution

B This code is not intended to fully prescribe the proper conduct of employees and the failure to prohibit an employee action in this code does not constitute approval of the action

C This code is intended as a supplement to the provisions in law which govern employee conduct, and in no instance does it decrease the requirements in law

D Agency heads are responsible for promoting and enforcing this code of conduct among the employees of their agencies in accordance with their respective agency procedures and shall supplement it with additional provisions to meet the needs of their agencies

E This code is intended to provide guidance for employment related conduct and is not intended to create any right or benefit enforceable by law

F No state agency or appointing authority shall discharge threaten or otherwise retaliate against an employee for reporting in good faith any violation of this code

G In applying this code to specific situations the standard to be used is that of a reasonable person having knowledge of the pertinent circumstances

IN WITNESS WHEREOF I have hereunto set my hand and caused to be affixed the Great Seal of the State of Missouri, in the City of Jefferson, this 31st day of January, 1992

(Signature) _____
GOVERNOR

ATTEST

(Signature) _____
SECRETARY OF STATE

4 CSR 240-4 020 Conduct During Proceedings

PURPOSE The commission must insure that there is no question as to its impartiality in reaching a decision on the whole record developed during open hearings This rule prohibits activities which would tend to exercise influence on the commission and which are not part of the record

Editor's Note The secretary of state has determined that the publication of this rule in its entirety would be unduly cumbersome or expensive The entire text of the material referenced has been filed with the secretary of state This material may be found at the Office of the Secretary of State or at the headquarters of the agency and is available to any interested person at a cost established by state law

(1) Any attorney who participates in any proceeding before the commission shall comply with the rules of the commission and shall adhere to the standards of ethical conduct required of attorneys before the courts of Missouri by the provisions of Civil Rule 4 Code of Professional Responsibility particularly in the following respects

(A) During the pendency of an administrative proceeding before the commission, an attorney or law firm associated with the attorney shall not make or participate in making a statement, other than a quotation from or reference to public records, that a reasonable person would expect to be disseminated by means of public communication if it is made outside the official course of the proceeding and relates to any of the following

1 Evidence regarding the occurrence of transaction involved

2 The character credibility or criminal record of a party witness or prospective witness

3 Physical evidence, the performance or results of any examinations or tests or the refusal or failure of a party to submit to examinations or tests

4 His/her opinion as to the merits of the claims defenses or positions of any interested person and

5 Any other matter which is reasonably likely to interfere with a fair hearing

(B) An attorney shall exercise reasonable care to prevent employees and associates from making an extra record statement as s/he is prohibited from making and

(C) These restrictions do not preclude an attorney from replying to charges of misconduct publicly made against him/her or from participating in the proceedings of legislative administrative or other investigative bodies

(2) In all proceedings before the commission no attorney shall communicate or cause another to communicate as to the merits of the cause with any commissioner or examiner before whom proceedings are pending except

(A) In the course of official proceedings in the cause, and

(B) In writing directed to the secretary of the commission with copies served upon all other counsel of record and participants without intervention

(3) No person who has served as a commissioner or as an employee of the commission after termination of service or employment shall appear before the commission in relation to any case, proceeding or application with respect to which s/he was directly involved and in which s/he personally participated or had substantial responsibility in during the period of service or employment with the commission

(4) It is improper for any person interested in a case before the commission to attempt to sway the judgment of the commission by undertaking, directly or indirectly outside the hearing process to bring pressure or influence to bear upon the commission its staff or the presiding officer assigned to the proceeding

(5) Requests for expeditious treatment of matters pending with the commission are improper except when filed with the secretary and copies served upon all other parties

(6) No member of the commission presiding officer or employee of the commission shall invite or knowingly entertain any prohibited ex parte communication or make any such communication to any party or counsel or agent of a party or any other person who s/he has reason to know may transmit that communication to a party or party's agent

(7) These prohibitions apply from the time an on-the-record proceeding is set for hearing by the commission until the proceeding is

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terminated by final order of the commission
An on-the-record proceeding means a proceeding where a hearing is set and to be decided solely upon the record made in a commission hearing

(8) As *ex parte* communications (either oral or written) may occur inadvertently, any member of the commission, hearing examiner or employee of the commission who receives that communication shall immediately prepare a written report concerning the communication and submit it to the chairman and each member of the commission. The report shall identify the employee and the person(s) who participated in the *ex parte* communication, the circumstances which resulted in the communication, the substance of the communication, and the relationship of the communication to a particular matter at issue before the commission.

*Auth section 386 410 RSMo (1986)
Original rule filed Dec 19 1975, effective
Dec 29 1975 Amended Filed April 26,
1976 effective Sept 11 1976*

Rules of
Department of Economic
Development
Division 240—Public Service Commission
Chapter 50—Water Utilities

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**Title 4—DEPARTMENT OF
ECONOMIC DEVELOPMENT**

**Division 240—Public
Service Commission
Chapter 50—Water Utilities**

4 CSR 240-50 010 Rate Schedules

PURPOSE This rule prescribes the form and procedures for filing and publishing schedules of rates of all water utilities under the jurisdiction of the Public Service Commission

(1) Every water corporation engaged in the furnishing or distribution of water for domestic or other beneficial use in the state of Missouri is directed not later than October 15 1913 to have on file with this commission and keep open for public inspection schedules showing all rates and charges in connection with the service or whatever nature made by these water corporations for each and every kind of service which it renders as were in force on April 15 1913 together with proper supplements covering all changes in the rate schedules authorized by this commission if any since April 15 1913

(2) All the rate schedules now on file with the commission not in accordance with these rules shall be issued in the form and manner prescribed by this rule and all rate schedules issued after April 15 1913 must conform to this rule

(3) Rate schedules shall be drawn up substantially in accordance with Form No 13 and shall be plainly printed or typewritten on good quality of paper of size eight and one-half inches by eleven inches (8 1/2" x 11) in book sheet or pamphlet form A loose-leaf plan may be used so changes can be made by reprinting and inserting a single leaf When the loose leaf plan is used all sheets except the title page sheet must show in the marginal space at top of page the name of the water corporation issuing the PSC number of the schedule and the number of the page In the marginal space at bottom of the sheet should be shown the date of issue the effective date and the name title and address of the officer by whom the schedule is issued All schedules shall bear a number with the prefix PSC Mo _____ Schedules shall be numbered in consecutive serial order beginning with number 1 for each water corporation If a schedule or part thereof is cancelled a new schedule or part thereof (sheet or sheets if loose leaf will refer to the schedule cancelled by its PSC number thus PSC

Mo No _____ cancelling PSC Mo No _____

(4) Each schedule shall be accompanied by a letter of transmittal in duplicate if receipt is desired in the following form

LETTER OF TRANSMITTAL

(Name of water corporation)

(Date)

Accompanying schedule issued by the _____ is sent you for filing in compliance with the requirements of the Public Service Commission Law

PSC Mo No _____

Sup No _____ to PSC Mo No _____

Effective _____ 19 _____

(Signature and title of filing officer)

(5) All proposed changes in rates charges or rentals or in rules that affect rates charges or rentals filed with the commission shall be accompanied by a brief summary, approximately one hundred (100) words or less of the effect of the change on the company's customers A copy of any proposed change and summary shall also be served on the public counsel and be available for public inspection and reproduction during regular office hours at the general business office of the utility

(6) Thirty (30)-days notice to the commission is required as to every publication relating to water rates or service except where publications are made effective on less than statutory notice by permission regulation or requirement of the commission

(7) Except as is otherwise provided no schedule or supplement will be accepted for filing unless it is delivered to the commission free from all charges or claims for postage, the full thirty (30) days required by law before the date upon which such schedule or supplement is stated to be effective No consideration will be given to or for the time during which a schedule or supplement may be held by the post office authorities because of insufficient postage When a schedule or a supplement is issued and as to which the commission is not given the statutory notice, it is as if it had not been issued and a full statutory notice must be given of any reissuance No consideration will be given to telegraphic notices in computing the thirty (30) days' notice required In such cases the schedule will be returned to the sender and

correction of the neglect or omission cannot be made which takes into account any time elapsing between the date upon which such schedule or supplement was received and the date of the attempted correction For rate schedules and supplements issued on short notice under special permission of the commission literal compliance with the requirements or notice named in any order regulation or permission granted by the commission will be exacted

*AUTHORITY section 393 140(11) RSMo (1986) * Original rule filed Dec 19, 1975, effective Dec 29 1975 Amended Filed May 16 1977 effective Dec 11 1977 Amended Filed May 29 1986 effective Oct 27 1986*

**Original authority 1939 amended 1949 1967*

4 CSR 240-50 020 Preservation of Records

PURPOSE This rule prescribes the standards and retention of records of all water utilities

Editor's Note The secretary of state has determined that the publication of this rule in its entirety would be unduly cumbersome or expensive The entire text of the rule has been filed with the secretary of state and is summarized here by the agency adopting it The entire text of the rule may be found at the headquarters of the agency and is available to any interested person at a cost established by state law

(1) The Public Service Commission adopts and prescribes for the use of all water utilities subject to its jurisdiction *Regulations to Govern the Preservation of Records of Electric Gas and Water Utilities* published by the National Association of Regulatory Utility Commissioners (NARUC) in April 1974 with the following modifications of retention periods for the item number shown

(A) Item 30 Plan ledgers a) Ledgers of utility plant accounts including land and other detailed ledgers showing the cost of utility plant by classes—life of the corporation

(B) Item 31 Construction work in progress ledgers, work orders and supplemental records a) work order sheets to which are posted in summary form or in detail the entries for labor materials and other charges for utility plant additions and the entries closing the work orders to utility plant in service at completions—life of the corporation

(C) Item 32 Retirement work in progress ledgers work orders and supplemental records a) work order sheets to which are

posted the entries for removal costs materials recovered and credits to utility plant accounts for cost of plant retired—life of the corporation and

(D) Item 62 Budgets and other forecasts (prepared for internal administrative or operating purposes) of estimated future income receipts and expenditures in connection with financing construction and operations and acquisition or disposals of properties or investments by the company and its associate companies including revisions of estimates and memoranda showing reasons for revisions also records showing comparison of actual income and receipts and expenditures with estimates—three (3) years beyond the latest period covered by the forecast

(2) The NARUC regulations apply to all books of account and other records prepared by the water utilities It provides for protection and storage of records the use and life of record media (microfilm magnetic tape etc) and then a listing of records by type and their retention periods The type of records are—corporate and general automatic data processing general accounting insurance operations and maintenance personnel plant and depreciation purchases and stores revenue accounting and collecting tax treasury and miscellaneous A copy of the NARUC regulations may be obtained from NARUC P O Box 684 Washington D C 20044

*AUTHORITY section 393 140 RSMo (1986) * Original rule filed May 7 1975 effective June 6 1975*

**Original authority 1939 amended 1949 1967*

4 CSR 240-50 030 Uniform Systems of Accounts—Water Companies

PURPOSE This rule prescribes uniform systems of accounts for and the filing of annual reports by all classes of water companies

Editor's Note The secretary of state has determined that the publication of this rule in its entirety would be unduly cumbersome or expensive The entire text of the rule has been filed with the secretary of state and is summarized here by the agency adopting it The entire text of the rule may be found at the headquarters of the agency and is available to any interested person at a cost not more than the actual cost of reproduction

(1) The uniform systems of accounts for Class A and B and for Class C and D water companies issued by the National Associa-

tion of Regulatory Utility Commissioners in 1973 as revised July 1976 are adopted and prescribed for use by all water companies under the jurisdiction of the Public Service Commission

(2) For the purpose of this rule the four (4) classes of water companies have annual water operating revenues as follows

- (A) Class A—\$500 000 or more
- (B) Class B—\$250 000 to \$500,000
- (C) Class C—\$50 000 to \$250 000 and
- (D) Class D—Less than \$50 000

(3) The uniform systems of accounts for Class A and B water utilities contain—definitions of terms general instructions utility plant instructions operating expense instruction balance sheet accounts utility plant account income accounts, operating revenue accounts and operation and maintenance expense accounts The systems of accounts for Class C and D sewer companies are comprised of the same items but are less complex in their executions

(4) In prescribing these systems of accounts the commission does not commit itself to the approval or acceptance of any item set out in any account for the purpose of fixing rates or in determining other matters before the commission

*AUTHORITY section 393 140 RSMo (1994) * Original rule filed May 10 1965 effective May 20 1965 Amended Filed Dec 19 1975 effective Dec 29 1975 Amended Filed April 26 1976 effective Sept 11 1976 Amended Filed July 13 1979 effective Feb 1 1980 Amended Filed March 19 1996 effective Oct 30 1996*

**Original authority 1939 amended 1949 1967*

4 CSR 240-50 040 Minimum Filing Requirements
(Rescinded October 10 1993)

Rules of
Department of Economic
Development
Division 240—Public Service Commission
Chapter 61—Records and Accounts
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**Title 4—DEPARTMENT OF
ECONOMIC DEVELOPMENT**

**Division 240—Public Service Commission
Chapter 61—Records and
Accounts of Sewer Companies**

4 CSR 240-61 010 Preservation of Records

PURPOSE This rule prescribes the length of time that records must be maintained by sewer utilities subject to the jurisdiction of the Public Service Commission

Editor's Note The secretary of state has determined that the publication of this rule in its entirety would be unduly cumbersome or expensive. The entire text of the rule has been filed with the secretary of state and is summarized here by the agency adopting it. The entire text of the rule may be found at the headquarters of the agency and is available to any interested person at a cost not more than the actual cost of reproduction.

(1) The Public Service Commission adopts and prescribes *Regulations to Govern the Preservation of Records of Sewer Utilities* issued in booklet form which prescribes the length of time that records must be maintained by sewer utilities subject to the jurisdiction of the commission.

(2) The regulations provide general instructions on storage, preservation, microfilming and destruction of records. Individual records and their retention periods are then listed within the categories of—plant and accumulated provision for depreciation, treasury revenue accounting and collecting payroll and personnel records, purchases and stores, operations, statistics and miscellaneous.

AUTHORITY section 393.140 RSMo (1986) Original rule filed July 22 1975 effective Aug 1 1975

4 CSR 240-61 020 Uniform Systems of Accounts—Sewer Companies

PURPOSE This rule prescribes uniform systems of accounts for and the filing of annual reports by all classes of sewer companies.

Editor's Note The secretary of state has determined that the publication of this rule in its entirety would be unduly cumbersome or expensive. The entire text of the rule has been filed with the secretary of state and is summarized here by the agency adopting it. The entire text of the rule may be found at the

headquarters of the agency and is available to any interested person at a cost established by state law.

(1) *The Uniform Systems of Accounts For Class A and B Sewer Utilities 1976* issued by the National Association of Regulatory Commissioners and the *Uniform Systems of Accounts For Class C and D Sewer Utilities 1976* issued by the National Association of Regulatory Utility Commissioners are adopted and prescribed for use by all sewer companies under the jurisdiction of the Public Service Commission.

(2) For the purpose of this rule, the four (4) classes of sewer companies are as follows:

(A) Class A—annual sewer operating revenues of \$500,000 or more,

(B) Class B—annual sewer operating revenues of \$250,000 to \$500,000

(C) Class C—annual sewer operating revenues of \$50,000 to \$250,000 and

(D) Class D—annual sewer operating revenues of less than \$50,000.

(3) The uniform systems of accounts for Class A and B sewer utilities contain definitions of terms, general instructions, utility plant instructions, operating expense instructions, balance sheet accounts, utility plant accounts, income accounts, operating revenue accounts, and operation and maintenance accounts. The systems of accounts for Class C and D sewer companies are comprised of the same items but are less complex in their execution.

(4) In prescribing the systems of accounts, the commission does not commit itself to the approval or acceptance of any item set out in any such account for the purpose of fixing rates or in determining other matters before the commission.

AUTHORITY section 393.140 RSMo (1994) * Original rule filed Dec 28 1967 effective July 1 1968 Amended Filed Dec 19 1975 effective Dec 29 1975 Amended Filed April 26 1976 effective Sept 11 1976 Amended Filed July 13 1979 effective Feb 1 1980 Amended Filed March 19 1996 effective Oct 30 1996

*Original authority 1939 amended 1949 1967

State ex rel Martigney Creek Sewer Co v Public Service Commission 537 SW2d 388 (Mo. banc 1976) In not excluding the connection fees clearly paid in cash after June 1 1967 and used in the construction of sewer plant, the P.S.C. has ignored its own adopted

rule of uniformity of accounts and books. It is impossible to ascertain a rational basis in view of the P.S.C.'s rule and the holding herein and in the case of *State ex rel Valley Sewage Co v P.S.C.* 515 SW2d 845 (Mo. App. 1974) that donations and cash connection fees are contributions in aid of construction to be excluded as bases for rate making purposes that they should be treated differently because of time of receipt or how they were subsequently entered and handled on Martigney's books.

**Rules of
Department of Economic
Development
Division 240—Public Service Commission
Chapter 10—Utilities**

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**Title 4—DEPARTMENT OF
ECONOMIC DEVELOPMENT**

**Division 240—Public
Service Commission
Chapter 10—Utilities**

4 CSR 240-10 010 Books and Records

PURPOSE This rule provides for the keeping of certain public utility accounts records memoranda books and papers required by law and prescribes conditions upon which any part of the books and records may be removed from or kept outside the state

(1) This rule applies to every public utility, as defined in section 386 020 RSMo and to all persons employed by the public utilities

(2) Every public utility shall have an office in this state in which its accounts records memoranda books and papers carried in pursuance of a statute of this state or rules of this commission shall be kept except as provided in this rule Accounts records memoranda, books and papers carried in pursuance to the requirements of law mean the general records of the utility carried in pursuance of a statute of this state or the rules of this commission All general records shall be kept in a fireproof place No accounts records memoranda books and papers at any time shall be removed from or kept outside the state except upon conditions as are prescribed

(3) The following denotes the conditions under which any part of the accounts records memoranda books and papers will be permitted to be removed from their domicile in this state or kept outside the state if domiciled in another state and doing business in Missouri

(A) Every public utility doing business in Missouri shall maintain and keep accounts records memoranda books and papers in conformity with the rules prescribed by this commission

(B) If a public utility should desire to remove its general records from its office in this state it shall notify the commission of any such intention thirty (30) days in advance of the removal setting forth the exact address of the general office where the general records will be kept

(C) If a public utility doing business in Missouri maintains its general records outside the state the utility shall notify the commission in writing thirty (30) days in advance of any relocation setting forth the

exact address of the general office where the general records will be kept,

(D) Every public utility or its successors or assigns shall hold itself ready and willing to produce any of its books and records to the commission at any time the commission shall so order or request and shall permit the commission or any of its officers or employees, to inspect these accounts records memoranda books and papers

(E) Every public utility shall permit the commission or any of its officers or employees, to examine and inspect any of the accounts records memoranda books and papers at any reasonable time at the office where these accounts, records memoranda books and papers are kept the same as if the books and papers were kept within Missouri

(F) If the commission deems it necessary to send one (1) or more of its officers or employees to examine any of the accounts records memoranda, books and papers of the public utility at the office where these books and records are kept this being an extraordinary function of regulation not ordinarily contemplated in intrastate regulations of utilities which are normally domiciled in Missouri and keep their books in this state, all reasonable expenses incurred by the officers and employees if so ordered by the commission shall be borne and paid by the public utility provided however that before any such expense shall be incurred by the commission the public utility shall be given reasonable notice to produce its accounts records memoranda books and papers designated by the commission for inspection and examination of the commission or its officers and employees at the office of the commission at Jefferson City Missouri or at an office of the public utility in Missouri or at such other point in Missouri as may be mutually agreed in which case the public utility also shall make available at that place at the time of the examination, a person(s) who is acquainted with the records,

(G) Every public utility upon removal of any of its general records from Missouri to an office in another state, shall keep the general records as are maintained in its office in the designated sister state relative to its business operations in Missouri, in a fireproof place when stored or not in use or in the alternative provide an original duplicate or true copy of the records which shall be kept in a fireproof place in one (1) of its offices in Missouri, and

(H) All public utilities shall file with the secretary of the Public Service Commission if they have not previously done so, and include in their annual report, the address of

the office(s) in which its general records are kept

*AUTHORITY section 393 140 RSMo (1986) * This version of rule filed Dec 19 1975 effective Dec 29 1975 Amended Filed May 17 1988 effective Oct 27 1988*

**Original authority 1939 amended 1947 1967*

State ex rel Kansas City Transit, Inc v Public Service Commission, 406 SW2d 5 (Mo banc 1966) Commission is an administrative body of powers limited to those expressly granted by statute or necessary or proper to effectuate statutory purpose Commission's authority to regulate does not include right to dictate manner in which company conducts its business

4 CSR 240-10 020 Income on Depreciation Fund Investments

PURPOSE This rule prescribes the use of income on investments from depreciation funds and the means for accounting for that income

(1) In the process of determining the reasonableness of rates for service income shall be determined on the depreciation funds of the gas electric water telegraph telephone and heating utilities pertaining to their properties used and useful in the public service in Missouri and shall be applied in reduction of the annual charges to operating income of those utilities

(2) The income from the investment of monies in depreciation funds shall be computed at the rate of three percent (3%) per annum of the principal amount of the depreciation funds

(3) The principal amount of depreciation funds of any such utility for the purposes of this rule shall be deemed to be equivalent to the balance in the depreciation reserve account of any such utility regardless of whether or not any such depreciation reserve account may be represented by a segregated fund ear-marked for that purpose, provided however, that the principal amount of the depreciation funds may be adjusted by the portion(s) of funds which may have been provided under circumstances other than by charges to operating income or otherwise these adjustments to be subject to the approval of the commission The terms

depreciation funds and depreciation reserve accounts shall be deemed to include the terms retirement funds and retirement reserve accounts

(4) The rate of three percent (3%) per annum referred to in section (3) shall be applied in the case of each gas electric water telephone and heating utility of Missouri provided however that modification of the rate may be made upon the commission's own motion or upon proper showing by a utility that the rate is not reasonably and equitably applicable to it

(5) Affected utilities shall prepare and include in their annual reports to the commission commencing with their annual reports for the year 1945 and in such other reports that may be required by the commission from time to time schedules showing for the year or period covered by such reports the income from the investment of moneys in depreciation funds. The schedules referred to shall be in the form prescribed by this commission and shall include among other things that may be prescribed the principal amount of depreciation funds as represented by balances in depreciation reserve accounts any adjustments of such depreciation funds and accounts with complete details and explanations thereof and, the amount of the income from the investment of moneys in depreciation funds computed at the rate of three percent (3%) per annum or such other rate as may be prescribed by order of this commission

(6) The commission shall retain jurisdiction in this matter for the purpose of making any change(s) in the interest rate prescribed in section (2) that may be warranted

*AUTHORITY sections 392 280 and 393 260 RSMo (1986) * Original rule filed Dec 19 1975 effective Dec 29 1975*

**Original authority 392 280 RSMo (1939) amended 1987 and 393 260 RSMo (1967)*

4 CSR 240-10 030 Standards of Quality

PURPOSE This rule prescribes standards of quality for electric gas and water utilities operating under the jurisdiction of the Public Service Commission

Editor's Note The secretary of state has determined that the publication of this rule in its entirety would be unduly cumbersome or

expensive The entire text of the material referenced has been filed with the secretary of state This material may be found at the Office of the Secretary of State or at the headquarters of the agency and is available to any interested person at a cost established by state law

(1) This rule applies to all gas electric and water corporations, as these terms are defined in section 386 020 RSMo engaged in the business of furnishing gas or electricity for light heat or power or supplying water for domestic or commercial uses within Missouri. The word utility, when used in these rules shall be construed to mean any gas corporation electric corporation or water corporation engaged in the designated business

(2) A record shall be kept systematically arranged of the names and addresses of all consumers furnished with metered service with the identification number of meter or meters in use for each consumer. Records shall be kept showing the following information for each meter: date of purchase company's number if any name plate data place of last installation and date of last test

(3) Each utility shall keep records of tests of the accuracy of each of its meters, until superseded by a later test but not less than two (2) years. These records shall give sufficient information to identify the meter, the reason for the test, the date of the test and reading of the meter, the name of the person making the test, the accuracy as found and as left, together with enough of the data taken at the time of the test to permit the convenient checking of the methods employed and the calculations. Systems of meter and test records already in use will meet with the approval of the commission provided they conform substantially with the rule. Application shall be made to the commission for this approval

(4) The allowance of certain variations from correctness on meters as specified in this rule does not mean that meters may deliberately be set in error by the amount of the tolerance. This tolerance is specified to allow for the necessary irregularities in meter tests and maintenance conducted on a commercial scale

(5) Each service meter shall be suited to the particular installation to which it is assigned and chosen with a view of obtaining the best adaptation to local conditions and to the load

(6) It is suggested that those utilities not required to maintain certain testing equip-

ment specified in the rule arrange to perform the tests by making use of the testing equipment of some nearby utility required to maintain the testing equipment

(7) Reasonable efforts shall be made to eliminate interruptions of service and when these interruptions occur service should be re-established with the shortest possible delay. When service is interrupted for the purpose of working on any portion of the system the interruption should occur at a time which will cause the least inconvenience to the consumer and those seriously affected by the interruptions if possible should be notified in advance. A record shall be kept of all interruptions of service on the entire system or major divisions including the times duration and cause of each interruption. These records shall be filed made available for inspection by the commission and preserved for a period of at least one (1) year

(8) Each utility shall keep a record of the time of starting up and shutting down all important items of equipment. A record shall be kept of the indications of the principal switchboard instruments station meters gauges and the like, readings being taken at sufficiently frequent intervals to show the characteristics of the load. When feasible, graphic recording instruments should be used for this purpose in accordance with the best modern practice. These records or charts, suitably identified and dated shall be filed available for inspection by the commission and preserved for a period of at least two (2) years

(9) When gas is to be tested under this rule a cubic foot of gas shall be taken to be that amount of gas which occupies the volume of one (1) cubic foot when saturated with water vapor and at a temperature of sixty degrees Fahrenheit (60°F) and under a pressure above zero (0) of thirty inches (30") of mercury. For the purpose of measurement of gas to a consumer at the stated delivery pressure a cubic foot of gas shall be taken to be the amount of gas which occupies a volume of one (1) cubic foot under the conditions existing in the consumer's meter as and where installed provided the meter is not subject to abnormal temperature conditions. In cases where gas is supplied to customers through orifice or positive displacement meters at other than stated delivery pressure a cubic foot of gas shall be defined to be that volume of gas which at sixty degrees Fahrenheit (60°F) and at absolute pressure of 14.73 pounds per square inch (psi) (thirty inches (30") of mercury) occupies one (1) cubic foot except that in cases where different bases that are

considered by the commission to be fair and reasonable are provided for in gas sales contracts or in rules or practices of a utility these different bases shall be effective

(10) The monthly average total heating value of manufactured gas shall be not less than five hundred seventy (570) British Thermal Units (BTUs) per cubic foot at any point within at least one (1) mile of the manufacturing plant and shall be at no time the total heating value of the gas at that point less than five hundred twenty (520) BTUs per cubic foot unless a different standard of heating value is specifically authorized by the commission and provided that no utility shall lower its present standard heating value without first obtaining the approval of the commission To arrive at the monthly average total heating value the result of all tests made on any one (1) day shall be averaged and the average of all these daily averages shall be taken as the monthly average The term heating value of the gas as used in this rule and as the value is determined in the tests referred to in this rule shall be the total heating value as it is defined in the *Bureau of Standards Circular No 405 Standards For Gas Service*

(11) Each utility whose output exceeds twenty (20) million cubic feet of manufactured gas per year shall provide and maintain a calorimeter and all necessary accessories the calorimeter and the utility shall determine the heating value of manufactured gas supplied by it under the requirements set forth by this rule on at least three (3) days of each week If the gas supplied by the utility is natural gas it is excused from providing and maintaining a calorimeter provided it has available to it information by which it may keep itself fully informed respecting the heating value of the gas delivered by it If the gas supplied by the utility is liquefied petroleum gas and it has installed adequate facilities by which it is able and does control continuously the heating value of the gas as furnished to the customers premises and by which it may keep itself fully informed respecting the heating value of the gas delivered by it the utility is excused from providing and maintaining a calorimeter Heating value tests should be made or secured on natural gas at least three (3) times per year A record of these tests or the information secured shall be maintained available for inspection by the commission and preserved for a period of at least two (2) years

(12) All gas distributed in this state shall not contain more than a trace of hydrogen sulphide The gas shall be considered to contain

not more than a trace of hydrogen sulphide if a strip of white filter paper moistened with a solution containing five percent (5%) by weight of lead acetate is not distinctly darker than a second paper freshly moistened with the same solution after the first paper has been exposed to the gas for one (1) minute in an apparatus previously purged through which gas is flowing at the rate of five (5) cubic feet per hour and not impinging directly from a jet upon the test paper Tests shall be made daily on manufactured gas leaving the holders, for the presence of hydrogen sulphide in the manner specified and a record of the result of these tests shall be filed available for inspection by the commission and preserved for a period of at least two (2) years Each utility supplying natural gas shall make tests for hydrogen sulphide with a frequency as is necessary to keep itself informed that the gas distributed by it does not contain more hydrogen sulphide than the trace previously defined and at other times as the commission may require A record of these tests shall be kept for a period of two (2) years

(13) It is recommended that all gas delivered by the utilities shall possess a strong and distinctive odor If the cost of introducing an odor into the gas to obtain the condition continuously is excessive a suitable odorant shall be introduced during the early part of the heating season and once during the nonheating season each year During periods of odorizing gas to detect leaks there may be more than a trace of sulphur in the gas and this temporary condition is permissible

(14) Each gas utility should set up and follow a rigid program of preventive maintenance of its gas distribution system

(15) All manufactured gas distributed shall contain not more than thirty (30) grains of total sulphur nor more than five (5) grains of ammonia in each one hundred (100) cubic feet Each utility whose output exceeds fifty (50) million cubic feet of manufactured gas per year shall provide and maintain the apparatus and facilities as are necessary for the determination of total sulphur and ammonia in gas and each utility shall regularly determine the amount of total sulphur and ammonia in the manufactured gas distributed by it at sufficiently frequent intervals to insure compliance with the foregoing requirements provided however that any such utility supplying only water gas or oil gas shall not be required to provide apparatus or make determinations of the amount of ammonia in gas A record of these tests shall be maintained available for inspection by the commission

and preserved for a period of at least two (2) years

(16) Except by special authority from the commission for the delivery of a higher service pressure gas shall be furnished at not less than equivalent to four inches (4") water column nor more than two (2) pounds per square inch gauge (psig) pressure measured at the inlet of the consumer's piping downstream from the meter, provided, that with respect to any consumer whose rate of consumption based upon designed capacity of installed equipment reaches or exceeds four hundred fifty (450) cubic feet per hour a utility without obtaining special permission may furnish gas to the consumer at a maximum pressure greater than two (2) psig if the utility shall determine that a greater pressure is available and is desirable to effect economy in delivery or efficiency in utilization of gas by the consumer In those instances where the delivery pressure to the consumer is greater than an equivalent to fourteen inches (14") of water column a regulator shall be required ahead of all gas consuming equipment The maximum pressure on any one (1) day at the inlet of the consumer's piping downstream from the meter shall never exceed twice the minimum pressure at that point on that day At the time a utility establishes gas service to any applicant a leakage test shall be made at the intended delivery pressure to the consumer to insure that the applicant's fuel line is in a safe condition provided however if the maximum delivery pressure exceeds two (2) psig then the customer's piping system shall be tested at one and one-half (1 1/2) times the maximum delivery pressure Service shall not be established until the utility determines that this test has been properly made

(17) Each utility furnishing gas service in cities of two thousand five hundred (2500) inhabitants or over shall maintain a graphic recording pressure gauge at its plant downtown office or at some central point in the distributing system or each subdivision of the system where continuous records shall be made of the service pressure at that point Utilities operating in cities of five thousand (5000) or more inhabitants shall equip themselves with one (1) or more graphic recording pressure gauges in addition to the foregoing and shall make frequent records each covering intervals of at least twenty-four (24) hours duration of the gas service pressure at various points on the system All records or charts made by these meters shall be identified dated and kept on file available for inspection for a period of at least two (2) years

(18) No gas service meter shall be allowed in service which has incorrect gear ratio or dial train or is in any way mechanically defective or shows an error in measurement in excess of two percent (2%) when passing gas at the rate of six (6) cubic feet per hour per rated light capacity. When adjustment is necessary the adjustment should be made to within at least one percent (1%) of correct registration. Tests for accuracy shall be made with a suitable meter prover at least two (2) consecutive test runs being made which agree within one-half (1/2) of one percent (1%).

(19) Unless otherwise ordered by the commission, each gas service meter installed shall be periodically removed, inspected and tested at least once every one hundred twenty (120) months or as often as the results obtained may warrant to insure compliance with the provisions of section (18) of this rule.

(20) Each utility furnishing metered gas service shall make a test of the accuracy of any gas service meter free of charge upon request of a consumer, provided that the meter has not been tested within twelve (12) months previous to the request. The consumer shall be notified of the time and place of the test so that s/he may be present to witness the test should s/he so desire. A written report giving the results of the requested test shall be made to the consumer requesting the results, the original record being kept on file at the office of the utility under the provisions of section (2) of this rule.

(21) Any gas service meter will be tested by the commission upon written application of the consumer or utility as follows:

(A) The utility involved either shall remove the meter or give its consent to the removal of the meter but the consumer shall be given an opportunity to witness the disconnection, packing and shipment of the meter should s/he so desire.

(B) The meter will be returned with a special seal which, if the meter is to be reinstalled on this consumer's premises, shall not be disturbed until after the consumer has been given an opportunity to inspect the meter.

(C) A fee of two dollars (\$2) will be charged by this commission and paid to the Division of Collections of the Department of Revenue of Missouri for each gas service meter tested having a capacity of not exceeding ten (10) lights. For larger meters a proportionally larger fee will be charged depending upon the size of the meter and

(D) If the meter is fast beyond the prescribed limit in section (18) of this rule the utility will be required to pay the test fee and cost of shipping meter; otherwise these expenses shall be borne by the consumer requesting the test.

(22) Each utility having more than one hundred (100) gas meters in service shall maintain one (1) or more suitable gas meter provers of standard design and keep in proper adjustment so as to register the condition of meters tested within one-half (1/2) of one percent (1%). Each meter prover must be accompanied by a certificate of calibration indicating that it has been tested with a standard which has been certified by the National Bureau of Standards or some testing laboratory of recognized standing. Meter provers must be located in a large, comfortable working space free from excessive temperature variations, easily accessible and equipped with all necessary facilities and accessories. Meter testing equipment shall at all reasonable hours be accessible for inspection and use by any authorized representative of this commission.

(23) Each electric utility supplying energy from a constant potential system shall adopt standard service voltages for the entire system and each subdivision. Every reasonable effort shall be made by the use of proper equipment and operation to maintain those voltages within a practicable tolerance. The suitability and adequacy of these service voltages may be determined at any time by the commission. For lighting service the variation in voltage for periods longer than one (1) minute as measured at the consumer's cut-out shall not exceed or fall below these units—

(A) For general all purpose supply where nominal voltage is one hundred twenty (120) volts maximum and one hundred ten (110) volts minimum.

(B) For general all purpose supply where nominal voltage is one hundred fifteen (115) volts maximum and one hundred eight (108) volts minimum.

(C) For rural service, one hundred twenty-seven (127) volts maximum and one hundred ten (110) volts minimum, and

(D) For power service, the voltage at any time shall not be greater than ten percent (10%) above or below standard service voltage. The ranges of voltages indicated in this subsection shall be considered as being made up of three (3) voltage zones—namely the favorable zone, tolerable zone and the

extreme zone. The favorable zone shall be that range of voltage variation with four percent (4%) above and five percent (5%) below nominal. The tolerable zone shall be that zone between six percent (6%) above and eight percent (8%) below nominal voltage and the extreme zone shall not exceed the maximum and minimum range of the tolerable zone more than an additional three percent (3%). When the system voltage variations extend to within the extreme zone the utility shall take those steps as may be required to improve the system voltages or the subdivisions of, the utility as the case may be, to within either the favorable or the tolerable zone. The utilities will not be held responsible for variations in service voltage at a customer's premises caused by the operation of that customer's apparatus in violation of the utility's rules or by the action of the elements or causes beyond the utility's control. The requirements listed in this paragraph may be waived for any particular consumer by special written agreement other than the regular service contract or application provided that the arrangement does not affect the quality or service to other consumers.

(24) To insure compliance with the requirements specified in section (23) of this rule each utility furnishing electric service shall supply itself with one (1) or more portable indicating voltmeters suitable of the service voltages condition. Where two hundred fifty (250) or more consumers are served by any utility it must provide itself with one (1) or more portable graphic recording voltmeters suitable for the service voltages furnished. A sufficient number of voltage surveys must be made by each utility to indicate that service furnished from various transformers and service mains is at all times in compliance with the previously mentioned requirements. When graphic recording voltmeters are used each chart or record should cover an interval of at least twenty-four (24) hours duration. These records or charts suitably identified and dated shall be kept on file available for inspection for a period of at least two (2) years.

(25) Except as provided in this rule, each electric service watt-hour meter placed in service shall be tested and adjusted for accuracy before installation or within thirty (30) days after that. New meters manufactured during and since 1937 may be placed in service without testing if the meters are not opened and if the manufacturer's seal is not broken. Whenever a watt-hour meter manufactured during or since 1937 is required to

be tested for reasons other than physical or electrical damage it should not be opened unless faulty registration (as defined in this rule) is indicated. Each watt-hour meter which appears to be in good condition may be tested by loading the meter sufficiently to cause it to register not less than one hundred (100) kilowatt hours (kWh) at varying rates of current flow for a specified period of time. If this procedure is used the meter must be checked with a standard meter previously determined to be accurate by reading and comparing the dial registers of the meter being tested with the standard meter. If the dial register of the meter being tested shows less than ninety-nine (99) kWh or more than one hundred one (101) kWh (for each one hundred (100) kWh of registration at varying rates of current flow) the meter will be considered as one with faulty registration and will be opened, retested and adjusted. Otherwise it will be available to be placed in service. With respect to the testing of all meters manufactured prior to 1937 and with respect to those meters manufactured during and since 1937 which are required under this rule to be opened, retested and adjusted the following procedure shall be followed (This procedure may be followed in all cases at the option of the electric corporation.)

(A) Tests and adjustments for accuracy shall be made at from five percent to ten percent (5%—10%) and at from seventy-five percent to one hundred percent (75%—100%) of rated capacity of meter.

(B) Tests for accuracy at each load shall be made with suitable working standards by taking the average of at least two (2) test runs of at least thirty (30) seconds each which agree within one percent (1%) except that where stroboscopic or similarly precise methods of testing are used only one (1) test run need be made.

(C) Any meter operating on inductive load should be tested under inductive load and should be adjusted to register accurately at the approximate power factor conditions at which the meter will normally be required to operate or at fifty percent (50%) and one hundred percent (100%) power factors.

(D) When testing each meter shall be adjusted as accurately as practical for correct registration at the test load specified. Where necessary to adjust the meter fast at light or heavy load for correct registration at normal load or to correct for inductive load the fast adjustment should not exceed two percent (2%) above correct registration and

(E) Commutator-type meters when feasible should be allowed to remain in actual service at least five (5) days before being tested.

(26) No electric service watt-hour meter shall be allowed in service which has incorrect constants or dial train or which creeps at no load at the rate of more than one (1) disk revolution in five (5) minutes or less when maximum service voltage under which meter operates is applied or which is in any way mechanically defective. Nothing contained in this section shall require any electric corporation to open any new meter manufactured during and since 1937.

(27) Any electric service meter tested on complaint or for any other reason after having been in service may be considered as having been recording within allowable limits of accuracy at any possible load if it is found to register within three percent (3%) of correct registration when tested in accordance with the provisions of section (25). After the test, however, the meter shall be adjusted for accuracy in accordance with the provisions of section (25) before being again placed in service. It is suggested that the average accuracy of a meter in service be defined as follows and that the condition of the meter as thus determined be used as a basis for adjusting consumer's bills for incorrect registration beyond certain limits where any utility makes the adjustment a part of its commercial practice.

(A) Test an induction meter or a commutator meter at approximately five percent to ten percent (5%—10%) of rated capacity of meter and at seventy-five percent to one hundred percent (75%—100%) rated capacity of meter, and

(B) The average of the tests at light and heavy load defined as the average accuracy or condition of meter shall be obtained by multiplying the result of the test at heavy load by four (4) and adding the result of the test at light load and dividing the total by five (5).

(28) Unless otherwise ordered by the commission each electric service watt-hour meter shall be periodically tested in accordance with the following schedule or as often as the results obtained may warrant and adjusted in accordance with section (25).

(A) Induction-type meters manufactured prior to 1927—

1 Induction-type meters having rated current capacity not exceeding fifty (50) amperes at least once every sixty (60) months and

2 Induction-type meters having rated current capacity exceeding fifty (50) amperes at least once every twenty-four (24) months,

(B) Induction-type meters manufactured during the period 1927—1936

1 Induction-type meters having rated current capacity not exceeding fifty (50) amperes at least once every ninety-six (96) months

2 Induction-type meters having rated current capacity exceeding fifty (50) amperes at least once every thirty (30) months

3 Commutator-type meters with rated current capacities not exceeding fifty (50) amperes and voltage ratings not exceeding two hundred fifty (250) volts at least once every twenty-four (24) months and

4 All other meters at least once every twelve (12) months

(C) Induction-type meters manufactured during and since 1937 at least once every two hundred forty (240) months and

(D) In commutator meters having heavy moving elements and sapphire jewels the number of revolutions of the moving element between tests should not ordinarily exceed one (1) million.

(29) Each utility furnishing metered electric service shall make a test of the accuracy of any electric service meter free of charge upon request of a consumer provided that the meter has not been tested within twelve (12) months previous to the request. The consumer shall be notified of the time and place of the test so that s/he may be present to witness the test should s/he so desire. A written report giving the result of the test shall be made to the consumer requesting the test, the original record being kept on file at the office of the utility under the provisions of section (2) of this rule.

(30) Any electric service meter will be tested by the commission upon written application of the consumer or utility. The utility involved shall either remove the meter or give its consent to the removal of the meter but the consumer shall be given an opportunity to witness the disconnection, packing and shipment of the meter should s/he so desire. The meter will be removed with a special seal which if the meter is to be reinstalled on this consumer's premises shall not be disturbed until after the consumer has been given an opportunity to inspect the meter. A fee of two dollars (\$2) will be charged by this commission and paid to the Division of Collections of the Missouri Department of Revenue for each single-phase or direct-current watt-hour meter having a current capacity not exceeding twenty-five (25) amperes and without instrument transformers. For other meters a proportionally larger fee will be charged depending upon the type and size of the meter. If the meter is fast beyond the

prescribed limit in section (27) of this rule the utility will be required to pay the test fee and cost of shipping the meter otherwise these expenses shall be borne by the consumer requesting the test

(31) Each utility furnishing metered electric service shall maintain suitable working standards of a rugged type for the testing of electric service meters. These working standards must be calibrated frequently to insure their accuracy. Approved secondary standards shall be owned and maintained by each utility having more than two hundred fifty (250) meters in service for the calibration of the working standards. All secondary standards and the working standards of those utilities not required to maintain secondary standards must be submitted at sufficiently frequent intervals to insure unquestionable accuracy to the Bureau of Standards at Washington, D. C. or to some testing laboratory of recognized standing for calibration where the utility does not maintain a testing laboratory having primary standards. Each standard shall be accompanied by its certificate of calibration dated and signed by the proper authority. These certificates when superseded shall be kept on file at the office of the utility available for inspection. Meter testing equipment shall at all reasonable hours be accessible for inspection and use by any authorized representative of the commission.

(32) All water furnished by utilities for human consumption and general household purposes shall conform to standards adopted by the Missouri Department of Health. The source of supply shall be of adequate quantity to insure a supply without interruption at all times. Treatment and filtration by approved methods is strongly recommended where doubt exists as to the quality of the water furnished at any time. Satisfactory treatment and filtration of water drawn from surface supplies is required. Disinfection treatment by hypochlorites of lime, chlorine gas or other approved disinfecting agents is generally necessary for all public water supplies. Storage reservoirs for finished water, where possible, shall be covered to protect the supply from sunlight and contamination. Where covered reservoirs are not provided due to local circumstances, chlorination facilities shall be provided at the reservoir in addition to the facilities provided at the plant.

(33) Bacteriological analyses shall be periodically made of water furnished for public uses as prescribed by the Missouri Department of Health. The commission reserves the right to require under its supervision an extended

bacteriological as well as physical and chemical examination when deemed advisable for any particular water furnished. The results of all tests made must be recorded and kept on file available for public inspection for a period of at least two (2) years. These records must indicate when, where and by whom each test was made. Methods of water analysis prescribed by the Missouri Department of Health shall be followed as regards chemical, physical and bacteriological examination and collection of samples and any departure from these methods must be specifically stated.

(34) Dead ends in the distributing mains should be avoided as far as possible. Where the dead ends exist, they should be flushed when necessary to insure satisfactory quality of water to consumers. To allow flushing, dead ends should be equipped with hydrants, flush valves or other means of allowing water to be removed from these dead ends.

(35) Every effort must be made to maintain water pressure which will at no time fall below an adequate minimum pressure suitable for domestic service. In addition to furnishing domestic and commercial service, each utility furnishing fire-hydrant service must be able within a reasonable period of time after notice to supply fire-hydrant service to local fire fighting equipment and facilities. No utility however shall be required to install larger mains or fire-hydrants or otherwise supply fire service unless proper contractual arrangements shall have been made with the utility by the municipality agency or individual desiring the service.

(36) Each utility furnishing water service in cities of two thousand five hundred (2500) or five thousand (5000) inhabitants shall maintain graphic recording pressure gauges at its plant and at its downtown office or at some central point in the distributing system where continuous records shall be made of the pressure in the mains at these points. Utilities operating in cities of five thousand (5000) or more inhabitants shall equip themselves with one (1) or more graphic recording pressure gauges in addition to the previously mentioned and shall make frequent records, each covering intervals of at least twenty-four (24) hours duration, of the water pressure at various points on the system. All records or charts made by these meters shall be identified, dated and kept on file available for inspection for a period of at least two (2) years.

(37) No water service meter shall be allowed in service which has an incorrect gear ratio or dial train or is mechanically defective or

shows an error in measurement in excess of five percent (5%) when registering water at stream flow equivalent to approximately one-tenth (1/10) and full normal rating under the average service pressure. When adjustment is necessary the adjustment shall be made as accurately as practical for average rate of flow under actual conditions of installation. Tests for accuracy shall be made with a suitable testing device in accordance with the best modern water meter practice and at rates of flow which will properly reflect the accuracy of meters over each meter's range of minimum to maximum flow.

(38) Unless otherwise ordered by the commission, each water service meter installed shall be periodically removed, inspected and tested in accordance with the following schedule or as often as the results obtained may warrant to insure compliance with the provisions of section (37) of this rule.

(A) Five-eighths inch (5/8") meter—ten (10) years or two hundred thousand (200 000) cubic feet whichever occurs first.

(B) Three-fourths inch (3/4") meter—eight (8) years or three hundred thousand (300 000) cubic feet whichever occurs first.

(C) One inch (1") meter—six (6) years or four hundred thousand (400 000) cubic feet whichever occurs first, and

(D) All meters above one inch (1")—every four (4) years.

(39) Each utility furnishing metered water service shall make a test of the accuracy of any water service meter free of charge upon request of a consumer, provided that the meter has not been tested within twelve (12) months previous to the request. The consumer shall be notified of the time and place of the test so that s/he may be present to witness the test should s/he so desire. A written report giving the result of the requested test shall be made to the consumer requesting the test, the original record being kept on file at the office of the utility under the provisions of section (2) of this rule.

(40) Any water service meter will be tested by the commission upon written application of the consumer or utility. The utility involved shall either remove the meter or give its consent to the removal of the meter but the consumer shall be given an opportunity to witness the disconnection, packing and shipment of the meter should s/he so desire. The meter will be returned with a special seal which, if the meter is to be reinstalled on this consumer's premises, shall not be disturbed until after the consumer has been given an opportunity to inspect the meter. A fee of two

dollars (\$2) will be charged by this commission and paid to the Division of Collections of the Missouri Department of Revenue for each water service meter tested ranging in size up to one inch (1) For larger meters a proportionally larger fee will be charged depending upon the size of the meter If the meter is fast beyond the prescribed limit in section (37) of this rule the utility will be required to pay the test fee and cost of shipping meter otherwise these expenses shall be borne by the consumer requesting the test

(41) Each utility furnishing metered water service in cities of three thousand (3000) or more inhabitants shall maintain one (1) or more suitable water meter testers and keep the water meter tester in proper adjustment so as to register accurately the condition of the meters tested at all times Meter testers must be located in a suitable working space easily accessible and equipped with all necessary facilities and accessories Meter testing equipment shall at all reasonable hours be accessible for inspection by any authorized representative of the commission or by any authorized representative of any department of weights and measures of Missouri or any political subdivision in which the utility operates

(42) Preliminary engineering reports followed by detailed plans and specifications for new constructions additions to or changes or alterations to any existing public water supply or water purification plant shall be submitted to the Department of Health for examination and written approval secured from the Department of Health before contracts are let or construction begun Water utilities must comply with all regulations of the Department of Health or other regulatory bodies having jurisdiction pertaining to installation extension and operation of public water supplies

(43) Utilities shall determine the characteristics of service to be made available to each consumer based upon the location of the premises size and operating characteristics of the consumer's equipment and shall furnish information upon request as to the standard class of service to be furnished which in the case of either new or enlarged electric connections shall specify the nominal voltage and number of phases and the number of wires over which service will be delivered Utilities when requested shall provide reasonable assistance to consumers in the selection of equipment best adapted to the service to be furnished and inform consumers

as to conditions under which efficient use of service may be realized

*AUTHORITY section 393 140 RSMo (1986) * Original rule filed March 5 1953 effective March 15 1953 Amended Filed Sept 22 1959 effective Oct 1 1959 Amended Filed May 2 1968 effective May 16 1968*

**Original authority 1939 amended 1949 1967*

4 CSR 240-10 040 Service and Billing Practices for Commercial and Industrial Customers of Electric, Gas, Water and Steam Heat Utilities

PURPOSE This rule establishes service and billing and payment standards to be observed by electric gas water and steam heat utilities and their commercial and industrial customers in resolving questions regarding these matters so that reasonable and uniform standards exist for service and billing and payment practices for all electric gas water and steam heat utilities

(1) Whenever a utility is unable to gain access to a customer's premises for the purpose of reading and testing meters or servicing or maintaining the utility's equipment or for other appropriate purposes following calls made at the customer's premises during the usual course of business the customer on request from the utility in which a particular time is specified shall give access to his/her premises to representatives of the utility for those purposes at the time specified which time shall be within the hours of 8 00 a m and 5 00 p m Monday through Friday otherwise the utility may estimate for billing purposes the meter reading subject to correction when the utility may read the meter

(2) Except for the provisions of this rule all bills rendered to customers for metered service furnished will show the reading of the meter at the beginning and end of the period for which the bill is rendered and shall give the dates of readings the number of units of service supplied and the basis of charge or reference Where, by reason of the use of postal or other card form of billing or for other good reasons this information cannot reasonably be placed on the bills any utility may present for filing with the commission in conjunction with its rules a proposed form of billing The commission may authorize deny or require modification of any such proposed form of billing

(3) No utility shall discontinue the service of any customer for violation of any rule of that utility except on written notice of intention to discontinue service This notice shall state the reason for which service will be discontinued specify a date after which the discontinuance may be effected and shall be mailed to or served upon the customer not less than forty-eight (48) hours prior to that date This may be waived where a bypass is discovered on a customer's service meter, or in the event of discovery of dangerous leakage or short circuit on a customer's premises or in the case of a customer utilizing the service in a manner as to make it dangerous for occupants of the premises thus making the immediate discontinuance of service to the premises imperative or in the case of an order from a governmental agency directing the discontinuance of service In the event of discontinuance of service for any of these reasons the customer shall be notified of the discontinuance immediately with a statement concerning the reason for discontinuance

(4) Each utility may require from any customer at any time a cash deposit or at its option a personal guarantee of a responsible person provided that the amount of any such deposit or guarantee so required shall not exceed an estimated bill covering one (1) billing period plus thirty (30) days A cash deposit shall bear interest at a rate specified in the utility's tariffs approved by the commission which shall be credited annually upon the account of the customer or paid upon the return of the deposit whichever occurs first and provided the cash deposit remains for a period of at least six (6) months The rate of interest of the cash deposit shall be only three percent (3%) per annum if the utility keeps the cash deposit in a separate and distinct trust fund and deposited as such in some bank or trust company and not used by the utility in the conduct of its business These provisions shall not apply to any deposits or guarantees made by the customer for the purpose of securing an extension of or additions to a utility's distributing system in accordance with the utility's rules covering these extensions as filed with this commission Interest shall not accrue on any cash deposit after the date the utility has made a bona fide effort to return that deposit to the depositor The utility in its records shall keep evidence of its effort to return the deposit Each utility shall file with the commission by April 12 1993 a tariff setting forth the interest rate payable on cash deposits unless the utility already has a rate of interest set forth in its tariff



(5) A statement of the practice of any utility covering deposits or guarantees of surety together with interest rate payable upon cash deposits must be filed with the commission as a portion of the utility's schedule of rates under the provisions of the commission's rules covering the filing and publication of rate schedules. A statement of the practice governing service main or line extensions by any utility must likewise be filed with the commission as a portion of the schedule of rates on file. Each utility shall adjust customer's bills for incorrect meter readings or improper meter registration in a reasonable and equitable manner consistent with the rules which it has on file with the commission. Any specific rule adopted by a utility covering these adjustments shall be filed with the commission in conformance with the commission's rules covering the filing and publication of rate schedules.

(6) Customer as used in this rule means a commercial or industrial customer of an electric gas water or steam heat utility.

*AUTHORITY sections 386 250 RSMo (Cum Supp 1991) and 393 140 and 393 290 RSMo (1986) * Original rule filed March 5 1953 effective March 15 1953 Amended Filed Sept 22, 1959 effective Oct 1 1959 Amended Filed May 2 1968 effective May 16 1968 Amended Filed June 10 1992 effective Feb 26 1993*

**Original authority 386 250 RSMo (1939) amended 1963 1967 1977 1980 1987 1988 1991 393 140 RSMo (1939) amended 1949 1967 and 393 290 RSMo (1939) amended 1967*

4 CSR 240-10 050 Termination of Utility Service During Cold Weather—When (Rescinded November 15 1984)

4 CSR 240-10 060 Gross Receipts Tax

PURPOSE This rule establishes a procedure by which the commission may obtain the information it needs to give notice of rate increases of seven percent or more to cities and counties that impose a utility gross receipts tax

(1) When any gas electric sewer or water corporation pursuant to a commission report and order or under a Purchased Gas Adjustment provision in its tariffs files a tariff which includes an increase in annual revenues in excess of seven percent (7%) in the whole or within any part of that company's

service territory the corporation shall file with the tariff the following information

(A) A list of all cities and counties within its certificate area which implies a business license tax on the corporation's gross receipts together with the name mailing address and title (that is collector treasurer clerk) of the official responsible for administration of the gross receipts tax or business license tax in each of the listed cities and counties. The corporation shall update this list throughout the period of time before the date the tariff takes effect,

(B) A reasonable estimate of the resulting annual increase in the corporation's annual gross receipts in each affected city and county and

(C) An explanation of the methods used in developing those estimates

(2) If the commission allows a filed tariff containing a general rate increase in excess of seven percent (7%) to go into effect without suspension and that tariff was not authorized by commission order prior to the filing, the filing gas electric sewer or water corporation shall file the information required in subsections (1)(A)—(C) of this rule within ten (10) days after the effective date of the tariff

*AUTHORITY section 393 275(1) RSMo (1986) * Original rule filed Oct 6 1987 effective Jan 14 1988*

**Original authority 1984 amended 1985*

4 CSR 240-10 070 Minimum Filing Requirements For General Rate Increase Requests

PURPOSE This rule prescribes the information which must be filed by all electric utilities all large local exchange telecommunications companies all large gas water and sewer utilities and all steam heating utilities when filing for a general company-wide increase in rates

(1) This rule applies to all electric utilities, to all local exchange telecommunications companies with more than five thousand (5000) access lines, to all gas utilities with more than one thousand five hundred (1500) customers, to all water utilities with more than five thousand (5000) customers to all sewer utilities with more than five thousand (5000) customers and to all steam heating utilities, under the jurisdiction of the commission

(2) A general rate increase request is one where the company or utility files for an

overall increase in revenues through a company-wide increase in rates for the utility service it provides but shall not include requests for changes in rates made pursuant to an adjustment clause or other similar provisions contained in a utility's tariffs

(A) With regard to any telecommunications company subject to this rule any increase in revenues as a result of an increase in rates within a previously approved rate band for a transitionally competitive or competitive service pursuant to sections 392 500 and 392 510 RSMo will not be considered a general rate increase and thereby not be subject to these minimum filing requirements

(3) At the time a tariff(s) is filed by any company or utility subject to this rule which contains a general rate increase request, an original and fourteen (14) copies of the following information shall be filed with the executive secretary of the commission and two (2) copies shall be provided to the Office of the Public Counsel

(A) A letter transmitting the proposed tariff changes to the executive secretary of the Missouri Public Service Commission

(B) General information concerning the filing which will be of interest to the public and suitable for publication including

1 The amount of dollars of the aggregate annual increase and the percentage of increase over current revenues which the tariff(s) proposes

2 Names of the counties and communities affected

3 The number of the customers to be affected in each general category of service and in all rate classifications within each general category of service

4 The average change requested in dollars and percentage change from current rates for each general category of service and for all rate classifications within each general category of service

5 The proposed annual aggregate change by general categories of service and by rate classification within each general category of service including dollar amounts and percentage of change in revenues from current rates

6 Copies of any press releases relative to the filing issued by the company or utility prior to or at the time of the filing and

7 A summary of the reasons for the proposed changes or a summary explanation of the reasons the additional rate is needed

(4) For good cause shown the commission may grant a waiver of any of the provisions of this rule

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*AUTHORITY sections 392 210 RSMo (Supp 1987) 392 220 RSMo (Cum Supp 1991) and 393 140 RSMo (1986) * Original rule filed Feb 4 1993 effective Oct 10 1993*

**Original authority 392 210 RSMo (1939) amended 1984 1987 392 220 RSMo (1939) amended 1987 1988 1991 and 393 140 RSMo (1939) amended 1949 1967*

4 CSR 240-10 080 Annual Report Filing Requirements

PURPOSE This rule establishes standards for filing annual reports by utilities subject to the jurisdiction of the Missouri Public Service Commission including procedures for filing annual report information under seal

(1) All public utilities subject to the jurisdiction of the Missouri Public Service Commission shall file an annual report with the commission on or before April 15 of each year except for private pay telephone providers which are exempted under the provisions of 4 CSR 240-2 060(3)(B)

(2) Electric utilities shall file their annual reports on either a form provided by the commission or on a computer-generated replica which is acceptable to the commission All requested information shall be included in the annual report where applicable

(3) Gas utilities shall file their annual reports on either a form provided by the commission or on a computer-generated replica which is acceptable to the commission All requested information shall be included in the annual report where applicable

(4) Telecommunications utilities shall file their annual reports on either a form provided by the commission or on a computer-generated replica which is acceptable to the commission All requested information shall be included in the annual report where applicable

(5) Water utilities shall file their annual reports on either a form provided by the commission or on a computer-generated replica which is acceptable to the commission All requested information shall be included in the annual report where applicable

(6) Sewer utilities shall file their annual reports on either a form provided by the commission or on a computer-generated replica which is acceptable to the commission All requested information shall be included in the annual report where applicable

(7) Where a utility subject to this rule considers the information requested on the annual report form to be confidential it must make a written request to the executive secretary to file that information under seal and state good cause for maintaining the information under seal The executive secretary shall then through the general counsel present that request to the commission for approval The executive secretary shall inform the utility within three (3) days of the commission decision whether the request has been granted

(8) A utility which is unable to meet the filing date established in section (1) of this rule shall make a written request to extend the filing date for its annual report to the executive secretary and state the reason for the extension request The executive secretary, through the chief administrative law judge shall present the report to the commission for approval The executive secretary shall inform the utility in writing within three (3) days of the decision of the commission

*AUTHORITY sections 392 210 and 393 140 RSMo (1994) * Original rule filed March 19 1996 effective Oct 30 1996*

**Original authority 392 210 RSMo (1939) amended 1987 1988 1991 1993 and 393 140 RSMo (1939) amended 1949 1967*

Exhibit 6 6
Summary of Price Increases, by Customer Class

	March 1996	End of 1996	1997 (monopoly)	1997 (pool)	1998 (pool)
Wholesale market customers - Very High Voltage					
Average yield	2 866	2 4694	2 7164	3 0818	3 0818
Percent increase above October 96 prices		-14%	-5%	8%	8%
Percent increase with respect to the preceding year			10 0%	13 5%	0 0%
Wholesale market customers - High Voltage					
Average yield	2 866	2 7339	3 0073	3 4119	3 4119
Percent increase above October 96 prices		-5%	5%	19%	19%
Percent increase with respect to the preceding year			10 0%	13 5%	0 0%
Customers of Almaty Network & Taldykorgan Network					
High Voltage industrial >750 kVA					
Average yield	2 8793	2 8793	2 8793	3 0123	3 1785
Percent increase above October 96 prices		0%	0%	5%	10%
Percent increase with respect to the preceding year			0 0%	4 6%	5 5%
Medium Voltage industrial >750 kVA					
Average yield	2 8793	2 8793	2 9802	3 4962	3 6890
Percent increase above October 96 prices		0%	4%	21%	28%
Percent increase with respect to the preceding year			3 5%	17 3%	5 5%
Medium Voltage industrial <750 kVA					
Average yield	4 4424	4 4424	4 4424	4 4424	4 4424
Percent increase above October 96 prices		0%	0%	0%	0%
Percent increase with respect to the preceding year			0 0%	0 0%	0 0%
Railroad transport					
Average yield	4 3290	4 3290	4 3290	4 3290	4 3290
Percent increase above October 96 prices		0%	0%	0%	0%
Percent increase with respect to the preceding year			0 0%	0 0%	0 0%
Urban transport					
Average yield	4 5289	4 5289	4 7472	5 5691	5 8764
Percent increase above October 96 prices		0%	5%	23%	30%
Percent increase with respect to the preceding year			4 8%	17 3%	5 5%
Non-industrial					
Average yield	5 0090	5 0090	5 0090	5 5691	5 8764
Percent increase above October 96 prices		0%	0%	11%	17%
Percent increase with respect to the preceding year			0 0%	11 2%	5 5%
Agricultural					
Average yield	3 9379	4 0922	4 7472	5 5691	5 8764
Percent increase above October 96 prices		4%	21%	41%	49%
Percent increase with respect to the preceding year			16 0%	17 3%	5 5%
Population					
Average yield	2 4915	3 0458	4 2670	5 4501	5 7831
Percent increase above October 96 prices		22%	71%	119%	132%
Percent increase with respect to the preceding year			40 1%	27 7%	6 1%

Rules of
Department of Economic
Development
Division 240—Public Service Commission
Chapter 20—Electric Utilities

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**Title 4—DEPARTMENT OF
ECONOMIC DEVELOPMENT**
Division 240—Public Service
Commission
Chapter 20—Electric Utilities

4 CSR 240-20 010 Rate Schedules

PURPOSE This rule prescribes the form and procedures for filing and publishing schedules of rates of all electrical corporations under the jurisdiction of the Public Service Commission

- (1) Every electrical corporation as defined in section 386 020 RSMo engaged in the manufacture generating furnishing or transmission of electricity for light heat or power within Missouri is directed to have on file with this commission not later than October 15 1913 a schedule of all rates rentals and charges of whatever nature made by the electrical corporation for each kind of service it renders which were in force on April 15 1913 together with proper supplements covering all changes in rate schedules authorized by this commission if any since April 15 1913
- (2) Every electrical corporation is directed on and after October 15 1913 to publish all of its schedules of rates with this commission as follows
- (A) To keep all of its schedules of rates established and filed with this commission and in its main or principal operating office and in each division office which is now or may be established
- (B) To keep at each of its branch business offices where contracts for service are made or payment for customer's service is received copies of all of its established schedules of rates which apply within the area served and
- (C) That all schedules of rates at all times during business hours shall be readily accessible to the public and shall be immediately produced for inspection upon the demand of any person The production for inspection of schedules of rates shall be accompanied by such assistance on the part of the proper representative of the electrical corporation having a schedule to determine accurately the rate or charge applicable to any particular kind of electrical service
- (3) All schedules of rates rentals and charges or rules relating and applying to service rendered in connection with the supplying of electrical energy for light heat and power or for any service rendered in connection with electrical energy supply lawfully on file with the commission and in force on April 15 1913 will be considered as continuing in force and may be amended in the manner provided in this rule
- (4) All schedules of rates on file with this commission and in effect April 15, 1913, not in accordance with this rule shall be reprinted in the manner prescribed by this rule and filed on or before October 15, 1913 All new schedules of rates issued after April 15, 1913 must conform to this rule or they will be subject to rejection by the commission when tendered for filing The commission reserves the right to direct the reprinting of any schedule at any time
- (5) In classifying rates for electrical service the following uniform system of classification will be followed as closely as practical
- (A) All lighting rates for residences business places theaters public buildings and the like will be placed under the head of commercial lighting
- (B) All power rates including rates for battery charging will be placed under the head of commercial power and
- (C) All rates for street lighting including municipal street lighting and the free lighting of public buildings as is done in connection with street lighting will be placed under the head of street lighting
- (6) All schedules of rates should be on a good serviceable quality of paper and if in the discretion of the commission the volume of schedule justifies it a schedule shall not be accepted for filing until printed
- (7) All schedules of rates filed with the commission shall bear a number with the following prefix PSC Mo _____ Rate schedules shall be numbered in consecutive serial order commencing with a No 1 for each electrical corporation (for example the first schedule PSC Mo No 1) The prefixes and numbers shall be printed on schedules as required by section (9) of this rule For convenience the prefix is referred to as PSC
- (8) All schedules of rates shall be in book sheet or pamphlet form of size eight and one-half inches by eleven inches (8 1/2" x 11") A loose-leaf plan may be used so that changes may be made by reprinting and inserting a single leaf When the loose-leaf plan is used all sheets except the title page must show in the marginal space at the top of page or sheet, the name of the electrical corporation issuing the PSC No the number of the schedule and the number of the page or sheet At the bottom of the sheet in the marginal space must be shown, the date of issue and effective date and the name title and address of the officer by whom the schedule is issued
- (9) The title page or sheet if loose leaf of every schedule of rates shall show—
- (A) The full corporate name of the issuing electrical corporation
- (B) The PSC number of the schedule in bold type in the center of the marginal space at top of the page and immediately under it in small type the PSC number(s) canceled
- (C) A brief description of the service areas from and to or within which the schedule applies
- (D) When a schedule rate is governed by a general publication the reference to the general publication by its PSC number must be given The following phraseology as the case may be will be used "Governed except as otherwise provided herein by schedule PSC Mo No _____ which schedule revised and added pages or sheets or superseding issues thereof is hereby made a part of this schedule " The rate publication referred to must be on file with the commission and be kept at every place where the schedule making reference is to be kept for public inspection
- (E) The date of issue and the date effective If the schedule or any portion is made to expire on a specified date the following clause must be used "expires _____ unless sooner changed canceled or extended"
- (F) On every schedule supplement or revised or added sheet issued on less than thirty (30) days' notice by permission of the commission the following notation must be shown "Issued on _____ days notice to the public and the commission under special permission of the Public Service Commission of Missouri No _____ of date _____" If issued in compliance with an order of the commission, the following notation must be shown "Issued on _____ days notice to the public and the commission under order of the Public Service Commission of Missouri of date _____ in Case No _____," when issued by authority of any section of this rule the notice must be that required by the particular section granting permission
- (G) On the upper left-hand corner of a schedule of fewer than three (3) pages and on schedules issued in loose-leaf form the words "No supplement to this tariff will be issued except for the purpose of canceling this tariff " A schedule not in loose-leaf form of three (3) or more pages shall include the words "Only one supplement to this schedule will be in effect at any one time" and
- (H) On the marginal space at the bottom of page will be given the name title and

address of the officer by whom the schedule is issued the date of issue and the effective date

(10) The schedule shall contain in the order named

(A) Table of Contents Provide full and complete statement in alphabetical order of the exact location where information under the general headings or subjects will be found specifying the page of item numbers. If the schedule contains so small a volume of matter that its title page or interior arrangement plainly may disclose its contents the table of contents may be omitted

(B) Description of Territory A more lengthy description of the territory to be served than can be briefly set forth on the title page will often be necessary any items in this category which bear any relation to the various rates should be explained under this heading

(C) Classification of Service Under this heading the kind of service separately grouped for commercial lighting commercial power and street lighting will be set forth in the order named together with a detailed statement of the rate(s) in connection with same. A definite separation must be made between prompt payment discount and quantity discount and stating the manner in which they are computed clearly. If guarantees of any nature are required or a minimum charge made the principles upon which they are based must be stated. In this case give the company's charges or deposits for meters. If penalties for delayed payments are exacted the same must be stated. State whether current is estimated or metered and if so how. State the company's practice in regard to lamp renewals. If a charge is made to the consumer for installing and connecting the service wires this should be stated. State the character of the service whether twenty four (24)-hour or limited until midnight whether the service is limited to certain hours of the day on-peak off-peak optional service auxiliary service breakdown service and the like. The kind of current such as alternating or direct together with the voltage phase and frequency must be given in all cases

(D) Rules Under this heading will be set forth all rules which apply to contracts for furnishing electrical energy for light heat and power and all of the company's rules in any way relating to service together with any particular regulations relating to a special contract for service rendered which have not already been stated in connection with the description of rates under section (5) of this rule and

(E) Definition and Explanation of Reference Marks Under this heading as its name implies shall be given the necessary description of any reference marks employed in connection with the rate tables that is, explain the meaning of watt kilowatt hour, horsepower and the like. If symbols or abbreviations are used explain their meanings such as kilowatt hour for KWH ampere for amp. When ratings are used based on capacity installation or a percentage of capacity installation, a table of equivalents for estimating these ratings must be given. For example, one (1) sixteen (16)-candle power carbon filament lamp equals about fifty-five (55) watts. If terms maximum demand load factor rated capacity peak and the like are used in the schedule, these should be explained under this caption. All definitions of terms and explanation of terms or symbols abbreviations or reference marks should be arranged in logical sequence and in a manner that they will be readily understood

(11) If a schedule or supplement to a schedule is issued which conflicts with a part of another schedule or supplement of a schedule which is in force at the time and which is not canceled in full it specifically shall state the portion of the other schedule which is canceled and the other schedule, at the same time shall be correspondingly amended effective on the same date in the regular way and the supplement to the amended schedule shall be filed at the same time and in connection with the schedule which contains the new rates rentals or charges

(12) If a schedule is canceled with the purpose of canceling entirely the rates rentals or charges named in the schedule or when through error or omission a later issue failed to cancel the previous issue and a schedule is canceled for the purpose of perfecting the record the cancellation notice must not be given a new PSC number but must be issued as a supplement to the schedule which it cancels even though the schedule at the time may have a supplement in effect

(13) If a schedule or a part of a schedule is canceled the cancellation notice shall make specific notice to the PSC number of the schedule in which the rates, rentals or charges will be found, or if no rates, rentals or charges are in effect, it shall state so. Cancellation of a schedule also cancels a supplement to the schedule in effect, if any. If a schedule is canceled by a similar schedule to take its place the cancellation notice must not be given by supplement but by notice printed in a new schedule

(14) A change in a schedule shall be known as an amendment and excepting amendments to schedules issued in loose-leaf form shall be printed in a supplement to the schedule which it amends specifying the schedule by its PSC number. The supplement shall be reissued each time an amendment is made and shall always contain all the amendments to the schedule that are in force. Supplements to schedules shall be numbered consecutively as supplements to the schedules and shall not be given new or separate PSC numbers. An amendment must always be printed in the supplement in its entirety as amended

(15) A schedule which contains reissued items brought forward from a previous issue which has not been in effect thirty (30) days or a supplement which brings forward reissued items without change from a former supplement or schedule must bear the notation "Effective _____ except as noted in individual items" "Example Issued _____ 19 _____ effective _____ 19 _____ except as noted in individual items" Reissued items brought forward without change must show in a conspicuous form and convenient manner the following "Reissue" in black face type the effective or the date upon which it becomes effective in PSC Mo No _____ "or in supplement No _____ to PSC Mo No _____" When the reissued item became effective in a former supplement to the same schedule the PSC number may be omitted but the supplement number must be given

(16) Except as otherwise provided in this rule there shall be at no time more than one (1) supplement in effect to any schedule and the effective supplement to a schedule of twenty (20) or more pages may not contain more than twenty percent (20%) of the number of pages or sheets in the schedule including the title page, a supplement to a schedule of fewer than twenty (20) pages or ten (10) sheets may not contain more than four (4) pages or two (2) sheets including the title page

(17) All changes in and additions to schedules issued in loose-leaf form must be made by reprinting both pages of the leaf or sheet upon which the change is made. When no change or addition is made on one (1) of the pages reprinted it must bear the notation "No change in this page" Those pages or sheets shall not be given supplement numbers, but must be designated "First revised page or sheet _____" "Second revised page or sheet _____" and the like and must show the name of the issuing corporation and

the PSC number of the schedule the issued and effective dates and the name title and address of officer by whom issued

(18) If a new schedule is filed on statutory notice canceling another schedule and after that filing and prior to the effective date of the new schedule a supplement to the schedule to be so canceled should be lawfully issued the rates rentals or charges in that supplement could not continue in effect for the thirty (30) days required by law because the cancellation of the schedule also cancels the supplement to it In this case the supplement containing changes not included in the schedule that is to become effective may be issued as a supplement both to the schedule in effect and to the schedule on file that will effect a cancellation and be given both PSC numbers In other words such an issue must be a supplement of each of the schedules and copies must be filed accordingly A supplement issued under this rule containing reissued items shall note in connection with each item in addition to the effective date required by this rule that the reissued items expire on the date on which the new schedule will apply in lieu thereof and the reissued items must not be brought forward in a subsequent supplement to the new schedule This supplement may not contain any changes except those lawfully made by supplement to the schedule which is to be canceled by the schedule that has been filed and that is also supplemented and no other kind of a supplement to a schedule that is on file and not yet effective may be made effective within thirty (30) days from the effective date of the schedule without special permission of the commission

(19) The provisions of section (17) of this rule as to the number of supplements to a schedule that may be in effect at any time and the volume of supplemental matter they may contain need not be observed in connection with a supplement issued under sections (15)—(19) of this rule

(20) In case of change of ownership and operation of any electrical corporation's property or of the electrical corporation in possession and operating the property the electrical corporation taking over the operation of the properties if the existing rates would otherwise remain legally effective shall issue immediately and file with the commission with PSC number an adoption notice substantially as follows

(A) "The (name of the electrical corporation) hereby adopts ratifies and makes its own in every respect as if the same had been

originally filed by it all schedules rules notices concurrences schedule agreements divisions authorities or other instruments whatsoever filed with the PUBLIC SERVICE COMMISSION State of Missouri by the (name of the electrical corporation) prior to (date), the beginning of its possession By this notice it also adopts and ratifies all supplements or amendments to any of the above schedules, etc, which (name of the electrical corporation) has heretofore filed with said commission This notice may be made effective as of the date it is filed with the commission"

(B) In the event that the successor corporation does not intend to adopt some of those schedules rates rules notices concurrences authorities or other instruments the notice shall specify those which are not adopted and the successor corporation as to such exceptions shall give the cancellation or withdrawal notice provided in this rule

(C) The adoption notice shall stand and be effective as to all of the local issues of the predecessor electrical corporation and

(D) In case of a receivership, the receiver shall be deemed as continuing in force the schedules and rules of the corporation whose property s/he has in charge

(21) Schedules and schedule supplements shall be filed with the commission by the proper officer of the electrical corporation designated to perform that duty and supplements must be on file with the commission or accompany the schedule or supplement

(22) All changes in rates charges or rentals or in rules that affect the rates, charges or rentals shall be filed with the commission at least thirty (30) days before the date upon which they are to become effective The title page of every rate schedule or supplement and the reissue on any page or sheet must show a full thirty (30) days notice except as otherwise provided in this rule The proposed change shall be accompanied by a brief summary approximately one hundred (100) words or less of the effect of the change on the company's customers A copy of any proposed change and summary shall also be served on the public counsel and be available for public inspection and reproduction during regular office hours at the general business office of the utility

(23) Each electrical corporation has the duty of filing with the commission all its schedules of rates and supplements or any rule relative to them which may be announced by the commission under penalty for failure to do so The commission will give consistent assis-

tance as it can in this respect but the fact that the receipt of a rate schedule or a supplement to a rate schedule is acknowledged by the commission or the fact that a rate schedule or supplement to a rate schedule is in the files of the commission will not serve or operate to excuse the electrical corporation or municipality from its responsibility or liability for any violation of the law or of any ruling lawfully made which may have occurred in connection thereunder with the construction of filing of a rate schedule or supplement

(24) Thirty (30) days notice to the commission is required as to every publication relating to electrical rates or service except where publications are made effective on less than statutory notice by permission regulation or requirement of the commission

(25) Except as is otherwise provided no schedule or supplement will be accepted for filing unless it is delivered to the commission free from all charges or claims for postage the full thirty (30) days required by law before the date upon which the schedule or supplement is stated to be effective No consideration will be given to or for the time during which a schedule or supplement may be held by the post office authorities because of insufficient postage When a schedule or a supplement is issued and as to which the commission is not given the statutory notice it is as if it had not been issued and a full statutory notice must be given of any reissue No consideration will be given to telegraphic notices in computing the thirty (30) days notice required In these cases the schedule will be returned to the sender and correction of the neglect or omission cannot be made which takes into account any time elapsing between the date upon which that schedule or supplement was received and the date of the attempted correction For rate schedules and supplements issued on short notice under special permission of the commission literal compliance with the requirements for notice named in any order regulation or permission granted by the commission will be exacted

(26) When a schedule is rejected by the commission as unlawful the records will so show and that schedule should not in the future be referred to as canceled amended or otherwise except to note on the publication issued in lieu of that rejected schedule "In lieu of _____ rejected by the commission" nor shall the number which it bears be used again

(27) Rates charges or rentals or regulations relating to them prescribed by the commission in its decisions and orders after hearings

upon formal complaints shall in every instance be promulgated by the electrical corporation against which those orders are entered in duly published and filed rate schedules supplements or revised pages or sheets of schedules and notice shall be sent to the commission that its order in Case No _____ has been complied with in item _____ page _____ of schedule PSC Mo No _____ or supplement to schedule PSC Mo No _____ or reissued page or sheet No _____ to schedule PSC Mo No _____

(28) Schedules and supplements shall be filed in numerical order of PSC numbers If in any instance this procedure is not observed as required by these rules a memorandum must accompany the schedule so filed with the commission explaining omission of missing number(s)

(29) Electrical corporations are directed in filing schedules to transmit one (1) copy of each rate schedule supplement or other charges or regulations for the use of the commission Schedules sent for filing must be addressed to Public Service Commission P O Box 360, Jefferson City MO 65102

(30) All schedules filed with the commission shall be accompanied by a letter of transmittal in duplicate if receipt is desired as follows

LETTER OF TRANSMITTAL

(Name of electrical corporation)

To the Public Service Commission State of Missouri Jefferson City Accompanying schedule issued by the _____ is sent for filing in compliance with the requirements of the Public Service Commission Law

PSC Mo No _____

Supp No _____ to PSC Mo No _____

Effective _____ 19 _____

AUTHORITY section 393 140 RSMo (1986) * Original rule filed Dec 19 1975 effective Dec 29 1975 Amended Filed May 16 1977 effective Dec 11 1977

*Original authority 1939 amended 1949 1967

4 CSR 240-20 020 Residential Electric Underground Distribution Systems (Rescinded August 15 1983)

4 CSR 240-20 030 Uniform System of Accounts—Electrical Corporations

PURPOSE This rule directs electrical corporations within the commission's jurisdiction to use the uniform system of accounts prescribed by the Federal Energy Regulatory Commission for major electric utilities and licensees as modified here to file annual reports and to submit a revised depreciation study data base and property unit catalog at least every five years

Editor's Note The secretary of state has determined that the publication of this rule in its entirety would be unduly cumbersome or expensive The entire text of the rule has been filed with the secretary of state and is summarized here by the agency adopting it The entire text of the rule may be found at the headquarters of the agency and is available to any interested person at a cost established by state law Citations in this rule beginning with the word Part refer to 18 CFR part 101 (1992) citations beginning with the word paragraph refer to 1 FERC Stat & Regs paragraph 15 001 and following (1992)

(1) Beginning January 1 1994 every electrical corporation subject to the commission's jurisdiction shall keep all accounts in conformity with the Uniform System of Accounts Prescribed for Public Utilities and Licensees subject to the provisions of the Federal Power Act as prescribed by the Federal Energy Regulatory Commission (FERC) and published at 18 CFR Part 101 (1992) and 1 FERC Stat & Regs paragraph 15,001 and following (1992) except as otherwise provided in this rule This uniform system of accounts provides instruction for recording financial information about electric utilities It contains definitions, general instructions electric plant instructions operating expense instructions and accounts that comprise the balance sheet electric plant income, operating revenues and operation and maintenance expenses

(2) When implementing section (1) each electrical corporation subject to the commission's jurisdiction shall—

(A) Keep its accounts in the manner and detail specified for electric utilities and licensees classified as major at Part 101 General Instructions 1 A and paragraph 15 011 1 A and

(B) Assemble by July 1 1996 and maintain after that a property unit catalog which contains for each designated property unit in addition to the provisions of Part 101 General Instructions 6 and paragraph 15 016—

- 1 A description of each unit
- 2 An item list and
- 3 Accounting instructions including instructions for distinguishing between operations expense maintenance expense and capitalized plant improvements

(3) Regarding plant acquired or placed in service after 1993, when implementing section (1) each electrical corporation subject to the commission's jurisdiction shall—

(A) Maintain plant records of the year of each unit's retirement as part of the "continuing plant inventory records" as the term is otherwise defined at Part 101 Definitions 8 and paragraph 15 001 8

(B) State the detailed electric plant accounts (301 to 399 inclusive) on the basis of original cost, estimated if not known when implementing the provisions of Part 101 Electric Plant Instructions 1 C and paragraph 15 051 1 C

(C) Record electrical plant acquired as an operating unit or system at original cost estimated if not known except as otherwise provided by the text of the intangible plant accounts when implementing the provisions of Part 101 Electric Plant Instructions 2 A and paragraph 15 052 2 A

(D) Account for the cost of items not classified as units of property as it would account for the cost of individual items of equipment of small value or of short life as provided in Part 101 Electric Plant Instructions 3 A (3) and paragraph 15 053 3 A (3),

(E) Include in equipment accounts any hand or other portable tools which are specifically designated as units of property when implementing the provisions of Part 101 Electric Plant Instructions 9 B and paragraph 15 059 9 B

(F) Use the list of retirement units contained in its property unit catalog when implementing the provisions of Part 101 Electric Plant Instructions 10 A and paragraph 15 060 10 A

(G) Estimate original cost with an appropriate average of the original cost of the units by vintage year with due allowance for any difference in size and character when it is impracticable to determine the original cost of each unit when implementing the provisions of Part 101 Electric Plant Instructions 10 D and paragraph 15 060 10 D

(H) Charge original cost less net salvage to account 108 when implementing the provisions of Part 101 Electric Plant Instructions 10 F and paragraph 15 060 10 F

(I) Keep its work order system so as to show the nature of each addition to or retirement of electric plant by vintage year in addition to the other requirements of Part 101

Electric Plant Instructions 11 B and paragraph 15 061 11 B

(J) Maintain records which classify for each plant account the amounts of the annual additions and retirements so as to show the number and cost of the various record units or retirement units by vintage year when implementing the provisions of Part 101 Electric Plant Instructions 11 C and paragraph 15 061 11 C

(K) Maintain subsidiary records which separate account 108 according to primary plant accounts or subaccounts when implementing the provisions of Part 101 Balance Sheet Account 108 C and paragraph 15 110 108 C

(L) Maintain subsidiary records which separate account 111 according to primary plant accounts or subaccounts when implementing the provisions of Part 101 Balance Sheet Accounts 111 C and paragraph 15 113 111 C and

(M) Keep mortality records of property and property retirements as will reflect the average life of property which has been retired and will aid in estimating probable service life by actuarial analysis of annual additions and aged retirements when implementing the provisions of Part 101 Income Accounts 403 B and paragraph 15 404 403 B

(4) In prescribing this system of accounts the commission does not commit itself to the approval or acceptance of any item set out in any account for the purpose of fixing rates or in determining other matters before the commission. This rule shall not be construed as waiving any recordkeeping requirement in effect prior to 1994

(5) Each electrical corporation subject to the commission's jurisdiction shall submit a depreciation study data base and property unit catalog to the manager of the commission's energy department and to the Office of the Public Counsel as required by the terms of subsection (5)(B)

(A) The depreciation study data base and property unit catalog shall be compiled as follows

1 The study shall reflect the average life and remaining life of each primary plant account or subaccount

2 The data base shall consist of dollar amounts by plant account or subaccount representing—

A Annual dollar additions and dollar retirements by vintage year and year retired beginning with the earliest year of available data

B Reserve for depreciation

C Surviving plant balance as of the study date and

D Estimated date of final retirement and surviving dollar investment for each warehouse electric generating facility combustion turbine general office building or other large structure and

3 The property unit catalog shall contain a description of each retirement unit used by the company

(B) An electrical corporation shall submit its depreciation study data base and property unit catalog on the following occasions

1 On or before the date adjoining the first letter of the name under which the corporation does business, excluding the word the as indicated by the tariffs on file with the commission

A The alphabetical categories and submission due dates are as follows

(I) A B C D January 1 1994

(II) E F, G, H July 1 1994

(III) I J K L January 1 1995

(IV) M N O P July 1 1995

(V) Q R S T January 1 1996 and

(VI) U V W X Y Z July 1

1996

B However—

(I) An electrical corporation need not submit a depreciation study data base or property unit catalog to the extent that the commission's staff received these items from the utility during the three (3) years prior to the due dates listed in subparagraph (5)(B)1 A and

(II) A utility with simultaneous due dates under 4 CSR 240-20 030(5)(B)1 and 4 CSR 240-40 040(5)(B)1 may postpone its due date with respect to one (1) of these rules by six (6) months. To exercise this option the utility must give written notice of its intent to postpone compliance to the manager of the commission's energy department and to the Office of the Public Counsel before the utility's first due date

2 When the utility files its tariff(s) with the commission proposing a general rate increase as that term is used in the commission's rules pertaining to minimum filing requirements. However an electrical corporation need not submit a depreciation study data base or property unit catalog to the extent that the commission's staff received these items from the utility during the three (3) years prior to the utility filing for a general rate increase or

3 Before five (5) years have elapsed since the last time the commission's staff received a depreciation study data base and property unit catalog from the utility

(6) The commission may waive or grant a variance from the provisions of this rule in whole or in part for good cause shown upon a utility's written application

*AUTHORITY section 393 140 RSMo (1994) * Original rule filed Dec 19 1975 effective Dec 29 1975 Amended Filed April 26 1976 effective Sept 11 1976 Amended Filed Feb 5 1993 effective Oct 10, 1993 Amended Filed March 19 1996 effective Oct 30 1996*

**Original authority 1939 amended 1949 1967*

4 CSR 240-20 040 Minimum Filing Requirements

(Rescinded October 10 1993)

4 CSR 240-20 050 Individual Electric Meters—When Required

PURPOSE This rule prescribes individual metering for new multiple occupancy buildings and new mobile home parks for all electric corporations under the jurisdiction of the Public Service Commission. This rule is aimed at compliance with Sections 113(b)(1) and 115(d) of Title I of the Public Utility Regulatory Policies Act of 1978 (PURPA) PL 95-617 16 USC 2601

Editor's Note The secretary of state has determined that the publication of this rule in its entirety would be unduly cumbersome or expensive. The entire text of the material referenced has been filed with the secretary of state. This material may be found at the Office of the Secretary of State or at the headquarters of the agency and is available to any interested person at a cost established by state law

(1) For the purposes of this rule—

(A) A building is defined as a single structure, roofed and enclosed within exterior walls built for permanent use erected framed of component structural parts and unified in its entirety both physically and in operation for residential or commercial occupancy

(B) Commercial adjacent buildings are defined as buildings on a contiguous plot of land owned by one (1) person which buildings are occupied and used by one (1) person for single type of commercial operation. A person for the purpose of this definition includes any type of business entity



(C) A commercial unit is defined as that portion of a building or premises which by appearance design or arrangement is normally used for commercial purposes whether or not actually so used

(D) Construction begins when the footings are poured

(E) A mobile home park is defined as a contiguous parcel of land which is used for the accommodation of occupied mobile homes

(F) A multiple-occupancy building is defined as a building or premises which is designed to house more than one (1) residential or commercial unit and

(G) A residential unit is defined as one (1) or more rooms for the use of one (1) or more persons as a housekeeping unit with space for eating living and sleeping and permanent provisions for cooking and sanitation

(2) Each residential and commercial unit in a multiple-occupancy building construction of which has begun after June 1 1981 shall have installed a separate electric meter for each residential or commercial unit

(3) Each mobile home unit in a mobile home park construction of which has begun after June 1 1981 shall have installed a separate electric meter for each mobile home unit

(4) For the purposes of carrying out the provisions of sections (2) and (3) the following exceptions apply and separate metering will not be required

(A) For transient multiple-occupancy buildings and transient mobile home parks—for example hotels motels dormitories rooming houses hospitals nursing homes fraternities sororities campgrounds and mobile home parks which set aside on a permanent basis at least eighty percent (80%) of their mobile home pads or comparable space for use by travel trailers

(B) Where commercial unit space is subject to alteration with change in tenants as evidenced by temporary versus permanent type of wall construction separating the commercial unit space—for example space at a trade fair

(C) For commercial adjacent buildings

(D) For that portion of electricity used in central space heating central hot water heating central ventilating and central air conditioning systems

(E) For buildings or mobile home parks where alternative renewable energy resources are utilized in connection with central space heating central hot water heating central ventilating and central air-conditioning systems or

(F) For all portions of electricity in commercial units in buildings with central space heating ventilating and air-conditioning systems

(5) Any person or entity affected by this rule may file an application with the commission seeking a variance from all or parts of this rule (4 CSR 240 20 050) and for good cause shown variances may be granted as follows

(A) The variance request shall be filed in writing and directed to the secretary of the commission,

(B) If the commission deems it in the public interest a hearing may be held by the commission as in complaint hearings before the commission and

(C) A variance committee consisting of two (2) members of the commission's utility division staff and a member of the commission's general counsel's office shall be established by the commission within thirty (30) days from September 28 1981. The public counsel shall be an *ex officio* member of this committee

1 The variance committee shall consider all variance applications filed by utilities and shall make a written recommendation of its findings to the commission for its approval

2 Each applicant for a variance shall have ten (10) days from the date of the variance committee's findings to either accede or request a formal hearing before the commission

3 If applicant accedes the commission may adopt the variance committee's findings or set the matter for formal hearing upon the application of any interested person or upon the commission's own motion

(6) The commission in its discretion may approve tariffs filed by an electric corporation which are more restrictive of master metering than the provisions of this rule

*AUTHORITY section 386 250 RSMo (Cum Supp 1991) * Original rule filed March 13 1980 effective Dec 15 1980 Emergency amendment filed May 13 1981 effective May 31 1981 expired Sept 28 1981 Amended Filed May 13 1981 effective Sept 28 1981*

**Original authority 1939 amended 1963 1967 1977 1980 1987 1988 1991*

4 CSR 240-20 060 Cogeneration

PURPOSE This rule implements Sections 201 and 210 of the Public Utility Regulatory Policies Act of 1978 with

regard to small power production and cogeneration. The objective of Sections 201 and 210 of Public Utility Regulatory Policies Act is to provide a mechanism to set up a cogeneration program for Missouri for regulated utilities

Editor's Note The secretary of state has determined that the publication of this rule in its entirety would be unduly cumbersome or expensive. The entire text of the material referenced has been filed with the secretary of state. This material may be found at the Office of the Secretary of State or at the headquarters of the agency and is available to any interested person at a cost established by state law

(1) Definitions Terms defined in the Public Utility Regulatory Policies Act of 1978 (PURPA) shall have the same meaning for purposes of this rule as they have under PURPA unless further defined in this rule

(A) Avoided costs means the incremental costs to an electric utility of electric energy or capacity or both which but for the purchase from the qualifying facility or qualifying facilities, that utility would generate itself or purchase from another source

(B) Back-up power means electric energy or capacity supplied by an electric utility to replace energy ordinarily generated by a facility's own generation equipment during an unscheduled outage of the facility

(C) Interconnection costs means the reasonable costs of connection switching metering transmission distribution safety provisions and administrative costs incurred by the electric utility directly related to the installation and maintenance of the physical facilities necessary to permit interconnected operations with a qualifying facility to the extent those costs are in excess of the corresponding costs which the electric utility would have incurred if it had not engaged in interconnected operations but instead generated an equivalent amount of electric energy itself or purchased an equivalent amount of electric energy or capacity from other sources. Interconnection costs do not include any costs included in the calculation of avoided costs

(D) Interruptible power means electric energy or capacity supplied by an electric utility subject to interruption by the electric utility under specified conditions

(E) Maintenance power means electric energy or capacity supplied by an electric utility during scheduled outages of the qualifying facility

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(F) Purchase means the purchase of electric energy or capacity or both from a qualifying facility by an electric utility

(G) Qualifying facility means a cogeneration facility or a small power production facility which is a qualifying facility under Subpart B of Part 292 of the Federal Energy Regulatory Commission's (FERC) regulations

(H) Rate means any price rate charge or classification made demanded, observed or received with respect to the sale or purchase of electric energy or capacity or any rule or practice respecting any such rate charge or classification and any contract pertaining to the sale or purchase of electric energy or capacity

(I) Sale means the sale of electric energy or capacity or both by an electric utility to a qualifying facility

(J) Supplementary power means electric energy or capacity supplied by an electric utility regularly used by a qualifying facility in addition to that which the facility generates itself

(K) System emergency means a condition on a utility's system which is likely to result in imminent significant disruption of service to consumers or is imminently likely to endanger life or property

(2) Arrangements Between Electric Utilities and Qualifying Cogeneration and Small Power Production Facilities Under Section 210 of the Public Utility Regulatory Policies Act of 1978

(A) Applicability This section applies to the regulation of sales and purchases between qualifying facilities and electric utilities

(B) Negotiated Rates or Terms Nothing in this section—

1 Limits the authority of any electric utility or any qualifying facility to agree to a rate for any purchase or terms or conditions relating to any purchase which differ from the rate or terms or conditions which would otherwise be required by this rule or

2 Affects the validity of any contract entered into between a qualifying facility and an electric utility for any purchase

(C) Every regulated utility which provides retail electric service in this state shall enter into a contract for parallel generation service with any customer which is a qualifying facility upon that customer's request where that customer may connect a device to the utility's delivery and metering service to transmit electrical power produced by that customer's energy generating system into the utility's system

1 The utility shall supply, install own and maintain all necessary meters and associ-

ated equipment used for billing The costs of any such meters and associated equipment which are beyond those required for service to a customer which is not a qualifying facility shall be borne by the customer The utility may install and maintain at its expense, load research metering for monitoring the customer's energy generation and usage

2 The customer shall supply install operate and maintain, in good repair and without cost to the utility, the relays, locks and seals, breakers automatic synchronizer a disconnecting device and other control and protective devices required by the utility to operate the customer's generating system parallel to the utility's system The customer also shall supply without cost to the utility a suitable location for meters and associated equipment used for billing load research and disconnection

3 The customer shall be required to reimburse the utility for the cost of any equipment or facilities required as a result of connecting the customer's generating system with the utility's system

4 The customer shall notify the utility prior to the initial testing of the customer's generating system and the utility shall have the right to have a representative present during the testing

5 Meters and associated equipment used for billing load research and connection and disconnection shall be accessible at all times to utility personnel

6 A manual disconnect switch for the qualifying facility must be provided by the customer which will be under the exclusive control of the utility dispatcher This manual switch must have the capability to be locked out of service by the utility-authorized switchmen as a part of the utility's workman's protection assurance procedures The customer must also provide an isolating device which the customer has access to and which will serve as a means of isolation for the customer's equipment during any qualifying facility maintenance activities routine outages or emergencies The utility shall give notice to the customer before a manual switch is locked or an isolating device used, if possible and otherwise shall give notice as soon as practicable after locking or use

(D) No customer's generating system or connecting device shall damage the utility's system or equipment or present an undue hazard to utility personnel

(E) If harmonics voltage fluctuations or other disruptive problems on the utility's system are directly attributable to the operation of the customer these problems will be corrected at the customer's expense

(F) Every contract shall provide fair compensation for the electrical power supplied to the utility by the customer If the utility and the customer cannot agree to the terms and conditions of the contract the Public Service Commission (PSC) shall establish the terms and conditions upon the request of the utility or the customer Those terms and conditions will be established in accordance with Section 210 of the Public Utility Regulatory Policies Act of 1978 and the provisions of this rule

(3) Availability of Electric Utility System Cost Data

(A) All regulated electric utilities shall—

1 File tariffs providing standardized rates for facilities at or under one hundred (100) kilowatts on design capacity The tariffs are to take account of the stochastic effect achieved by the aggregate output of dispersed small systems that is statistically a dispersed array of facilities may produce a level of reliability not enjoyed by any one (1) of the units taken separately When that aggregate capacity value which allows the utility to avoid a capacity cost occurs and can be reasonably estimated a corresponding credit must be included in the standard rates The tariffs should take into account patterns of availability of particular energy sources such as the benefits to a summer peaking utility from photovoltaic systems or to a winter peaking utility for wind facilities

2 Submit a standard form contract for facilities over one hundred (100) kilowatts as the basis for tariffs for these facilities Issues such as avoided costs losses reliability and ability to schedule are to be considered in the contract and

3 Submitted to the commission all tariffs and other data required to be prepared and filed by electric utilities under the provisions of subsection (3)(A) no later than September 15 1981 and updated and revised on or before January 15 1983 and not less than every two (2) years after that unless otherwise ordered by the commission

(B) General Rule To make available data from which avoided costs may be derived not later than September 15 1981 and updated and revised on or before January 15 1983 and not less than every two (2) years after that unless otherwise ordered by the commission each regulated electric utility shall provide to the PSC and shall maintain for public inspection the following data

1 The estimated avoided cost on the electric utility's system solely with respect to the energy component for various levels of purchases from qualifying facilities These levels of purchases shall be stated in blocks of

not more than one hundred (100) megawatts for systems with peak demand of one thousand (1000) megawatts or more and in blocks equivalent to not more than ten per cent (10%) of the system peak demand for systems of less than one thousand (1000) megawatts. The avoided costs shall be stated on a cents per kilowatt hour basis during daily and seasonal peak and off peak periods by year for the current calendar year and each of the next five (5) years.

2 The electric utility's plans for the addition of capacity by amount and type for purchases of firm energy and capacity and for capacity retirements for each year during the succeeding ten (10) years and

3 The estimated capacity costs at completion of the planned capacity additions and planned capacity firm purchases on the basis of dollars per kilowatt and the associated energy costs of each unit expressed in cents per kilowatt hour. These costs shall be expressed in terms of individual generating units and of individual planned firm purchases.

(C) Special Rule for Small Electric Utilities

1 Each electric utility (other than any electric utility to which subparagraph (3)(C)1 B applies) upon request shall—

A Provide comparable data to that required under subsection (3)(B) to enable qualifying facilities to estimate the electric utility's avoided costs for periods described in subsection (3)(B) or

B With regard to an electric utility which is legally obligated to obtain all its requirements for electric energy and capacity from another electric utility provide the data of its supplying utility and the rates at which it currently purchases the energy and capacity.

2 If any such electric utility fails to provide this information on request the qualifying facility may apply to the Public Service Commission for an order requiring that the information be provided.

(D) PSC Review

1 Any data submitted by an electric utility under this section shall be subject to review by the PSC.

2 In any such review the electric utility has the burden of coming forward with justification for its data.

(4) Electric Utility Obligations Under This Rule

(A) Obligation to Purchase From Qualifying Facilities. Each electric utility shall purchase in accordance with section (5) any energy and capacity which is made available from a qualifying facility—

1 Directly to the electric utility or
2 Indirectly to the electric utility in accordance with subsection (4)(D) of this rule.

(B) Obligation to Sell to Qualifying Facilities. Each electric utility shall sell to any qualifying facility in accordance with section (6) of this rule any energy and capacity requested by the qualifying facility.

(C) Obligation to Interconnect

1 Subject to paragraph (4)(C)2 of this rule any electric utility shall make interconnections with any qualifying facility as may be necessary to accomplish purchases or sales under this rule. The obligation to pay for any interconnection costs shall be determined in accordance with section (7) of this rule.

2 No electric utility is required to interconnect with any qualifying facility if solely by reason of purchases or sales over the interconnection the electric utility would become subject to regulation as a public utility under Part II of the Federal Power Act.

(D) Transmission to Other Electric Utilities. If a qualifying facility agrees an electric utility which would otherwise be obligated to purchase energy or capacity from a qualifying facility may transmit the energy or capacity to any other electric utility. Any electric utility to which energy or capacity is transmitted shall purchase energy or capacity under this subsection (4)(D) as if the qualifying facility were supplying energy or capacity directly to the electric utility. The rate for purchase by the electric utility to which such energy is transmitted shall be adjusted up or down to reflect line losses pursuant to paragraph (5)(E)4 of this rule and shall not include any charges for transmission.

(E) Parallel Operation. Each electric utility shall offer to operate in parallel with a qualifying facility provided that the qualifying facility complies with any applicable standards established in accordance with section (9) of this rule.

(5) Rates for Purchases

(A) Rates for purchases shall be just and reasonable to the electric consumer of the electric utility and in the public interest and shall not discriminate against qualifying cogeneration and small power production facilities. Nothing in this rule requires any electric utility to pay more than the avoided costs for purchases.

(B) Relationship to Avoided Costs

1 For purposes of this section new capacity means any purchase from capacity of a qualifying facility construction of which was commenced on or after November 9 1978.

2 Subject to paragraph (5)(B)3 of this rule a rate for purchases satisfies the requirements of subsection (5)(A) of this rule if the rate equals the avoided costs determined after consideration of the factors set forth in subsection (5)(E) of this rule.

3 A rate for purchases (other than from new capacity) may be less than the avoided cost if the PSC determines that a lower rate is consistent with subsection (5)(A) of this rule and is sufficient to encourage cogeneration and small power production.

4 Rates for purchases from new capacity shall be in accordance with paragraph (5)(B)2 of this rule regardless of whether the electric utility making the purchases is simultaneously making sales to the qualifying facility.

5 In the case in which the rates for purchases are based upon estimates of avoided costs over the specific term of the contract or other legally enforceable obligation the rates for the purchases do not violate this paragraph if the rates for the purchases differ from avoided costs at the time of delivery.

(C) Standard Rates for Purchases

1 There shall be put into effect (with respect to each electric utility) standard rates for purchases from qualifying facilities with a design capacity of one hundred (100) kilowatts or less.

2 There may be put into effect standard rates for purchases from qualifying facilities with a design capacity of more than one hundred (100) kilowatts.

3 The standard rates for purchases under this subsection shall be consistent with subsections (5)(A) and (E) of this rule and may differentiate among qualifying facilities using various technologies on the basis of the supply characteristics of the different technologies.

(D) Purchases as Available or Pursuant to a Legally Enforceable Obligation. Each qualifying facility shall have the option either—

1 To provide energy as the qualifying facility determines this energy to be available for the purchases in which case the rates for the purchases shall be based on the purchasing utility's avoided costs calculated at the time of delivery or

2 To provide energy or capacity pursuant to a legally enforceable obligation for the delivery of energy or capacity over a specified term in which case the rates for the purchases at the option of the qualifying facility exercised prior to the beginning of the specified term shall be based on either the avoided costs calculated at the time of delivery or the avoided costs calculated at the time the obligation is incurred.

(E) Factors Affecting Rates for Purchases In determining avoided costs the following factors to the extent practicable shall be taken into account

1 The data provided pursuant to section (3) of this rule including PSC review of any such data

2 The availability of capacity or energy from a qualifying facility during the system daily and seasonal peak periods including

A The ability of the utility to dispatch the qualifying facility

B The expected or demonstrated reliability of the qualifying facility

C The terms of any contract or other legally enforceable obligation including the duration of the obligation termination notice requirement and sanctions for noncompliance

D The extent to which scheduled outages of the qualifying facility can be usefully coordinated with scheduled outages of the utility's facilities

E The usefulness of energy and the capacity supplied from a qualifying facility during system emergencies including its ability to separate its load from its generation

F The individual and aggregate value of energy and capacity from qualifying facilities on the electric utility's system and

G The smaller capacity increments and the shorter lead times available with additions of capacity from qualifying facilities

3 The relationship of the availability of energy or capacity from the qualifying facility as derived in paragraph (5)(E)2 of this rule to the ability of the electric utility to avoid costs including the deferral of capacity additions and the reduction of oil use and

4 The costs or savings resulting from variations in line losses from those that would have existed in the absence of purchases from a qualifying facility if the purchasing electric utility generated an equivalent amount of energy itself or purchased an equivalent amount of electric energy or capacity

(F) Periods During Which Purchases not Required

1 Any electric utility which gives notice pursuant to paragraph (5)(F)2 of this rule will not be required to purchase electric energy or capacity during any period which due to operational circumstances purchases from qualifying facilities will result in costs greater than those which the utility would incur if it did not make the purchases but instead generated an equivalent amount of energy itself

2 Any electric utility seeking to invoke paragraph (5)(F)1 of this rule must notify in accordance with applicable state law or rule each affected qualifying facility in time for

the qualifying facility to cease the delivery of energy or capacity to the electric utility

3 Any electric utility which fails to comply with the provisions of paragraph (5)(F)2 of this rule will be required to pay the same rate for the purchase of energy or capacity as would be required had the period described in paragraph (5)(F)1 of this rule not occurred

4 A claim by an electric utility that this period has occurred or will occur is subject to verification by the PSC as the PSC determines necessary or appropriate either before or after the occurrence

(6) Rates for Sales

(A) Rates for sales shall be just and reasonable and in the public interest and shall not discriminate against any qualifying facility in comparison to rates for sales to other customers served by the electric utility Rates for sales which are based on accurate data and consistent system-wide costing principles shall not be considered to discriminate against any qualifying facility to the extent that those rates apply to the utility's other customers with similar load or other cost-related characteristics

(B) Additional Services to be Provided to Qualifying Facilities

1 Upon request of a qualifying facility each electric utility shall provide supplementary power back-up power maintenance power and interruptible power

2 The PSC may waive any requirement of paragraph (6)(B)1 of this rule if after notice in the area served by the electric utility and after opportunity for public comment the electric utility demonstrates and the PSC finds that compliance with that requirement will impair the electric utility's ability to render adequate service to its customers or place an undue burden on the electric utility

(C) Rates for Sale of Back-Up and Maintenance Power

The rate for sales of back-up power or maintenance power—

1 Shall not be based upon an assumption (unless supported by factual data) that forced outages or other reductions in electric output by all qualifying facilities on an electric utility's system will occur simultaneously or during the system peak or both and

2 Shall take into account the extent to which scheduled outages of the qualifying facilities can be usefully coordinated with scheduled outages of the utility's facilities

(7) Interconnection Costs

(A) If the utility and the qualifying facility cannot reach agreement as to the amount or the manner of payment of the interconnection costs to be paid by the qualifying facility the

PSC after hearing shall assess against the qualifying facility those interconnection costs to be paid to the utility on a nondiscriminatory basis with respect to other customers with similar load characteristics or shall determine the manner of payments of the interconnection costs which may include reimbursement over a reasonable period of time or both In determining the terms of any reimbursement over a period of time the commission shall provide for adequate carrying charges associated with the utility's investment and security to insure total reimbursement of the utility's incurred costs if it deems necessary

(8) System Emergencies

(A) Qualifying Facility Obligation to Provide Power During System Emergencies A qualifying facility shall be required to provide energy or capacity to an electric utility during a system emergency only to the extent provided by agreement between the qualifying facility and electric utility or ordered under Section 202(c) of the Federal Power Act

(B) Discontinuance of Purchases and Sales During System Emergencies During any system emergency an electric utility may discontinue purchases from a qualifying facility if those purchases would contribute to the emergency and sales to a qualifying facility provided that discontinuance is on a nondiscriminatory basis

(9) Standards for Operating Reliability The PSC may establish reasonable standards to ensure system safety and reliability of interconnected operations Those standards may be recommended by any electric utility any qualifying facility or any other person If the PSC establishes standards it shall specify the need for the standards on the basis of system safety and reliability

(10) Implementation of Certain Reporting Requirements Any electric utility which fails to comply with the requirements of subsection (3)(B) shall be subject to the same penalties to which it may be subjected for failure to comply with the requirements of the FERC's regulations issued under Section 133 of PURPA

(11) Exemption to Qualifying Facilities From the Public Utility Holding Company Act and Certain State Law and Rules

(A) Applicability This section applies to qualifying cogeneration facilities and qualifying small power production facilities which have a power production capacity which does not exceed thirty (30) megawatts and to any qualifying small power production facility

with a power production capacity over thirty (30) megawatts if that facility produces electric energy solely by the use of biomass as a primary energy source

(B) A qualifying facility described in subsection (1)(A) shall not be considered to be an electric utility company as defined in Section 2(a)(3) of the Public Utility Holding Company Act of 1935 15 USC 79b(a)(3)

(C) Any qualifying facility shall be exempted (except as otherwise provided) from Missouri PSC law or rule respecting the rates of electric utilities and the financial and organizational regulation of electric utilities. A qualifying facility may not be exempted from Missouri PSC law and rule implementing Subpart C of PURPA

*AUTHORITY section 393.140 RSMo (1986) * Original rule filed Oct 14 1980 effective Mar 15 1981*

Original authority 1939 amended 1949 1967

4 CSR 240-20 070 Decommissioning Trust Funds

PURPOSE This rule is promulgated pursuant to section 393.292 RSMo 10-1 govern the review and authorization of changes to the rates and charges contained in the tariff(s) of an electric corporation as a result of a change in the level or annual accrual of funding necessary for its nuclear power plant decommissioning trust fund 2) govern the procedure for the submission examination hearing and approval for the tariff changes and 3) ensure that the amounts collected from ratepayers and paid into the trust funds will be neither greater nor lesser than the amounts necessary to carry out the purposes of the trust

Editor's Note The secretary of state has determined that the publication of this rule in its entirety would be unduly cumbersome or expensive The entire text of the material referenced has been filed with the secretary of state This material may be found at the Office of the Secretary of State or at the headquarters of the agency and is available to any interested person at a cost established by state law

(1) As used in this rule decommissioning means those activities undertaken in connection with a nuclear generating unit's retirement from service to ensure that the final removal disposal entombment or other disposition of the unit and of any radioactive components and materials associated with the

unit are accomplished in compliance with all applicable laws and to ensure that the final disposition does not pose any undue threat to the public health and safety Decommissioning includes the removal and disposal of the structures systems and components of a nuclear generating unit at the time of decommissioning

(2) As used in this rule decommissioning costs means all reasonable costs and expenses incurred in connection with decommissioning including all expenses to be incurred in connection with the preparation for decommissioning including but not limited to engineering and other planning expenses and to be incurred after the actual decommissioning occurs including, but not limited to physical security and radiation monitoring expenses less proceeds of insurance salvage or resale of machinery construction equipment or apparatus the cost of which was charged as a decommissioning expense

(3) As used in this rule utility(ies) means all electrical corporations subject to the jurisdiction of the Missouri Public Service Commission (commission) that own in whole or in part or operate nuclear generating units in Missouri or elsewhere and that have costs of these units reflected in the rates charged to Missouri ratepayers

(4) Each utility shall establish a tax qualified externally managed trust fund for the purpose of collecting funds to pay for decommissioning costs The tax-qualified trust shall be established and maintained in accordance with the provisions of the *Internal Revenue Code* If the utility has collected funds in excess of the Internal Revenue Service's (IRS) tax-qualified amount, a nontax-qualified externally managed trust fund shall be established and maintained for all these funds These trust funds shall be administered pursuant to the following requirements

(A) Each utility shall submit a copy of the decommissioning trust agreement and any other agreement entered into between the utility trustee and investment manager(s) for approval by the commission The listing of trustee fees shall be contained in or attached to the trust agreement itself Any change in the trust agreement trustee or investment manager(s) also shall be submitted to the commission for approval,

(B) The commission shall have the authority to require each utility to change the trustee or investment manager(s) of a decommissioning trust for good cause shown The commission shall be informed of any significant dis-

putes between the utility the trustee or investment manager(s)

(C) Each utility shall maintain separate tax qualified trusts for each nuclear generating unit All decommissioning trusts shall be maintained to show the amounts contributed annually by Missouri jurisdictional customers Amounts to be contributed annually for Missouri jurisdictional customers shall be computed based on the jurisdictional allocator used in the company's last general rate proceeding unless otherwise ordered by the commission

(D) The decommissioning trust shall be funded through no less than quarterly payments by the utility The tax-qualified trust shall be funded with the lesser of the utility's decommissioning costs reflected in its cost of service or the maximum amount allowable by the IRS All funds in excess of the IRS's ruling amount shall be placed in a nonqualified trust

(E) The trustee or investment manager(s) shall invest the tax-qualified trust assets and nontax-qualified trust assets only in assets that are prudent investments for assets held in trust and in a manner designed to maximize the after-tax return on funds invested consistent with the conservation of the principal subject to the limitations specified as follows

1 The trustee and investment manager(s) shall not invest any portion of the tax-qualified or nontax-qualified trust's funds in the securities or assets of the following

A Any owner or operator of a nuclear power plant

B Any index fund mutual fund or pooled fund in which more than fifteen percent (15%) of the assets are issued by owners or operators of nuclear power plants

C Any affiliated company of the utility or

D The trustee or investment manager(s)'s company or affiliated companies (This limitation does not include time or demand deposits offered through the trustee or investment manager(s)'s affiliated banking operations)

2 The nontax-qualified trust shall be subject to the prohibitions against self-dealing applicable to the tax-qualified trust as specified in the *Internal Revenue Code* and

3 A utility's total book value of investments in equity securities in all of its decommissioning trusts shall not exceed sixty-five percent (65%) of the trust funds' book value and

(F) All income earned by a trust's funds shall become a part of that trust's funds

(5) The utility or the trustee shall file reports quarterly to the commission. The reports shall contain the following information:

(A) A total of all jurisdictional balances of the trust fund(s) based on a carrying cost (book) value

(B) A total of all jurisdictional balances of the trust fund(s) based on a market value

(C) A Missouri jurisdictional balance of the trust fund(s) based on a carrying cost (book) value

(D) A Missouri jurisdictional balance of the trust fund(s) based on a market value

(E) A summary of the trust account including the utility's contributions, incomes, expenses, and a weighted average after-tax return for the quarter

(F) A portfolio summary per asset class by amount and percentage

(G) A detailed report of daily transactions and

(H) Any other information the commission orders the utility or trustee to provide

(6) In addition, the utility or the trustee shall file reports annually to the commission that contain the following information:

(A) An asset maturity schedule

(B) A summary of the trust's portfolio of investments including a listing of each security detailing the carrying cost, current market value, maturity date, estimated annual income, and the yield to maturity

(C) A copy of all correspondence including income tax returns and tax exempt rulings concerning the trust with the IRS or any state revenue agency, and

(D) Any other information the commission orders the utility or trust to provide

(7) The utility shall take every reasonable action to provide reasonable assurance that adequate funds are available at the nuclear generating unit's termination of operation so that decommissioning can be carried out in a safe and timely manner and that lack of funds does not result in delays that may cause undue health and safety hazards

(8) The utility shall maintain its nuclear generating unit(s) in a manner calculated to minimize the utility's total cost of maintenance and decommissioning, consistent with the prudent operation of the unit

(9) On or before September 1, 1990, and every three (3) years after that, utilities with decommissioning trust funds shall perform and file with the commission cost studies detailing the utilities' latest cost estimates for decommissioning their nuclear generating unit(s) along with the funding levels necessary to defray these decommissioning costs

These studies shall be filed along with appropriate tariff(s) effectuating the change in rates necessary to accomplish the funding required. In addition, the commission at any time for just cause may require a utility to file an updated decommissioning cost study, funding requirement, and associated tariff(s).

(10) At the time a tariff(s) is filed by a utility which proposes any change in rates due to changes in the estimate of decommissioning cost or the funding level of its nuclear decommissioning trust fund(s), the utility shall file the following minimum information in support of the need for changes in its tariff rates:

(A) An updated decommissioning cost study which estimates the cost of decommissioning and the funding levels necessary to defray these costs. This study shall contain the following information:

1 Detailed quantities and unit prices in current dollars for each system of the nuclear generating unit to be decommissioned

2 A detailed breakdown between radioactive contaminated systems and those systems which are not contaminated by radioactivity

3 Funding levels which are computed on a levelized basis and which accrue future decommissioning costs over the remaining licensed life of the nuclear generating unit. The utility shall include the earnings rate and inflation rate assumed in the cost study as compared to those assumed in any previous study

4 A detailed description of any facilities that were added to or deleted from the cost study filed in the previous case,

5 The beginning date for the expenditure of funds for decommissioning assumed in the study shall be no later than the expiration date of the unit's current Nuclear Regulatory Commission (NRC) license, and

6 The study shall consider and evaluate all reasonable practices or procedures which would reduce the ultimate cost of decommissioning, and

(B) A summary description of the reasons (for example, changes in regulation, technology, or economics) that brought on the need to change the decommissioning cost estimate

(11) Upon the filing of the appropriate tariff(s) as set in sections (9) and (10), the commission shall establish a schedule of proceedings which shall be limited in scope to the following issues:

(A) The extent of any change in the level or annual accrual of funding necessary for the utility's decommissioning trust fund, and

(B) The changes in rates which would reflect any change in the funding level or accrual rate

(12) For a fund intended to be tax qualified after receipt of any commission order modifying the annual decommissioning funding requirements, the affected utility shall apply for an adjusted IRS ruling in a timely manner seeking deductibility of the new annual decommissioning cost accruals consistent with the effective dates given in the order. Pending final IRS approval, the utility shall be authorized to continue funding at the level which existed prior to the commission order provided that the utility will take all appropriate action to preserve the tax deduction of the amounts subsequently approved in the IRS ruling.

(13) Distributions may be made from a nuclear decommissioning trust fund only to satisfy the liabilities of the utility for nuclear decommissioning costs relating to the nuclear generating unit for which the decommissioning fund was established and to pay administrative costs, income taxes, and other incidental expenses of the trust fund. The utility shall not use proceeds of the trust for the purpose of filing for an updated tax ruling or to qualify the trust.

(14) Each utility shall file with the commission the detailed plan required by the NRC for the decommissioning of its nuclear generating unit when that plan is filed with the NRC. Before any distribution of decommissioning trust funds are made for the decommissioning of its nuclear generating unit, the utility must notify and obtain commission approval of its intent to make this distribution.

(15) The utility shall conduct the decommissioning of its nuclear generating unit in accordance with NRC requirements and must not knowingly allow any procedure that would unreasonably endanger human life or the environment.

(16) Upon termination of the trust, the utility shall file with the commission the appropriate tariff(s) to reflect the termination of payments into the decommissioning trust fund, as well as refund or credit any over-collection of these funds.

(17) Upon proper application and after due notice and hearing, the commission may waive any provision of this rule for good cause shown.

(18) The commission may adopt further amendments as it deems necessary for the sound management of the trust fund(s) consistent with the purpose of this rule

*AUTHORITY section 393 292 RSMo (Supp 1989) * Original rule filed Nov 27 1989 effective March 26 1990 Amended Filed Mar 4 1993 effective Dec 9 1993*

**Original authority 1989*

4 CSR 240-20 080 Electrical Corporation Reporting Requirements for Certain Events

PURPOSE This rule prescribes requirements and procedures for the reporting of certain events by electrical corporations to the Public Service Commission to inform the commission of developments which may affect the rendering of safe and adequate service and to enable the commission to thoroughly and fairly investigate certain events which may have an impact in future electric rate proceedings at the time and in the context in which those events occur

(1) Commencing on September 1 1991 every electrical corporation as defined in section 386 020 RSMo subject to the jurisdiction of the Public Service Commission (PSC) shall accumulate the following information and transmit it in writing to the manager of the energy department of the PSC or his/her designee no later than the last business day of the month following the month to be reported and after that on a monthly basis

(A) All generating unit outages and derates excluding hydroelectric generating units and units whose capacity comprise less than one and one half percent (1 1/2%) of the electrical corporation's installed capacity

(B) All fuel purchases for power production purposes including the terms of those purchases A copy of the Monthly Report of Cost and Quality of Fuels for Electric Plants on FERC Form No 423 as submitted to the Federal Energy Regulatory Commission (FERC) will satisfy the requirements of this subsection

(C) Net hourly generation for each generating unit

(D) Hourly purchases and sales of electricity from or to other utility companies independent power producers or cogenerators including the parties to purchases and sales and the terms of purchases and sales

(E) Capacity purchases of longer than seven (7) days duration

(F) Planned outages of power production facilities as they are scheduled or rescheduled Changes from the planned outage schedule must be reported by telephone to the manager of the energy department of the PSC or his/her designee prior to the initiation of the outage if the changes result in the planned outage schedule being different from the schedule in the most recently submitted monthly report

(G) Planned fuel test burns unit heat rate tests and accreditation runs as they are scheduled or rescheduled Changes from previously planned fuel test burns unit heat-rate tests and accreditation runs must be reported by telephone to the manager of the energy department of the PSC or his/her designee prior to their initiation if these changes result in the schedule for fuel test burns unit heat rate tests and accreditation runs being different from the schedule in the most recently submitted monthly report

(H) Citations or notices of violation related to power production facilities received from any state or federal utility regulatory agency or environmental agency including but not limited to the FERC, the Nuclear Regulatory Commission (NRC) the Environmental Protection Agency (EPA) the Department of Natural Resources (DNR) and the Department of Energy,

(I) The terms of new contracts or existing contracts which will be booked to Accounts 310—346 or Accounts 502—546 of the FERC's Uniform System of Accounts requiring the expenditure by the electrical corporation of more than fifty thousand dollars (\$50 000) including but not limited to, contracts for engineering consulting repairs and modifications or additions to an electric plant and

(J) Copies of all written reports on forced generating unit outages of longer than three (3) days test burns of fuel heat-rate tests, accreditation runs and responses to state or federal utility regulatory agencies or environmental agencies including but not limited to the FERC the NRC the EPA the DNR and the Department of Energy concerning any alleged infractions deviations or noncompliance with those agencies rules or standards related to power production facilities

(2) The information required in subsections (1)(C) and (D) of this rule may be provided to the manager of the energy department of the PSC or his/her designee on computer diskette rather than in the written report required in section (1) If the information required in subsections (1)(C) and (D) is provided on computer diskette the data reported on each diskette and the software program

used to record the data shall be clearly identified on the diskette envelope or package and the diskette shall be accompanied by a statement as required in subsection (4)(A) of this rule

(3) In addition to the reporting requirements in sections (1) and (2) of this rule every electrical corporation as defined in section 386 020 RSMo subject to the jurisdiction of the PSC shall report to the manager of the energy department of the PSC or his/her designee by telephone by the end of the first business day following discovery and in writing within five (5) business days following discovery the following information

(A) Details of any accident at a power plant involving serious physical injury or death or property damage in excess of fifty thousand dollars (\$50 000),

(B) Forced outages of any nuclear generating unit(s) that could reasonably be anticipated to last longer than three (3) days

(C) Forced outages of any fossil-fuel fired generating unit(s) which constitutes twenty percent (20%) or more of the electrical corporation's accredited capacity that reasonably could be anticipated to last longer than three (3) days when the unit(s) is forced out due to a common occurrence

(D) Reductions of coal inventory below a thirty (30)-day supply and reductions of oil inventory below fifty percent (50%) of normal oil inventory and

(E) Loss of transmission capability that could limit the output of a generating plant

(4) All reports and information submitted by electrical corporations pursuant to this rule shall be—

(A) Subscribed by the president treasurer general manager receiver or other authorized representative of the electrical corporation having knowledge of the subject matter and shall be stated to be accurate and complete and contain no material misrepresentations or omissions based upon facts of which the person subscribing the report or information has knowledge information or belief and

(B) Sent to the Energy Department Manager Public Service Commission P O Box 360 Room 530 301 West High Street Jefferson City MO 65102

(5) The reporting requirements prescribed by this rule shall be in addition to all other reporting requirements prescribed by law

(6) The information contained in the reports filed pursuant to this rule shall be subject to the provisions of section 386 480 RSMo and the use of that information in any proceeding before the commission shall be governed by

the terms of any protective order issued by the commission in the proceeding if a protective order has been issued

(7) The receipt by the commission or commission staff of reports prescribed by this rule shall not bind the commission or commission staff to the approval or acceptance of or agreement with any matter contained in the reports for the purpose of fixing rates or in determining any other issue that may come before the commission

(8) Upon proper application and after notice and an opportunity for hearing the commission in its discretion may waive any provision of this rule for good cause shown

*AUTHORITY section 393 140 RSMo (1986) * Original rule filed March 1 1991 effective Sept 30 1991*

**Original authority 1939 amended 1949 1967*



MONTHLY REPORT OF COST AND QUALITY OF FUELS FOR ELECTRIC PLANTS

Form Approved
OMB No 1902 0024
Expires 9/30/93

This report is mandatory under the Federal Power Act. Failure to comply may result in criminal fines, civil penalties and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider this report to be of a confidential nature.

1 Company Plant Code		2 Month and Year of Report		3 Name of Reporting Company				4 Page Number OF					
5 Plant Name				6 Plant Location (nearest village town city etc)									
7 Name Title and Address of person to be contacted concerning data entered on this form							8 Telephone No Area Code ()		Extension				
9 Signature of Official submitting this report					10 Title			11 Date Report Completed					
Line No	PURCHASES		Fuel Type (Use code) (c)	COAL MINES ONLY			SOURCE DATA <i>For coal enter name of mine or broker from which coal originated or was purchased</i> <i>For oil enter name of supplier refinery and if applicable port of entry</i> <i>For gas enter name of pipeline (supplier) or distributor and if applicable port of entry</i>	Quantity Received (Units) coal 1 000 tons oil 1 000 barrels gas 1 000 Mcf (l)	QUALITY (AS RECEIVED)			Purchase Price in \$ per million BTU to nearest 0.1 cent (m)	
	Type (Use code) (a)	If Contract Expires Within 24 Mos Expirat Date (b)		Type (Use code) (d)	LOCATION				BTU Content (Average of coal per lb oil per gal gas per cu ft) (j)	Sulfur Content (To nearest 0.01%) (k)	Ash Content (To nearest 0.1%) (l)		
					Coal District No (e)	State Abbrev (f)							County No (g)
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Rules of
Department of Economic
Development
Division 240—Public Service Commission
Chapter 30—Telephone Utilities

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**Title 4—DEPARTMENT OF
ECONOMIC DEVELOPMENT**

**Division 240—Public Service
Commission**

Chapter 30—Telephone Utilities

4 CSR 240 30 010 Rate Schedules

PURPOSE This rule prescribes the form and procedures for filing and publishing schedules of rates of all telephone corporations under the jurisdiction of the Public Service Commission

(1) Every telephone corporation as defined in section 386 020 RSMo engaged in business in this state is directed and required not later than September 15 1913 to have on file with the Public Service Commission (PSC) schedules of all rates rentals and charges of whatever nature made by the telephone corporation for each kind of service which it renders which were in force on April 15 1913 together with proper supplements covering all changes in rate schedules authorized by this commission if any since April 15 1913

(2) Every telephone corporation is directed on and after September 15 1913 to publish all of its schedules of rates for local service and all of its schedules of rates for long distance service as these schedules have been established and filed with this commission as follows

(A) To keep all of its schedules established and filed with this commission in its main or principal operating office and in each division office which is now or may be established

(B) To keep at each of its branch business offices where contracts for service are made or payment for subscribers service is received copies of all its established schedules of rates which apply within the area served by any such office and which apply from any point within the area to any point without the area

(C) In every exchange area where no such business branch office is maintained to keep at its central operating office or in a suitable place fixed by the company and notify the public by sign or placard conspicuously posted copies of all of its established schedules of rates which apply within the area served by any such telephone exchange and which apply from any point within the area to any point in each exchange adjacent area and

(D) That these schedules shall be at all times during office hours readily accessible to the public and upon the demand of any person shall be immediately produced for inspection The production for inspection

shall be accompanied by such assistance on the part of the proper representative of the telephone company having the schedules as to enable the person examining the schedules to determine accurately the rate rental or charge applicable to any particular kind of telephone service That in case any person shall apply at a central operating office personally or by telephone for information as to any specified toll or long distance rate, a correct statement of the rate shall be procured by the chief operator and furnished without telephone charge

(3) All schedules of rates rentals and charges or rules relating and applying to communication by telephone or for service rendered in connection with communication by telephone and subject to the jurisdiction of this commission and which are lawfully on file with the commission and in force April 15 1913 will be considered as continuing in force and may be amended in the manner provided in this rule

(4) All rate schedules for local service and all individual and joint schedules for long distance service on file with this commission and in effect April 15, 1913 not in accord with this rule shall be reprinted in the manner prescribed by this rule and filed on or before September 15 1913 Any new rate schedules issued after April 15 1913 must conform to this rule or they will be subject to rejection by the commission when tendered for filing The commission reserves the right to direct the reprinting of any schedule at any time

(5) All schedules shall bear a number with the following prefix PSC Mo ____ Rate schedules shall be numbered in consecutive serial order commencing with a No 1 for each telephone corporation (for example, the first schedule PSC Mo No 1) The prefix and number shall be printed on schedules as provided in section (11) of this rule For convenience, the prefix is referred to as PSC

(6) Joint schedules are schedules designed to contain joint rates and the term joint rate as used in this rule is construed to mean a rate made by contract agreement or arrangement between two (2) or more telephone corporations and applying in both directions over the toll lines owned or controlled by these telephone corporations Joint schedules apply to communication by telephone between localities on the toll lines of more than one (1) telephone corporation or between localities upon the toll lines owned, operated or leased by the same telephone corporation when communication between these localities involves the

use of the toll line(s) of one (1) or more other telephone corporations which participate in the charges for this communication

(7) Individual schedules of the telephone corporation are schedules designed to contain rates rentals and other charges for any kind of long distance or toll service (other than for service covered by joint rates) when the service is rendered entirely by the particular telephone corporation which issues the schedule Individual schedules must include all such long distance rates as may be made by the issuing corporation over its owned or controlled toll lines As distinguished from joint schedules individual schedules apply to all communication by telephone over the lines of the issuing telephone corporation and to instrumentalities and facilities furnished in connection with the communication by telephone

(8) It is the general practice of telephone corporations to classify the service rendered by them under two (2) general headings "local service" and "long distance service" "Local service" covers service classifications rates rentals or charges applying to communication or for instrumentalities and facilities furnished It also covers rules governing and relating to conditions of contract for any form of telephone service within a local service area established with reference to a particular central station or group of central stations "Long distance service" covers service classifications rates charges rules applying to communication by telephone between subscribers stations or public or semi-public pay stations located in one (1) local service area and subscribers stations or public or semi-public pay stations located in another local service area of the same or another telephone corporation

(9) All schedules should be on good serviceable quality of paper and if in the discretion of the commission the volume of a schedule justifies, the schedule shall not be accepted for filing until printed

(10) All rate schedules filed with the commission must be in book sheet or pamphlet form and of size eight and one-half inches by eleven inches (8 1/2" x 11") A loose-leaf plan may be used so that changes can be made by reprinting and inserting a single leaf When a loose-leaf plan is used all sheets except title page must show in the marginal space at top of the page or sheet the name of the corporation issuing the PSC number of the schedule the number of the page or sheet the date of issue and effective

date and name title and address of officer by whom the schedule is issued

(11) The title page or sheet if loose-leaf of every rate schedule shall show—

(A) The full corporate name of the issuing telephone corporation

(B) The PSC number of the schedule in bold type in the center of marginal space at top of the page and immediately under in small type the PSC number(s) of the schedule canceled thereby Separate serial PSC numbers may if desired be used for local and long distance schedules

(C) The title page or sheet also should show whether it is for local or long distance and whether it is joint or individual

(D) A brief description of the service areas from and to or within which the schedule applies

(E) When a schedule of rates is governed by a general publication reference to the governing schedule by its PSC number must be given The following phraseology as the case may be will be used "Governed except as otherwise provided herein by schedule PSC Mo No _____ which schedule supplements thereto or superseding issues thereof is hereby made a part of this schedule" or "Governed except as otherwise provided herein by schedule PSC Mo No _____ which schedule revised and added pages or sheets or superseding issues thereof is hereby made a part of this schedule" A rate publication so referred to must be on file with the commission and be kept at every place where the schedule making the reference is to be kept for public inspection

(F) The Date of Issue and the Effective Date If the schedule or any portion is made to expire on a specified date the following clause must be used "expires _____ unless sooner canceled changed or extended"

(G) On every schedule supplement or a revised or added sheet issued on less than thirty (30) days notice by permission of the commission the following notation must be shown "Issued on _____ days notice to the public and the commission under special permission of the Public Service Commission of Missouri No _____ of date _____" If issued in compliance with an order of the commission the following a notation must be shown "Issued on _____ days notice to the public and the commission of under order of the Public Service Commission of Missouri of date _____ in Case No _____" When issued by authority of this rule the notation must be that required by the rule granting the permission

(H) On the upper left-hand corner of schedules of less than three (3) pages and on

schedules issued in loose leaf form the words "No supplement to this schedule will be issued except for the purpose of canceling this schedule" shall be shown On schedules, not in loose-leaf form of three (3) or more pages "Only one supplement to this schedule will be in effect at any time," shall be shown and

(I) The name title and address of officer by whom schedule is issued

(12) Schedules shall contain in the order named

(A) Table of Contents A full and complete statement, in alphabetic order, of the exact location where information under general headings by subjects will be found, specifying page or item numbers If a schedule contains so small a volume of matter that its title page or its interior arrangement plainly discloses its contents the table of contents may be omitted

(B) The name of the issuing telephone corporation including those for which the corporation acts under power of attorney or concurrence and the names of all telephone corporations participating under such authorities both alphabetically arranged If there are not more than ten (10) participating corporations their names may be shown on the title page of the schedule The record of the power of attorney or concurrence by which each telephone corporation is made party to the schedule must be shown,

(C) In local rate schedules there shall be an alphabetical index of the central stations in the service area to which the schedule applies and alphabetically arranged following the name of each central station or under the names of all the localities served

(D) In individual or joint long distance schedules there shall be an alphabetical list of localities from which rates and charges apply and of the localities to which rates and charges apply,

(E) Whenever a schedule has an application which includes localities situated outside of Missouri the abbreviation for the name of the state in which they are situated must be shown in connection with the name of each locality

(F) If the number of localities covered by a local rate schedule or the number of points in a long distance schedule is small and if practicable they may be listed on the title page of the schedule sheet,

(G) If a long distance schedule is arranged by groups (this term includes block basis or other service area description) of from or to localities the indices must show for each locality a proper group designation

(H) When in a long distance schedule the from and to localities are shown throughout the rate table in continuous alphabetical order or are shown by groups alphabetically arranged no index of from or to localities will be required but when that alphabetical arrangement in a rate table is used the table of contents shall indicate the pages upon which the localities are shown

(I) If a long distance schedule is so constructed as to state rates by groups and also states specific rates to or from specified localities it shall contain an alphabetical listing of the localities in the groups or give reference to the PSC number if issued which contains the listing of the group localities

(J) A group description may be used to designate localities to or from which rates named in long distance schedules apply provided a complete list of those localities arranged by groups is printed in the schedule or specific reference is given to the PSC number or issue which contains such a list In this list all of the localities in groups named in the schedule shall be arranged alphabetically showing opposite each locality by an index reference its group location the name(s) of the telephone lines upon which located and the name of the central station(s) through which the locality is served and a complete list of those localities arranged by group description and alphabetically for each group

(K) An explanation of reference marks technical abbreviations and definitions of terms commonly used in the schedule except that a special rule applying to a particular rate rental or charge shall be shown in connection with and on the same page with the rate rental or charge The explanatory statement must be made in clear and explicit terms regarding the rates rentals charges and rules contained in the schedule as may be necessary to remove all doubt as to their proper application

(L) The rules which govern the schedule the title of each rule to be shown in bold type Under this heading the rules or conditions which in any way affect the rentals rates or charges named in the schedule shall be entered except that a special rule applying to a particular rate rental or charge shall be shown in connection with and on the same page or sheet with the rate rental or charge No rule shall be included which in any way or in any terms authorizes substituting for any rate rental or charge named in the schedule a rate rental or charge found in any other schedule or made by any combination or plan other than that clearly stated in specific terms in the schedule of which the rule is a part These rules shall include the general

rules governing conditions for any form of contract for telephone service all privileges or facilities granted or allowed or for which charge is made which may in anywise change affect or determine any or the aggregate of the rates rentals or charges for the service rendered

(M) A telephone corporation may publish under a PSC number and file a schedule publication designed for use as a governing schedule in connection with a schedule of rates and the governing schedule may be made a part of the schedules of rates by specific reference as provided in subsection (11)(E) When the publication is to be used in connection with long distance schedules it may contain a list of localities excess time charge tables and rules generally governing the schedules When it is to be used in connection with a local rate schedule it may contain an alphabetically arranged list showing localities served by the issuing telephone corporation and opposite each locality its central station designation and an alphabetical order list showing the names of all central stations separately and under the locality for each such central station the names of all localities to which the designation applies arranged in alphabetical order It also may contain schedules of rentals rates and charges applying to the furnishing of instrumentalities facilities and service as the case may be for attachments auxiliary lines and stations commuted messages equipment for stations private and leased lines and wires extension stations interior systems listings mileage of all kinds pole line construction fixed period talking circuits etc together with rules generally governing and relating to conditions of contract for any form of telephone service and

(N) The rates rentals and charges shall be explicitly stated in cents or in dollars and cents per stated period of time or per service specifying the kind and character of service In local schedules the limits of the area to which each rate rental or charge applies must be shown When in a local schedule the limits of any such service area include localities outside the service area to which the schedule applies the names of such other localities must be given or if all such localities are shown in a separate locality list be referring thereto giving the PSC number of schedule containing any such list

(13) Schedules containing essential joint toll rates or charges participated in by telephone corporations not subject to the supervision of this commission must be issued by telephone corporations subject to such supervision and the telephone corporations which are not so

subject shown in the schedule under proper authorities issued and on file with the commission as required by this rule

(14) If a schedule or supplement to a schedule is issued which conflicts with a part of another schedule or supplement to a schedule which is in force at the time and which is not canceled in full it shall specifically state the portion of that schedule which is canceled and the schedule at the same time shall be correspondingly amended effective on the same date in the regular way and the supplement to the amended schedule shall be filed at the same time and in connection with the schedule which contains the new rates rentals or charges

(15) If a schedule is canceled with the purpose of canceling entirely the rates rentals or charges named or when through error or omission a later issue failed to cancel the previous issue and a schedule is canceled for the purpose of perfecting the record, the cancellation notice must not be given a new PSC number but must be issued as a supplement to the schedule which it cancels, even though that schedule may at the time have a supplement in effect

(16) If a schedule or part of a schedule is canceled the cancellation notice shall make specific reference to the PSC number of the schedule in which the rates rentals or charges will be found or if no rates rentals or charges are in effect it shall so state Cancellation of a schedule also cancels a supplement to that schedule, if any is in effect If a schedule is canceled by a similar schedule to take its place the cancellation notice must not be given by supplement but by notice printed in a new schedule as provided in section (12) of this rule

(17) A change in a schedule shall be known as an amendment and excepting amendments to schedules issued in loose-leaf form shall be printed in a supplement to the schedule which it amends specifying the schedule by its PSC number The supplement shall be reissued each time an amendment is made and shall always contain all the amendments to the schedule that are in force Supplements to schedules shall be numbered consecutively as supplements to the schedule and shall not be given new or separate PSC numbers An amended item must always be printed in a supplement in its entirety as amended

(18) A supplement to a joint schedule shall contain either a list of the telephone corporations participating or shall state that the list of participating telephone corporations is "as

shown in schedules" or "as shown in schedule except (here show alphabetically all additions to and eliminations from the original list that are effected by the supplement or that have been effected by previous supplements)"

(19) A schedule which contains reissued items brought forward from a previous issue which has not been in effect thirty (30) days or a supplement which brings forward reissued items without change from a former supplement or schedule must bear the notation "Effective _____, except as noted in individual items" Example "Issued _____ 19____ effective _____ 19____ except as noted in individual items" Reissued items brought forward without change must show in a conspicuous form and a convenient manner the following "Reissue (in black face type) effective (date upon which it became effective) in PSC _____ Mo _____ No _____" or "in supplement No _____ to PSC Mo _____ No _____ When the reissued item became effective in a former supplement to the same schedule the PSC number may be omitted but the supplement number must be given

(20) Except as otherwise provided in this rule there shall at no time be more than one (1) supplement in effect to any schedule and the effective supplement to a schedule of twenty (20) or more pages may not contain more than twenty percent (20%) of the number of pages or sheets in the schedule including the title page A supplement to a schedule of less than twenty (20) pages or ten (10) sheets may not contain more than four (4) pages or two (2) sheets including the title page All changes in and additions to schedules issued in loose leaf form must be made by reprinting both pages of the leaf or sheet upon which the change is made When no change or addition is made on one (1) of the pages reprinted it must bear notation "No change in this page" These pages or sheets must not be given supplement numbers but must be designated "First revised page or sheet _____" "Second revised page or sheet _____" etc must show the name of the issuing corporation and the PSC number of the schedule the issued and effective dates and name title and address of officer by whom issued

(21) If a schedule is filed on statutory notice canceling another schedule and after the filing and prior to the effective date of the new schedule a supplement to the schedule to be canceled should be lawfully issued, the rates rentals or charges in that supplement could not continue in effect for the thirty (30) days required by law because the cancellation of

the schedule also cancels the supplement to it. In such a case the supplement containing changes not included in the schedule that is to become effective may be issued as a supplement both to the schedule in effect and to the schedule on file that will effect such a cancellation and be given both PSC numbers. In other words such an issue must be a supplement to each of the schedules and copies must be filed accordingly. A supplement issued under this section containing reissued items shall note in connection with each such item in addition to the effective date as required by the rule that the reissued items expire on the date at which the new schedule becomes effective and that the new schedule will apply in lieu of the reissued items and the reissued items must not be brought forward in a subsequent supplement to the new schedule. Such a supplement may not contain any changes except those lawfully made by a supplement to the schedule which is to be canceled by the schedule that has been filed and that is also supplemented and no other kind of supplement to a schedule that is on file and not yet effective may be made effective within thirty (30) days from the effective date of the schedule without special permission. The provisions of section (12) as to the number of supplements to a schedule that may be in effect at any time and the volume of supplemental matter they may contain need not be observed in connection with a supplement issued under this section.

(22) In case of a change of ownership and operation of any telephone corporation's property or of the telephone corporation in possession and operating the property the telephone corporation taking over the operation of the telephone line if the existing rates would otherwise remain legally effective shall issue immediately and file with the commission with PSC number an adoption notice substantially as follows: "The (name of telephone corporation) hereby adopts, ratifies and makes its own in every respect as if the same had been originally filed by it all schedules, rules, notices, concurrences, schedule agreements, divisions, authorities or other instruments whatsoever filed with the Public Service Commission, State of Missouri, by the (name of telephone corporation) prior to (date) the beginning of its possession. By this notice it also adopts and ratifies all supplements or amendments to any of the above schedules, etc. which (name of telephone corporation) has heretofore filed with said commission. This notice may be made effective as of the date it is filed with the commission." In the event that the successor corporation does not intend to adopt some of

these schedules, rates, rules, notices, concurrences, traffic agreements, divisions, authorities or other instruments, the notice shall specify those which are not adopted and the successor corporation as to these exceptions shall give the cancellation or withdrawal notice provided in these rules. The adoption notice shall stand and be effective as to all of the local issues of the predecessor telephone corporation. This paragraph applies to the taking over of part of a telephone corporation's property as well as to the entire property. In case of a receivership the receiver shall be deemed as continuing in force the individual schedules and rules of the charge but as to joint schedules, joint rules and joint business with other telephone corporations the receiver must file with the required adoption notice any exceptions specified.

(23) Schedules and supplements shall be filed with the commission by a proper officer of the telephone corporation designated to perform that duty and concurrences of every other telephone corporation participating in joint schedules and supplements must be on file with the commission or accompany the schedule or supplement.

(24) Schedules issued by a telephone corporation under its PSC numbers may include under proper concurrences shown in the schedules, rates or charges applying over a long distance line to or from localities on other telephone corporations' lines and concurring telephone corporations may use these schedules for public inspection. These schedules must be filed by the issuing telephone corporation and the filing will constitute filing for all lawfully concurring telephone corporations having record of the concurrence on file with this commission. A telephone corporation issuing a joint publication shall at once send copies to each and every telephone corporation party.

(25) All changes in rates, charges or rentals or in rules that affect rates, charges or rentals shall be filed with the commission at least thirty (30) days before the date upon which they are to become effective. The title page of every rate schedule or supplement and the reissue of any page or sheet must show thirty (30) days notice except as otherwise provided in this rule. The proposed changes shall be accompanied by a brief summary, approximately one hundred (100) words or less, of the effect of the change on the company's customers. A copy of any proposed change and summary also shall be served on the public counsel and be available for public inspection and reproduction during

regular office hours at a public business office of the utility in each exchange or group of exchanges affected by the proposed change.

(26) Each telephone corporation subject to the supervision of this commission has the duty of filing with the commission all of its rate schedules and supplements to the rate schedules under penalty for failure to do so. The commission will give all consistent assistance as it can in this respect but the fact that receipt of a rate schedule or supplement to a rate schedule is acknowledged by the commission or the fact that a rate schedule or supplement to a rate schedule is in the files of the commission will not serve or operate to excuse the telephone corporation for responsibility or liability for any violation of the law or of any ruling lawfully made which may have occurred in connection with the construction or filing of the rate schedule or supplement.

(27) Thirty (30) days notice to the commission required as to every publication relating to telephone rates or service except where publications are made effective on less than statutory notice by permission, regulation or requirement of the commission.

(28) Except as is otherwise provided in this rule no schedule or supplement will be accepted for filing unless it is delivered to the commission free from all charges or claims for postage the full thirty (30) days required by law before the date upon which the schedule or supplement is stated to be effective. No consideration will be given to or for the time during which a schedule or supplement may be held by the post office authorities because of insufficient postage. When a schedule or a supplement is issued and for which the commission is not given the statutory notice it is as if it had not been issued and full statutory notice must be given of any reissue. No consideration will be given to telegraphic notices in computing the thirty (30) days notice required. In those cases the schedule will be returned to the sender and correction of the neglect or omission cannot be made which takes into account any time elapsing between the date upon which the schedule or supplement was received and the date of attempted correction. For rate schedules and supplements issued on short notice under special permission of the commission literal compliance with the requirements for notice named in any order, regulation or permission granted by the commission will be exacted.

(29) When a schedule is rejected by the commission as unlawful, the records will show



and the schedule should not be referred to as canceled amended or otherwise except to note on publication issued in lieu of the rejected schedule "In lieu of _____ rejected by commission" nor shall the number which it bears be used again

(30) Rates charges or rentals or rules relating to prescribed by the commission in its decisions and orders after hearings upon formal complaints shall in every instance be promulgated by the telephone corporation against which these orders are entered in duly published and filed rate schedules supplements to these or revised pages or sheets of schedules and notice shall be sent to the commission that its order in Case No _____ has been complied with in item _____ page _____ of schedule PSC _____ Mo _____ No _____ or supplement _____ to schedule PSC Mo _____ No _____ or reissued page or sheet No _____ to schedule PSC _____ Mo _____ No _____

(31) Schedules and supplements shall be filed in numerical order of PSC numbers so far as practicable If in any instance the foregoing is not observed as required by these rules a memorandum must accompany the schedule to file with the commission explaining omission of missing number(s)

(32) Telephone corporations are directed to transmit one (1) copy of each rate schedule supplement or other charges, rentals or regulations for the use of the commission Schedules sent for filing must be addressed to Public Service Commission P O Box 360 Jefferson City MO 65102

(33) Concurrence may be given by a telephone corporation to embrace all forms of joint schedules issued by another telephone corporation in which the concurring telephone corporation is shown as a participating originating intermediate or terminal corporation after the following form

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

(Name of telephone corporation in full)

(Date)

This is to certify that the (name of telephone corporation) assents to and concurs in the publication and filing of any joint schedule or supplement thereto which the (name of telephone corporation) may make and file in which it is shown as a participating corporation and hereby makes itself a party to and bound thereby insofar as such schedule contains joint rates or charges or governing regulations applying to communication by telephone in any way involving use of its toll line or lines (see note 2), until this authority is revoked by formal and official notice of revocation placed in the hands of the Public Service Commission of Missouri, and of the telephone corporation to which this concurrence is given

(Name of telephone corporation)

By _____
(Name of officer)

(Title of officer)

The telephone corporation issuing this form shall file the original with the commission and shall furnish a duplicate to the telephone corporation to which the concurrence is given

(34) Each telephone corporation shall give authorizations and concurrences serial numbers beginning with No 1 in each series as indicated by forms and continuing in consecutive numbers as to each series and keeping these numbers separate and apart from PSC numbers of rate schedules A concurrence may be revoked by filing notice of such revocation with the commission and serving the same upon the telephone corporation to which the concurrence was given The notice must specify the date upon which revocation is to be made effective and must give at least sixty (60) days notice to the commission and to the telephone corporation to which concurrence was given Corresponding correction of a schedule(s) shall be made by amending or reissuing the schedule(s) making the change lawfully effective on statutory notice upon the effective date stated in the notice of revocation The granting of authority to issue tariffs under power of attorney or concurrence does not relieve the telephone corporation conferring the authority from the necessity of complying with the requirement for keeping the schedules open to public inspection It must use the schedules issued under its authority for that purpose

(35) All schedules filed with the commission shall be accompanied by a letter of transmittal in duplicate if receipt is desired The letter of transmittal shall be in the following form

LETTER OF TRANSMITTAL

(Name of telephone corporation)

(Date)

To the Public Service Commission, State of Missouri Jefferson City
Accompanying schedule issued by the _____ is sent you for filing in compliance with the requirements of the Public Service Commission Law

PSC _____

Mo _____ No _____ Sup _____

No _____ to PSC _____

Mo _____ No _____ Effective _____ 19 _____

*AUTHORITY section 392 220 RSMo (Cum Supp 1991) * Original rule filed Dec 19 1975 effective Dec 29 1975 Amended Filed May 16 1977 effective Dec 11 1977*

**Original authority 1939 amended 1987 1988 1991*

Warner v Southwestern Bell Telephone Co , 428 SW2d 596 (Mo 1968) Telephone company engaged in intrastate commerce subject to statutes establishing PSC and to its lawful rules

State ex rel City of West Plains v Public Service Commission 310 SW2d 925 (Mo banc 1958) Rules prescribed by commission for telephone company pertaining to manner in which utility would thereafter treat expense item of license and occupation taxes became integral part of company's schedule of rates and charges

4 CSR 240-30 020 Residential Telephone Underground Systems

PURPOSE This rule prescribes the use of residential telephone underground distribution systems for the advancement of public safety and health for the benefit of aesthetics and for the promotion of public convenience and safety

(1) The following words and terms when used in this rule shall have the meaning indicated

(A) Applicant—the developer, builder or other person, partnership, association, firm, private or public corporation, trust estate, political subdivision, governmental agency or other legal entity recognized by law applying for the construction of a telephone distribution system in a subdivision

(B) Building—a single structure roofed and enclosed within exterior walls built for permanent use, erected, framed of component structural parts and unified in its entirety both physical and in operation for single-family residential occupancy in a subdivision

(C) Commission—the Public Service Commission of the state of Missouri as defined in section 386.020(1) RSMo

(D) Multiple-occupancy building—a structure which stands alone, enclosed with exterior walls or which is cut off from adjoining structures by fire walls, built for permanent use, erected, framed of component structural parts and unified in entirety both physically and in operation for reasonably permanent occupancy as two (2) or more single-family residences in a subdivision

(E) Subdivision—a lot, tract or parcel of land divided into two (2) or more lots, plots, sites or other divisions for use for new residential buildings or the land on which is constructed new multiple-occupancy buildings per a recorded plat if the record is required by law

(F) Utility—an electrical corporation as defined in section 386.020(25) RSMo and

(2) After January 23, 1973, telephone lines constructed, installed and owned by utilities in subdivisions shall be installed underground. Conversion of an existing overhead telephone line to underground shall not be required for those new buildings or multiple-occupancy buildings on lots which abut an existing overhead telephone line. Telephone lines installed by a utility shall be installed in accordance with the provisions of this rule.

(3) This rule shall be applicable to all utilities having facilities within this state.

(4) Within the applicant's subdivision, the utility shall construct, own, operate and maintain underground telephone lines only along public streets, roads and highways which the utility has the legal right to occupy and on public lands and private property across which rights-of-way and easements satisfactory to the utility may be obtained without cost to or condemnation by it. Rights-of-way and easements within the subdivision, satisfactory to the utility, must be furnished by the applicant in reasonable time to meet construction and service requirements and before the utility shall be required to commence its installation. Such rights-of-way and easements by applicant, at no charge to the utility, must be cleared of trees, tree stumps and other obstructions and graded to within six inches (6") of final grade. Clearance and grading must be maintained by the applicant during construction by the utility.

(5) Upon receipt of a proper application, the utility at no charge shall install an underground telephone system with suitable materials to assure that the applicant will receive safe, adequate and reasonable telephone service for the foreseeable future.

(6) Where, due to the manner in which a subdivision is developed, the utility is required to construct an underground telephone distribution system through a section(s) of the subdivision where service will not be connected for at least two (2) years, then the utility may require a reasonable advancement for the construction from the applicant before construction is commenced in order to guarantee performance. Where the subdivision is developed in a uniform manner, so that the utility may restrict the construction of its underground telephone distribution system to a section(s) in which buildings or multiple-occupancy buildings are being constructed, the utility may not require an advance. If advance is required, then the advance, without interest, shall be returned to the applicant on a *pro rata* basis as the permanent service connection is made to each building or multiple-occupancy building. Any portion of an advance remaining unrefunded ten (10) years from the date the utility is first ready to render service with the extension will be retained by the utility and credited to the appropriate construction account.

(7) This rule is based on the premise that each utility and applicant will cooperate at all times in an effort to keep the cost of construction, installation, maintenance and oper-

ation of the underground telephone distribution system as low as possible.

(8) The following shall apply to construction of underground telephone distribution systems:

(A) To the extent practicable, electric cables, telephone cables and gas pipes may be installed in the same trench, care being taken to conform to any applicable code and utility specification.

(B) All construction, installation, maintenance and operation of underground telephone systems shall be in accordance with applicable codes, orders, rules or utility specifications if the specifications comply with this rule and

(C) When necessary, temporary facilities may be installed to provide service within a subdivision for a maximum period of one (1) year following the installation of those facilities. The utility shall notify the commission in writing when any temporary facilities are installed in areas where underground facilities are required and further notify the commission in writing when those facilities are removed or installed underground. Notices shall be made within thirty (30) days of installation or removal.

(9) In circumstances when the application of these rules appears impracticable or unjust to either party or discriminatory to other customers, for example, difficult rock conditions, the utility or applicant shall refer the matter to the commission for special ruling or for the approval of special conditions which may be mutually agreed upon prior to commencing construction.

*AUTHORITY section 386.310 RSMo (Cum Supp 1989) * Original rule filed Jan 11 1973 effective Jan 23 1973*

**Original authority 1939 amended 1979 1989*

4 CSR 240-30 030 Extended Area Service (Rescinded September 24, 1987)

4 CSR 240-30 040 Uniform System of Accounts—Class A and Class B Telecommunications Companies

PURPOSE This rule adopts the Federal Communications Commission's Part 32 uniform system of accounts to permit uniformity as much as is advisable in the filing of annual reports and the maintenance of books and records of companies regulated by both the FCC

and the Missouri Public Service Commission This rule prescribes for recordkeeping purposes a uniform system of accounts for Class A and Class B telecommunications companies regulated by the Missouri Public Service Commission This rule also prescribes that unless otherwise directed by the commission certain telecommunications companies must develop surrogates to approximate the capital to expense shifts resulting from the use of Part 32 and that all Class B telecommunications companies must keep their plant accounts in Part 32 Class A detail

Editor's Note The secretary of state has determined that the publication of this rule in its entirety would be unduly cumbersome or expensive The entire text of the rule has been filed with the secretary of state and is summarized here by the agency adopting it The entire text of the rule may be found at the headquarters of the agency and is available to any interested person at a cost established by state law

(1) The uniform system of accounts prescribed by the Federal Communications Commission (FCC) for Class A and Class B telecommunications companies effective January 1 1988 and the text pertaining to the accounts and contents of the accounts system a copy of which be approved by the commission and prescribed for the use of Class A and Class B telecommunications companies subject to the jurisdiction of the commission and that every such telecommunications company is required to keep all accounts in conformity with and those telecommunications companies that have not already adopted the uniform system of accounts of the FCC are ordered to do so for intrastate recordkeeping purposes For purposes of recordkeeping conformity with the uniform system of accounts prescribed by the FCC for telecommunications companies effective January 1 1988 this commission classifies for accounting purposes Class A and Class B telecommunications companies as follows

(A) Class A—Companies having annual revenues from regulated telecommunications operations of more than \$100 000 000 system-wide

(B) Class B—Companies having annual revenues from regulated telecommunications operations of \$100 000 000 or less system-wide and

(C) Class B companies that desire more detailed accounting may adopt the accounts

prescribed for Class A companies upon the submission of a written notification to the commission

(2) The uniform system of accounts prescribed by the FCC for Class A and Class B telecommunications companies consists of general instructions balance sheet accounts—current and noncurrent assets, telecommunications plant accounts balance sheet accounts—depreciation and amortization balance sheet accounts—liabilities and stockholders equity revenue accounts, expense accounts and income accounts The uniform system of accounts breaks down each of these major items into individual subitems or accounts

(3) The adoption by telecommunications companies in Missouri of the uniform system of accounts issued by the FCC shall in no wise bind the commission to the approval or acceptance of any item or account for the purpose of fixing rates or in determining any other matter that may come before the commission

(4) Class B companies that desire more detailed accounting than is required of them under this rule may do so upon the submission of a written notification to the commission

(5) All Class B telecommunications companies shall keep their plant accounts in Part 32 Class A detail

AUTHORITY section 392.210 RSMo (1994) * Original rule filed June 15 1964 effective June 30 1964 Amended Filed April 26 1976 effective Sept 11 1976 Amended Filed July 16 1979 effective Feb 1 1980 Rescinded and readopted Filed May 17 1988 effective Oct 27 1988 Amended Filed March 19, 1996 effective Oct 30 1996

*Original authority 1939 amended 1984 1987

4 CSR 240-30 050 Uniform System of Accounts—Class C and D Telephone Corporations
(Rescinded October 27, 1988)

4 CSR 240-30 060 Minimum Filing Requirements
(Rescinded October 10 1993)

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Development
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Chapter 40—Gas Utilities

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4 CSR 240-40 030(15) Replacement Programs

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4 CSR 240-40 030(16) Waivers of Compliance

Fields v Missouri Power & Light Company 374 SW2d 17 (Mo 1963) Violations of general law municipal ordinances rules of the Public Service Commission and the like are considered and held to be negligence per se Here violation of a rule of a private gas company filed with the P S C cannot result in the creation of a cause of action in favor of another person separate and apart from an action based on common law negligence

4 CSR 240-40 040 Uniform System of Accounts—Gas Corporations

PURPOSE This rule directs gas companies within the commission's jurisdiction to use the uniform system of accounts prescribed by the Federal Energy Regulatory Commission for major natural gas companies as modified here to file an annual report and to submit a revised depreciation study data base and property unit catalog at least every five years

Editor's Note The secretary of state has determined that the publication of this rule in its entirety would be unduly cumbersome or expensive The entire text of the rule has been filed with the secretary of state and is summarized here by the agency adopting it The entire text of the rule may be found at the headquarters of the agency and is available to any interested person at a cost established by state law Citations in this rule beginning with the word Part refer to 18 CFR part 201 (1992) citations beginning with the word paragraph refer to 2 FERC Stat & Regs paragraph 20 001 and following (1992)

(1) Beginning January 1 1994, every gas company subject to the commission's jurisdiction shall keep all accounts in conformity with the Uniform System of Accounts Prescribed for Natural Gas Companies Subject to the Provisions of the Natural Gas Act as prescribed by the Federal Energy Regulatory Commission (FERC) and published at 18 CFR part 201 (1992) and 2 FERC Stat & Regs paragraph 20 001 and following (1992) except as otherwise provided in this rule This uniform system of accounts pro-

vides instruction for recording financial information about gas corporations It contains definitions general instructions gas plant instructions operating expense instructions accounts that comprise the balance sheet gas plant income operating revenues and operation and maintenance expenses

(2) When implementing 4 CSR 240-40 040(1) each gas company subject to the commission's jurisdiction shall—

(A) Keep its accounts in the manner and detail specified for natural gas companies classified as "major" at Part 201 General Instructions 1 A and paragraph 20,011 1 A and

(B) Assemble by July 1 1996 and maintain after that a property unit catalog which contains for each designated property unit in addition to the provisions of Part 201 General Instructions 6 and paragraph 20,016—

1 A description of each unit

2 An item list and

3 Accounting instructions including instructions for distinguishing between operations expense maintenance expense and capitalized plant improvements

(3) Regarding plant acquired or placed in service after 1993 when implementing section (1) each gas corporation subject to the commission's jurisdiction shall—

(A) Maintain plant records of the year of each unit's retirement as part of the "continuing plant inventory records" as the term is otherwise defined at Part 201 Definitions 8 and paragraph 20 001 8

(B) State the detailed gas plant accounts (301 to 399 inclusive) on the basis of original cost estimated if not known when implementing the provisions of Part 201 Gas Plant Instructions 1 C and paragraph 20 041 1 C

(C) Record gas plant acquired as an operating unit or system at original cost, estimated if not known except as otherwise provided by the text of the intangible plant accounts, when implementing the provisions of Part 201 Gas Plant Instructions 2 A and paragraph 20 042 2 A

(D) Account for the cost of items not classified as units of property as it would account for the cost of individual items of equipment of small value or of short life as provided in Part 201 Gas Plant Instructions 3 A (3) and paragraph 20 043 3 A (3)

(E) Include in equipment accounts any hand or other portable tools which are specifically designated as units of property when implementing the provisions of Part 201 Gas Plant Instructions 9 B and paragraph 20 049 9 B

(F) Use the list of retirement units contained in its property unit catalog when implementing the provisions of Part 201 Gas Plant Instructions 10 A and paragraph 20 050 10 A

(G) Estimate original cost with an appropriate average of the original cost of the units by vintage year with due allowance for any difference in size and character when it is impracticable to determine the original cost of each unit when implementing the provisions of Part 201 Gas Plant Instructions 10 D and paragraph 20 050 10 D

(H) Charge original cost less net salvage to account 108, when implementing the provisions of Part 201 Gas Plant Instructions 10 F and paragraph 20 050 10 F

(I) Keep its work order system so as to show the nature of each addition to or retirement of gas plant by vintage year in addition to the other requirements of Part 201 Gas Plant Instructions 11 B and paragraph 20 051 11 B

(J) Maintain records which classify for each plant account, the amounts of the annual additions and retirements so as to show the number and cost of the various record units or retirement units by vintage year when implementing the provisions of Part 201 Gas Plant Instructions 11 C and paragraph 20 051 11 C

(K) Maintain subsidiary records which separate account 108 according to primary plant accounts or subaccounts when implementing the provisions of Part 201 Balance Sheet Account 108 C and paragraph 20 011 108 C

(L) Maintain subsidiary records which separate account 111 according to primary plant accounts or subaccounts when implementing the provisions of Part 201 Balance Sheet Accounts 111 C and paragraph 20 114 111 C and

(M) Keep mortality records of property and property retirement as will reflect the average life of retiring property and will aid actuarial analysis of the probable service life of annual additions and aged retirements when implementing the provisions of Part 201 Income Accounts 403 B and paragraph 20,422 403 B

(4) In prescribing this system of accounts the commission does not commit itself to the approval or acceptance of any item set out in any account for the purpose of fixing rates or in determining other matters before the commission This rule shall not be construed as waiving any recordkeeping requirement in effect prior to 1994

(5) Each gas corporation subject to the commission's jurisdiction shall submit a depreciation study data base and property unit catalog to the manager of the commission's energy department and to the Office of the Public Counsel as required by the terms of subsection (5)(B)

(A) The depreciation study data base and property unit catalog shall be compiled as follows

1 The study shall reflect the average life and remaining life of each primary plant account or subaccount

2 The data base shall consist of dollar amounts by plant account or subaccount representing—

A Annual dollar additions and dollar retirements by vintage year and year retired beginning with the earliest year of available data

B Reserve for depreciation

C Surviving plant balance as of the study date and

D Estimated date of final retirement and surviving dollar investment for each warehouse propane/air production facility liquefied natural gas facility underground natural gas storage facility general office building or other large structure,

3 The property unit catalog shall contain a description of each retirement unit used by the company

(B) A gas company shall submit its depreciation study data base and property unit catalog on the following occasions

1 On or before the date adjoining the first letter of the name under which the corporation does business excluding the word the as indicated by the tariffs on file with the commission

A The alphabetical categories and submission due dates are as follows

(I) A B C D January 1 1994

(II) E F G H July 1 1994

(III) I J K L January 1 1995

(IV) M N O P July 1 1995

(V) Q R S T January 1 1996

(VI) U V W X Y Z July 1 1996

B However—

(I) A gas company need not submit a depreciation study data base or property unit catalog to the extent that the commission's staff received these items from the utility during the three (3) years prior to the due dates listed in subparagraph (5)(B)1 A or

(II) A utility with simultaneous due dates under 4 CSR 240-20 030(5)(B)1 and 4 CSR 240-40 040(5)(B)1 may postpone its due date with respect to one (1) of these rules by six (6) months To exercise this option the utility must give written notice of its intent to

postpone compliance to the manager of the commission's energy department, and to the Office of the Public Counsel before the utility's first due date

2 When the utility files its tariff(s) with the commission proposing a general rate increase as that term is used in the commission's rules pertaining to minimum filing requirements However a gas company need not submit a depreciation study data base or property unit catalog to the extent that the commission's staff received these items from the utility during the three (3) years prior to the utility filing for a general rate increase or

3 Before five (5) years have elapsed since the last time the commission's staff received a depreciation study, data base and property unit catalog from the utility

(6) The commission may waive or grant a variance from the provisions of this rule in whole or in part for good cause shown upon a utility's written application

*AUTHORITY section 393 140 RSMo (1994) * Original rule filed Dec 19 1975 effective Dec 29 1975 Amended Filed April 26 1976 effective Sept 11 1976 Amended Filed Feb 5 1993 effective Oct 10 1993 Amended Filed March 19 1996 effective Oct 30 1996*

**Original authority 1939 amended 1949 1967*

4 CSR 240-40 050 Gas Leaks
(Rescinded October 10 1993)

4 CSR 240-40 055 Gas Leaks in Unprotected Steel Service Lines

Emergency rule filed Feb 24 1989 effective March 6 1989 expired July 1 1989

4 CSR 240-40 060 Gas Used for Decorative Outdoor Lighting

Emergency rule filed Oct 15 1979 effective Nov 5 1979 expired March 3 1980

4 CSR 240-40 061 Gas Used For Decorative Outdoor Lighting
(Rescinded September 25 1987)

4 CSR 240-40 070 Minimum Filing Requirements
(Rescinded October 10 1993)

4 CSR 240-40 080 Drug and Alcohol Testing

PURPOSE This rule adopts by reference the most recent federal regulations on this subject matter in place at the time of the promulgation of this rule The rule requires operators of gas systems to test certain employees for the presence of prohibited drugs or alcohol and provide an employee assistance program In addition the rule provides a description of the technical procedures which must be utilized in conducting the drug and alcohol testing The rule applies to operators of gas systems subject to the safety jurisdiction of the Public Service Commission

Editor's Note The following material is incorporated into this rule by reference

1) Office of the Federal Register National Archives and Records Administration 49 Code of Federal Regulations part 199 October 1 1994 (Washington D C U S Government Printing Office 1994)

2) Office of the Federal Register National Archives and Records Administration 49 Code of Federal Regulations part 199 Amendment 199-10 59 Federal Register 62242 December 2 1994 (Washington D C U S Government Printing Office 1994)

3) Office of the Federal Register National Archives and Records Administration 49 Code of Federal Regulations part 199 Amendment 199-11 59 Federal Register 62218 December 2 1994 (Washington D C U S Government Printing Office 1994)

4) Office of the Federal Register National Archives and Records Administration 49 Code of Federal Regulations part 199 Amendment 199-12 59 Federal Register 62234 December 2 1994 (Washington D C U S Government Printing Office 1994)

5) Office of the Federal Register National Archives and Records Administration 49 Code of Federal Regulations part 40 October 1 1994 (Washington D C U S Government Printing Office 1994)

6) Office of the Federal Register National Archives and Records Administration Amendment to 49 Code of Federal

Regulations part 40 60 Federal Register 19535 April 19 1995 (Washington D C U S Government Printing Office 1995) and

7) Office of the Federal Register National Archives and Records Administration Amendment to 49 Code of Federal Regulations part 40 60 Federal Register 19675 April 20 1995 (Washington D C U S Government Printing Office 1995)

In accordance with section 536 031(4) RSMo the full text of material incorporated by reference will be made available to any interested person at the Office of the Secretary of State and the headquarters of the adopting state agency

(1) The commission adopts by reference as rules of the commission the following federal pipeline safety regulations for drug and alcohol testing as set forth in the *Code of Federal Regulations (CFR)* and the *Federal Register (FR)*

(A) 49 CFR part 199 October 1 1994 (Washington D C U S Government Printing Office 1994)

(B) 49 CFR part 199 Amendment 199-10 59 FR 62242 December 2 1994 (Washington D C U S Government Printing Office 1994)

(C) 49 CFR part 199 Amendment 199-11 59 FR 62218 December 2 1994 (Washington D C U S Government Printing Office 1994) and

(D) 49 CFR part 199 Amendment 199-12 59 FR 62234 December 2 1994 (Washington D C U S Government Printing Office 1994)

(2) The commission adopts by reference as rules of the commission the following federal procedures for transportation workplace drug and alcohol testing programs as set forth in the *Code of Federal Regulations* and the *Federal Register*

(A) 49 CFR part 40 October 1 1994 (Washington D C U S Government Printing Office 1994)

(B) Amendment to 49 CFR part 40 60 FR 19535 April 19 1995 (Washington D C U S Government Printing Office 1995) and

(C) Amendment to 49 CFR part 40 60 FR 19675 April 20 1995 (Washington D C U S Government Printing Office 1995)

(3) For purposes of this rule the following substitutions should be made for certain references in the federal pipeline safety regulations adopted by reference in section (1) of this rule

(A) The references to "state agency" in sections 199 3 199 7(b) 199 13(b)(2) 199 17(a) 199 21(b) 199 23(b) 199 205 199 231(c) 199 231(d) and 199 245(c) of the federal rule should refer to "the commission" instead

(B) The references to "accident" in sections 199 3 199 11(b) 199 205, 199 221 199 223 199 225(a) and 199 231(e) of the federal rule should refer to a "federal incident reportable under 4 CSR 240-40 020" instead

(C) The references to "part 192, 193 or 195 of this chapter" or "part 192 193, or 195" in sections 199 1 199 3, 199 200 199 201 and 199 205 of the federal rule should refer to "4 CSR 240-40 030" instead. The commission regulations contained in 4 CSR 240-40 030 parallel 49 CFR part 192 but the commission does not have any rules pertaining to 49 CFR part 193 or 195

(D) The references to the applicability exemptions for operators of master meter systems as defined in "section 191 3 of this chapter" in section 199 1 and 199 201 of the federal rule should refer to "4 CSR 240-40 020(2)(F)" instead and

(E) The reference to the applicability exemptions for liquefied petroleum gas (LPG) operators as discussed in "section 192 11 of this chapter" in section 199 201 of the federal rule should refer to "4 CSR 240-40 030(1)(F)" instead

(4) The federal pipeline safety regulations adopted by reference in section (1) of this rule require operators of gas systems to test certain employees for the presence of prohibited drugs or alcohol and provide an employee assistance program. The regulations contain subparts on drug testing and alcohol misuse prevention program

(A) The drug testing subpart contains sections on scope and compliance definitions Department of Transportation (DOT) procedures anti-drug plan use of persons who fail or refuse a drug test drug tests required drug testing laboratory review of drug testing results retention of sample and retesting, employee assistance program, contractor employees recordkeeping and reporting of anti-drug testing results

(B) The alcohol misuse prevention program subpart contains sections on purpose applicability alcohol misuse plan alcohol testing procedures, definitions preemption of state and local laws other requirements imposed by operators requirement for notice starting date for alcohol testing programs alcohol concentration on-duty use, pre-duty use use following an accident, refusal to submit to a required alcohol test,

alcohol tests required retention of records reporting of alcohol testing results access to facilities and records removal from covered function required evaluation and testing other alcohol-related conduct operator obligation to promulgate a policy on the misuse of alcohol training for supervisors referral evaluation and treatment and contractor employees

(5) The federal procedures for transportation workplace drug and alcohol testing programs adopted by reference in section (2) of this rule provide a description of the technical procedures which must be utilized in conducting the drug and alcohol testing. The regulations contain subparts on general drug testing alcohol testing and non-evidential alcohol screening tests

(A) The general subpart contains sections on applicability and definitions

(B) The drug testing subpart contains sections on the drugs preparation for testing specimen collection procedures laboratory personnel laboratory analysis procedures quality assurance and quality control reporting and review of results protection of employee records, individual access to test and laboratory certification results and use of Department of Health and Human Services (DHHS) certified laboratories

(C) The alcohol testing subpart contains sections on the breath alcohol technician (BAT) devices to be used for breath alcohol tests quality assurance plans for evidential breath testing devices (EBTs) locations for breath alcohol testing the breath alcohol testing form, preparation for breath alcohol testing, procedures for screening tests procedures for confirmation tests, refusals to test and uncompleted tests inability to provide an adequate amount of breath invalid tests availability and disclosure of alcohol testing information about individual employees and maintenance and disclosure of records concerning EBTs and BATs

(D) The non-evidential alcohol screening tests subpart contains sections on authorization for use of non-evidential alcohol screening devices, the screening test technician (STT), quality assurance plans for non-evidential screening devices, locations for non-evidential alcohol screening tests testing forms, screening test procedure refusals to test and uncompleted tests inability to provide an adequate amount of breath or saliva invalid tests, availability and disclosure of alcohol testing information about individual employees and maintenance and disclosure of records concerning non-evidential testing devices and STTs



**Rules of
Department of Economic
Development
Division 240—Public Service Commission
Chapter 20—Electric Utilities**

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Title 4—DEPARTMENT OF ECONOMIC DEVELOPMENT

Division 240—Public Service Commission Chapter 20—Electric Utilities

4 CSR 240-20 010 Rate Schedules

PURPOSE This rule prescribes the form and procedures for filing and publishing schedules of rates of all electrical corporations under the jurisdiction of the Public Service Commission

- (1) Every electrical corporation as defined in section 386.020, RSMo, engaged in the manufacture, generating, furnishing or transmission of electricity for light heat or power within Missouri is directed to have on file with this commission not later than October 15, 1913 a schedule of all rates rentals and charges of whatever nature made by the electrical corporation for each kind of service it renders which were in force on April 15, 1913 together with proper supplements covering all changes in rate schedules authorized by this commission, if any, since April 15 1913
- (2) Every electrical corporation is directed on and after October 15, 1913 to publish all of its schedules of rates with this commission as follows
- (A) To keep all of its schedules of rates established and filed with this commission and in its main or principal operating office and in each division office which is now or may be established,
- (B) To keep at each of its branch business offices where contracts for service are made or payment for customer's service is received, copies of all of its established schedules of rates which apply within the area served and
- (C) That all schedules of rates at all times during business hours shall be readily accessible to the public and shall be immediately produced for inspection upon the demand of any person. The production for inspection of schedules of rates shall be accompanied by such assistance on the part of the proper representative of the electrical corporation having a schedule to determine accurately the rate or charge applicable to any particular kind of electrical service
- (3) All schedules of rates rentals and charges, or rules relating and applying to service rendered in connection with the supplying of electrical energy for light heat and power or for any service rendered in connection with electrical energy supply lawfully on file with the commission and in force on April 15 1913, will be considered as continuing in force and may be amended in the manner provided in this rule
- (4) All schedules of rates on file with this commission and in effect April 15, 1913 not in accordance with this rule shall be reprinted in the manner prescribed by this rule and filed on or before October 15, 1913. All new schedules of rates issued after April 15, 1913 must conform to this rule or they will be subject to rejection by the commission when tendered for filing. The commission reserves the right to direct the reprinting of any schedule at any time
- (5) In classifying rates for electrical service the following uniform system of classification will be followed as closely as practical
- (A) All lighting rates for residences, business places, theaters, public buildings and the like will be placed under the head of commercial lighting;
- (B) All power rates, including rates for battery charging, will be placed under the head of commercial power; and
- (C) All rates for street lighting, including municipal street lighting and the free lighting of public buildings as is done in connection with street lighting will be placed under the head of street lighting
- (6) All schedules of rates should be on a good serviceable quality of paper and, if in the discretion of the commission, the volume of schedule justifies it, a schedule shall not be accepted for filing until printed
- (7) All schedules of rates filed with the commission shall bear a number with the following prefix PSC Mo _____. Rate schedules shall be numbered in consecutive serial order commencing with a No 1 for each electrical corporation (for example, the first schedule PSC Mo, No 1). The prefixes and numbers shall be printed on schedules as required by section (9) of this rule. For convenience the prefix is referred to as PSC
- (8) All schedules of rates shall be in book, sheet or pamphlet form of size eight and one-half inches by eleven inches (8 1/2" x 11"). A loose-leaf plan may be used so that changes may be made by reprinting and inserting a single leaf. When the loose-leaf plan is used, all sheets except the title page must show in the marginal space at the top of page or sheet, the name of the electrical corporation issuing the PSC No., the number of the schedule and the number of the page or sheet. At the bottom of the sheet in the marginal space must be shown the date of issue and effective date and the name, title and address of the officer by whom the schedule is issued
- (9) The title page or sheet if loose leaf of every schedule of rates shall show—
- (A) The full corporate name of the issuing electrical corporation,
- (B) The PSC number of the schedule in bold type in the center of the marginal space at top of the page and immediately under it in small type the PSC number(s) canceled,
- (C) A brief description of the service areas from and to or within which the schedule applies,
- (D) When a schedule rate is governed by a general publication the reference to the general publication by its PSC number must be given. The following phraseology, as the case may be, will be used "Governed except as otherwise provided herein by schedule PSC Mo No _____, which schedule, revised and added pages or sheets or superseding issues thereof is hereby made a part of this schedule." The rate publication referred to must be on file with the commission and be kept at every place where the schedule making reference is to be kept for public inspection,
- (E) The date of issue and the date effective. If the schedule or any portion is made to expire on a specified date, the following clause must be used "expires _____, unless sooner changed, canceled or extended",
- (F) On every schedule, supplement or revised or added sheet issued on less than thirty (30) days' notice, by permission of the commission, the following notation must be shown. "Issued on _____ days' notice to the public and the commission under special permission of the Public Service Commission of Missouri, No _____ of date _____." If issued in compliance with an order of the commission, the following notation must be shown "Issued on _____ days' notice to the public and the commission under order of the Public Service Commission of Missouri, of date _____, in Case No _____," when issued by authority of any section of this rule, the notice must be that required by the particular section granting permission,
- (G) On the upper left hand corner of a schedule of fewer than three (3) pages and on schedules issued in loose-leaf form, the words, "No supplement to this tariff will be issued except for the purpose of canceling this tariff." A schedule, not in loose-leaf form of three (3) or more pages shall include the words, "Only one supplement to this schedule will be in effect at any one time", and
- (H) On the marginal space at the bottom of page will be given the name title and address of the officer by whom the schedule is issued the date of issue and the effective date
- (10) The schedule shall contain in the order named.



(A) Table of Contents Provide full and complete statement in alphabetical order of the exact location where information under the general headings or subjects will be found, specifying the page of item numbers. If the schedule contains so small a volume of matter that its title page or interior arrangement plainly may disclose its contents, the table of contents may be omitted.

(B) Description of Territory A more lengthy description of the territory to be served than can be briefly set forth on the title page will often be necessary, any items in this category which bear any relation to the various rates should be explained under this heading;

(C) Classification of Service Under this heading the kind of service separately grouped for commercial lighting, commercial power and street lighting will be set forth in the order named together with a detailed statement of the rate(s) in connection with same. A definite separation must be made between prompt payment discount and quantity discount and stating the manner in which they are computed clearly. If guarantees of any nature are required or a minimum charge made, the principles upon which they are based must be stated. In this case give the company's charges or deposits for meters. If penalties for delayed payments are exacted, the same must be stated. State whether current is estimated or metered and if so, how. State the company's practice in regard to lamp renewals. If a charge is made to the consumer for installing and connecting the service wires, this should be stated. State the character of the service, whether twenty four (24) hour or limited until midnight whether the service is limited to certain hours of the day, on peak, off peak, optional service, auxiliary service, breakdown service and the like. The kind of current, such as alternating or direct, together with the voltage phase and frequency must be given in all cases.

(D) Rules Under this heading will be set forth all rules which apply to contracts for furnishing electrical energy for light, heat and power and all of the company's rules in any way relating to service, together with any particular regulations relating to a special contract for service rendered which have not already been stated in connection with the description of rates under section (5) of this rule and

(E) Definition and Explanation of Reference Marks Under this heading, as its name implies shall be given the necessary description of any reference marks employed in connection with the rate tables, that is, explain the meaning of watt kilowatt hour, horsepower and the like. If symbols or abbreviations are used explain their meanings such as kilowatt hour for KWH ampere for amp

When ratings are used based on capacity installation or a percentage of capacity installation, a table of equivalents for estimating these ratings must be given. For example, one (1) sixteen (16)-candle power carbon filament lamp equals about fifty five (55) watts. If terms maximum demand, load factor, rated capacity, peak, and the like, are used in the schedule, these should be explained under this caption. All definitions of terms and explanation of terms or symbols, abbreviations or reference marks should be arranged in logical sequence and in a manner that they will be readily understood.

(11) If a schedule or supplement to a schedule is issued which conflicts with a part of another schedule or supplement of a schedule which is in force at the time and which is not canceled in full, it specifically shall state the portion of the other schedule which is canceled and the other schedule, at the same time, shall be correspondingly amended, effective on the same date, in the regular way, and the supplement to the amended schedule shall be filed at the same time and in connection with the schedule which contains the new rates, rentals or charges.

(12) If a schedule is canceled with the purpose of canceling entirely the rates, rentals or charges named in the schedule or when through error or omission, a later issue failed to cancel the previous issue and a schedule is canceled for the purpose of perfecting the record, the cancellation notice must not be given a new PSC number, but must be issued as a supplement to the schedule which it cancels, even though the schedule at the time may have a supplement in effect.

(13) If a schedule or a part of a schedule is canceled, the cancellation notice shall make specific notice to the PSC number of the schedule in which the rates, rentals or charges will be found, or if no rates, rentals or charges are in effect, it shall state so. Cancellation of a schedule also cancels a supplement to the schedule in effect. If any schedule is canceled by a similar schedule to take its place, the cancellation notice must not be given by supplement, but by notice printed in a new schedule.

(14) A change in a schedule shall be known as an amendment and excepting amendments to schedules issued in loose-leaf form, shall be printed in a supplement to the schedule which it amends specifying the schedule by its PSC number. The supplement shall be reissued each time an amendment is made and shall always contain all the amendments to the schedule that are in force. Supplements to schedules shall be numbered consecutively as

supplements to the schedules and shall not be given new or separate PSC numbers. An amendment must always be printed in the supplement in its entirety as amended.

(15) A schedule which contains reissued items brought forward from a previous issue which has not been in effect thirty (30) days or a supplement which brings forward reissued items without change from a former supplement or schedule, must bear the notation "Effective _____, except as noted in individual items" "Example Issued _____, 19____, effective _____, 19____, except as noted in individual items" Reissued items brought forward without change must show in a conspicuous form and convenient manner the following "Reissue" in black face type, the effective or the date upon which it becomes effective, in PSC Mo No _____ "or in supplement No _____ to PSC Mo No _____" When the reissued item became effective in a former supplement to the same schedule, the PSC number may be omitted, but the supplement number must be given.

(16) Except as otherwise provided in this rule, there shall be at no time more than one (1) supplement in effect to any schedule and the effective supplement to a schedule of twenty (20) or more pages may not contain more than twenty percent (20%) of the number of pages or sheets in the schedule, including the title page, a supplement to a schedule of fewer than twenty (20) pages or ten (10) sheets may not contain more than four (4) pages or two (2) sheets, including the title page.

(17) All changes in and additions to schedules issued in loose-leaf form must be made by reprinting both pages of the leaf or sheet upon which the change is made. When no change or addition is made on one (1) of the pages reprinted, it must bear the notation, "No change in this page" Those pages or sheets shall not be given supplement numbers, but must be designated "First revised page or sheet _____," "Second revised page or sheet," and the like and must show the name of the issuing corporation and the PSC number of the schedule, the issued and effective dates and the name, title and address of officer by whom issued.

(18) If a new schedule is filed on statutory notice canceling another schedule and after that filing and prior to the effective date of the new schedule a supplement to the schedule to be so canceled should be lawfully issued, the rates rentals or charges in that supplement could not continue in effect for the thirty (30) days required by law because the cancellation

of the schedule also cancels the supplement to it. In this case the supplement containing changes not included in the schedule that is to become effective may be issued as a supplement both to the schedule in effect and to the schedule on file that will effect a cancellation and be given both PSC numbers. In other words, such an issue must be a supplement of each of the schedules and copies must be filed accordingly. A supplement issued under this rule containing reissued items shall note in connection with each item, in addition to the effective date required by this rule, that the reissued items expire on the date on which the new schedule will apply in lieu thereof, and the reissued items must not be brought forward in a subsequent supplement to the new schedule. This supplement may not contain any changes except those lawfully made by supplement to the schedule which is to be canceled by the schedule that has been filed and that is also supplemented, and no other kind of a supplement to a schedule that is on file and not yet effective may be made effective within thirty (30) days from the effective date of the schedule without special permission of the commission.

(19) The provisions of section (17) of this rule as to the number of supplements to a schedule that may be in effect at any time and the volume of supplemental matter they may contain need not be observed in connection with a supplement issued under sections (15)—(19) of this rule.

(20) In case of change of ownership and operation of any electrical corporation's property or of the electrical corporation in possession and operating the property, the electrical corporation taking over the operation of the properties, if the existing rates would otherwise remain legally effective, shall issue immediately and file with the commission, with PSC number, an adoption notice substantially as follows:

(A) "The (name of the electrical corporation) hereby adopts, ratifies and makes its own, in every respect as if the same had been originally filed by it, all schedules, rules, notices, concurrences, schedule agreements, divisions, authorities or other instruments whatsoever, filed with the PUBLIC SERVICE COMMISSION, State of Missouri, by the (name of the electrical corporation) prior to (date), the beginning of its possession. By this notice it also adopts and ratifies all supplements or amendments to any of the above schedules, etc., which (name of the electrical corporation) has heretofore filed with said commission. This notice may be made effective as of the date it is filed with the commission."

(B) In the event that the successor corporation does not intend to adopt some of those schedules, rates, rules, notices, concurrences, authorities or other instruments, the notice shall specify those which are not adopted, and the successor corporation as to such exceptions shall give the cancellation or withdrawal notice provided in this rule.

(C) The adoption notice shall stand and be effective as to all of the local issues of the predecessor electrical corporation, and

(D) In case of a receivership, the receiver shall be deemed as continuing in force the schedules and rules of the corporation whose property s/he has in charge.

(21) Schedules and schedule supplements shall be filed with the commission by the proper officer of the electrical corporation designated to perform that duty, and supplements must be on file with the commission or accompany the schedule or supplement.

(22) All changes in rates, charges or rentals or in rules that affect the rates, charges or rentals shall be filed with the commission at least thirty (30) days before the date upon which they are to become effective. The title page of every rate schedule or supplement and the reissue on any page or sheet must show a full thirty (30) days' notice except as otherwise provided in this rule. The proposed change shall be accompanied by a brief summary, approximately one hundred (100) words or less, of the effect of the change on the company's customers. A copy of any proposed change and summary shall also be served on the public counsel and be available for public inspection and reproduction during regular office hours at the general business office of the utility.

(23) Each electrical corporation has the duty of filing with the commission all its schedules of rates and supplements or any rule relative to them which may be announced by the commission, under penalty for failure to do so. The commission will give consistent assistance as it can in this respect, but the fact that the receipt of a rate schedule or a supplement to a rate schedule is acknowledged by the commission or the fact that a rate schedule or supplement to a rate schedule is in the files of the commission will not serve or operate to excuse the electrical corporation or municipality from its responsibility or liability for any violation of the law or of any ruling lawfully made which may have occurred in connection therewith with the construction of filing of a rate schedule or supplement.

(24) Thirty (30) days' notice to the commission is required as to every publication relating to electrical rates or service except where publications are made effective on less than statutory

notice by permission, regulation or requirement of the commission.

(25) Except as is otherwise provided, no schedule or supplement will be accepted for filing unless it is delivered to the commission free from all charges or claims for postage, the full thirty (30) days required by law before the date upon which the schedule or supplement is stated to be effective. No consideration will be given to or for the time during which a schedule or supplement may be held by the post office authorities because of insufficient postage. When a schedule or a supplement is issued and as to which the commission is not given the statutory notice, it is as if it had not been issued and a full statutory notice must be given of any reissue. No consideration will be given to telegraphic notices in computing the thirty (30) days' notice required. In these cases the schedule will be returned to the sender and correction of the neglect or omission cannot be made which takes into account any time elapsing between the date upon which that schedule or supplement was received and the date of the attempted correction. For rate schedules and supplements issued on short notice under special permission of the commission, literal compliance with the requirements for notice named in any order, regulation or permission granted by the commission will be exacted.

(26) When a schedule is rejected by the commission as unlawful, the records will so show and that schedule should not in the future be referred to as canceled, amended or otherwise except to note on the publication issued in lieu of that rejected schedule, "In lieu of _____, rejected by the commission," nor shall the number which it bears be used again.

(27) Rates, charges or rentals or regulations relating to them prescribed by the commission in its decisions and orders, after hearings upon formal complaints, shall in every instance be promulgated by the electrical corporation against which those orders are entered in duly published and filed rate schedules, supplements or revised pages or sheets of schedules and notice shall be sent to the commission that its order in Case No. _____ has been complied with in item _____ page _____ of schedule PSC Mo No. _____ or supplement _____ to schedule PSC Mo No. _____, or reissued page or sheet No. _____ to schedule PSC Mo No. _____.

(28) Schedules and supplements shall be filed in numerical order of PSC numbers. If in any instance this procedure is not observed as required by these rules, a memorandum must



accompany the schedule so filed with the commission explaining omission of missing number(s)

(29) Electrical corporations are directed, in filing schedules to transmit one (1) copy of each rate schedule, supplement or other charges or regulations for the use of the commission Schedules sent for filing must be addressed to Public Service Commission P O Box 360, Jefferson City, MO 65102

(30) All schedules filed with the commission shall be accompanied by a letter of transmittal, in duplicate, if receipt is desired, as follows

LETTER OF TRANSMITTAL

(Name of electrical corporation)

To the Public Service Commission, State of Missouri, Jefferson City Accompanying schedule issued by the _____ is sent for filing in compliance with the requirements of the Public Service Commission Law

PSC Mo No _____

Supp No _____ to PSC Mo No _____

Effective _____, 19 _____

Auth section 393 140, RSMo (1986) * Original rule filed Dec 19, 1975, effective Dec 29, 1975 Amended Filed May 16, 1977, effective Dec 11, 1977

*Original authority 1939 amended 1949 1967

4 CSR 240-20 020 Residential Electric Underground Distribution Systems (Rescinded August 15, 1983)

4 CSR 240-20 030 Uniform System of Accounts—Electrical Corporations

PURPOSE This rule directs electrical corporations within the commission's jurisdiction to use the uniform system of accounts prescribed by the Federal Energy Regulatory Commission for major electric utilities and licensees as modified here to file annual reports, and to submit a revised depreciation study data base and property unit catalog at least every five years

Editor's Note The secretary of state has determined that the publication of this rule in its entirety would be unduly cumbersome or expensive The entire text of the rule has been

filed with the secretary of state and is summarized here by the agency adopting it The entire text of the rule may be found at the headquarters of the agency and is available to any interested person at a cost established by state law Citations in this rule beginning with the word Part refer to 18 CFR part 101 (1992), citations beginning with the word paragraph refer to 1 FERC Stat & Regs paragraph 15,001 and following (1992)

(1) Beginning January 1, 1994, every electrical corporation subject to the commission's jurisdiction shall keep all accounts in conformity with the Uniform System of Accounts Prescribed for Public Utilities and Licensees subject to the provisions of the Federal Power Act, as prescribed by the Federal Energy Regulatory Commission (FERC) and published at 18 CFR Part 101 (1992) and 1 FERC Stat & Regs paragraph 15,001 and following (1992), except as otherwise provided in this rule This uniform system of accounts provides instruction for recording financial information about electric utilities It contains definitions, general instructions electric plant instructions, operating expense instructions, and accounts that comprise the balance sheet, electric plant, income, operating revenues, and operation and maintenance expenses

(2) When implementing section (1), each electrical corporation subject to the commission's jurisdiction shall—

(A) Keep its accounts in the manner and detail specified for electric utilities and licensees classified as major at Part 101 General Instructions 1 A and paragraph 15,011 1.A., and

(B) Assemble by July 1, 1996, and maintain after that, a property unit catalog which contains for each designated property unit, in addition to the provisions of Part 101 General Instructions 6 and paragraph 15,016—

- 1 A description of each unit,
- 2 An item list, and
- 3 Accounting instructions, including instructions for distinguishing between operations expense, maintenance expense and capitalized plant improvements

(3) Regarding plant acquired or placed in service after 1993 when implementing section (1), each electrical corporation subject to the commission's jurisdiction shall—

(A) Maintain plant records of the wear of each unit's retirement as part of the continuing plant inventory records," as the term is otherwise defined at Part 101 Definitions 8 and paragraph 15,001 8,

(B) State the detailed electric plant accounts (301 to 399 inclusive) on the basis of original cost, estimated if not known when

implementing the provisions of Part 101 Electric Plant Instructions 1 C and paragraph 15 051 1 C,

(C) Record electrical plant acquired as an operating unit or system at original cost estimated if not known, except as otherwise provided by the text of the intangible plant accounts, when implementing the provisions of Part 101 Electric Plant Instructions 2.A and paragraph 15,052.2.A.,

(D) Account for the cost of items not classified as units of property as it would account for the cost of individual items of equipment of small value or of short life, as provided in Part 101 Electric Plant Instructions 3.A.(3) and paragraph 15,053 3.A.(3),

(E) Include in equipment accounts any hand or other portable tools which are specifically designated as units of property, when implementing the provisions of Part 101 Electric Plant Instructions 9 B and paragraph 15 059 9.B,

(F) Use the list of retirement units contained in its property unit catalog when implementing the provisions of Part 101 Electric Plant Instructions 10.A. and paragraph 15,060 10.A.,

(G) Estimate original cost with an appropriate average of the original cost of the units by vintage year, with due allowance for any difference in size and character, when it is impracticable to determine the original cost of each unit, when implementing the provisions of Part 101 Electric Plant Instructions 10 D and paragraph 15,060 10 D,

(H) Charge original cost less net salvage to account 108, when implementing the provisions of Part 101 Electric Plant Instructions 10 F and paragraph 15,060 10 F,

(I) Keep its work order system so as to show the nature of each addition to or retirement of electric plant by vintage year, in addition to the other requirements of Part 101 Electric Plant Instructions 11 B and paragraph 15 061 11 B,

(J) Maintain records which classify, for each plant account, the amounts of the annual additions and retirements so as to show the number and cost of the various record units or retirement units by vintage year, when implementing the provisions of Part 101 Electric Plant Instructions 11 C and paragraph 15,061 11 C,

(K) Maintain subsidiary records which separate account 108 according to primary plant accounts or subaccounts when implementing the provisions of Part 101 Balance Sheet Account 108 C and paragraph 15 110 108 C,

(L) Maintain subsidiary records which separate account 111 according to primary plant accounts or subaccounts when implementing the provisions of Part 101 Balance

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Sheet Accounts 111 C and paragraph 15 113 111 C and

(M) Keep mortality records of property and property retirements as will reflect the average life of property which has been retired and will aid in estimating probable service life by actuarial analysis of annual additions and aged retirements when implementing the provisions of Part 101 Income Accounts 403 B and paragraph 15 404 403 B

(4) In prescribing this system of accounts, the commission does not commit itself to the approval or acceptance of any item set out in any account for the purpose of fixing rates or in determining other matters before the commission. This rule shall not be construed as waiving any recordkeeping requirement in effect prior to 1994

(5) Annual reports for all electrical corporations subject to regulation by this commission shall be filed by each electrical corporation with the commission on or before April 15 following the year for which the report is made

(6) Each electrical corporation subject to the commission's jurisdiction shall submit a depreciation study, data base and property unit catalog to the manager of the commission's energy department and to the Office of the Public Counsel, as required by the terms of subsection (6)(B)

(A) The depreciation study data base and property unit catalog shall be compiled as follows

1 The study shall reflect the average life and remaining life of each primary plant account or subaccount,

2 The data base shall consist of dollar amounts, by plant account or subaccount, representing—

A Annual dollar additions and dollar retirements by vintage year and year retired beginning with the earliest year of available data

B Reserve for depreciation,

C Surviving plant balance as of the study date and

D Estimated date of final retirement and surviving dollar investment for each warehouse, electric generating facility, combustion turbine general office building or other large structure and

3 The property unit catalog shall contain a description of each retirement unit used by the company

(B) An electrical corporation shall submit its depreciation study data base and property unit catalog on the following occasions

1 On or before the date adjoining the first letter of the name under which the corporation does business excluding the word the as

indicated by the tariffs on file with the commission

A The alphabetical categories and submission due dates are as follows

(I) A, B, C, D January 1, 1994

(II) E, F, G, H July 1, 1994,

(III) I, J, K, L January 1, 1995,

(IV) M, N, O, P July 1, 1995,

(V) Q, R, S, T January 1, 1996, and

(VI) U, V, W, X, Y, Z July 1, 1996

B However—

(I) An electrical corporation need not submit a depreciation study, data base or property unit catalog to the extent that the commission's staff received these items from the utility during the three (3) years prior to the due dates listed in subparagraph (6)(B)1.A, and

(II) A utility with simultaneous due dates under 4 CSR 240-20 030(6)(B)1 and 4 CSR 240-40 040(6)(B)1 may postpone its due date with respect to one (1) of these rules by six (6) months. To exercise this option, the utility must give written notice of its intent to postpone compliance to the manager of the commission's energy department, and to the Office of the Public Counsel, before the utility's first due date,

2 When the utility files its tariff(s) with the commission proposing a general rate increase, as that term is used in the commission's rules pertaining to minimum filing requirements. However, an electrical corporation need not submit a depreciation study, data base or property unit catalog to the extent that the commission's staff received these items from the utility during the three (3) years prior to the utility filing for a general rate increase, or

3 Before five (5) years have elapsed since the last time the commission's staff received a depreciation study, data base and property unit catalog from the utility

(7) The commission may waive or grant a variance from the provisions of this rule, in whole or in part, for good cause shown, upon a utility's written application

*Auth section 393 140 RSMo (1986) *
Original rule filed Dec 19 1975 effective
Dec 29 1975 Amended Filed April 26
1976 effective Sept 11 1976 Amended
Filed Feb 5 1993 effective Oct 10 1993*

**Original authority 1939 amended 1949 1967*

4 CSR 240-20 040 Minimum Filing Requirements (Rescinded October 10 1993)

4 CSR 240-20 050 Individual Electric Meters—When Required

PURPOSE This rule prescribes individual metering for new multiple occupancy buildings and new mobile home parks for all electric corporations under the jurisdiction of the Public Service Commission. This rule is aimed at compliance with Sections 113(b)(1) and 115(d) of Title I of the Public Utility Regulatory Policies Act of 1978 (PURPA) PL 95 617, 16 USC 2601

Editor's Note The secretary of state has determined that the publication of this rule in its entirety would be unduly cumbersome or expensive. The entire text of the material referenced has been filed with the secretary of state. This material may be found at the Office of the Secretary of State or at the headquarters of the agency and is available to any interested person at a cost established by state law

(1) For the purposes of this rule—

(A) A building is defined as a single structure, roofed and enclosed within exterior walls, built for permanent use, erected, framed of component structural parts and unified in its entirety both physically and in operation for residential or commercial occupancy,

(B) Commercial adjacent buildings are defined as buildings on a contiguous plot of land owned by one (1) person, which buildings are occupied and used by one (1) person for single type of commercial operation. A person for the purpose of this definition includes any type of business entity,

(C) A commercial unit is defined as that portion of a building or premises which by appearance, design or arrangement is normally used for commercial purposes, whether or not actually so used,

(D) Construction begins when the footings are poured,

(E) A mobile home park is defined as a contiguous parcel of land which is used for the accommodation of occupied mobile homes,

(F) A multiple occupancy building is defined as a building or premises which is designed to house more than one (1) residential or commercial unit and

(G) A residential unit is defined as one (1) or more rooms for the use of one (1) or more persons as a housekeeping unit with space for eating, living and sleeping and permanent provisions for cooking and sanitation

(2) Each residential and commercial unit in a multiple-occupancy building construction of which has begun after June 1, 1981 shall have installed a separate electric meter for each residential or commercial unit

(3) Each mobile home unit in a mobile home park construction of which has begun after June 1, 1981 shall have installed a separate electric meter for each mobile home unit.

(4) For the purposes of carrying out the provisions of sections (2) and (3), the following exceptions apply and separate metering will not be required

(A) For transient multiple-occupancy buildings and transient mobile home parks—for example hotels, motels, dormitories, rooming houses, hospitals, nursing homes, fraternities, sororities, campgrounds and mobile home parks which set aside, on a permanent basis, at least eighty percent (80%) of their mobile home pads or comparable space for use by travel trailers,

(B) Where commercial unit space is subject to alteration with change in tenants as evidenced by temporary versus permanent type of wall construction separating the commercial unit space—for example space at a trade fair;

(C) For commercial adjacent buildings,

(D) For that portion of electricity used in central space heating, central hot water heating, central ventilating and central air conditioning systems,

(E) For buildings or mobile home parks where alternative renewable energy resources are utilized in connection with central space heating, central hot water heating, central ventilating and central air conditioning systems or

(F) For all portions of electricity in commercial units in buildings with central space heating ventilating and air conditioning systems

(5) Any person or entity affected by this rule may file an application with the commission seeking a variance from all or parts of this rule (4 CSR 240-20 050) and for good cause shown, variances may be granted as follows

(A) The variance request shall be filed in writing and directed to the secretary of the commission,

(B) If the commission deems it in the public interest a hearing may be held by the commission as in complaint hearings before the commission, and

(C) A variance committee consisting of two (2) members of the commission's utility division staff and a member of the commission's general counsel's office shall be established by the commission within thirty (30)

days from September 28, 1981. The public counsel shall be an *ex officio* member of this committee

1 The variance committee shall consider all variance applications filed by utilities and shall make a written recommendation of its findings to the commission for its approval

2 Each applicant for a variance shall have ten (10) days from the date of the variance committee's findings to either accede or request a formal hearing before the commission

3 If applicant accedes, the commission may adopt the variance committee's findings or set the matter for formal hearing upon the application of any interested person or upon the commission's own motion

(6) The commission, in its discretion, may approve tariffs filed by an electric corporation which are more restrictive of master metering than the provisions of this rule

*Auth section 386 250, RSMo (Cum Supp 1991) * Original rule filed March 13, 1980, effective Dec 15, 1980 Emergcy amendment filed May 13, 1981, effective May 31, 1981, expired Sept 28, 1981 Amended Filed May 13, 1981, effective Sept 28, 1981*

**Original authority 1939 amended 1963 1967 1977 1980, 1987, 1988, 1991*

4 CSR 240-20 060 Cogeneration

PURPOSE This rule implements Sections 201 and 210 of the Public Utility Regulatory Policies Act of 1978 with regard to small power production and cogeneration. The objective of Sections 201 and 210 of Public Utility Regulatory Policies Act is to provide a mechanism to set up a cogeneration program for Missouri for regulated utilities

Editor's Note The secretary of state has determined that the publication of this rule in its entirety would be unduly cumbersome or expensive. The entire text of the material referenced has been filed with the secretary of state. This material may be found at the Office of the Secretary of State or at the headquarters of the agency and is available to any interested person at a cost established by state law

(1) Definitions Terms defined in the Public Utility Regulatory Policies Act of 1978 (PURPA) shall have the same meaning for purposes of this rule as they have under PURPA unless further defined in this rule

(A) Avoided costs means the incremental costs to an electric utility of electric energy or capacity or both which, but for the purchase from the qualifying facility or qualifying facilities that utility would generate itself or purchase from another source

(B) Back up power means electric energy or capacity supplied by an electric utility to replace energy ordinarily generated by a facility's own generation equipment during an unscheduled outage of the facility

(C) Interconnection costs means the reasonable costs of connection, switching, metering, transmission, distribution, safety provisions and administrative costs incurred by the electric utility directly related to the installation and maintenance of the physical facilities necessary to permit interconnected operations with a qualifying facility, to the extent those costs are in excess of the corresponding costs which the electric utility would have incurred if it had not engaged in interconnected operations, but instead generated an equivalent amount of electric energy itself or purchased an equivalent amount of electric energy or capacity from other sources. Interconnection costs do not include any costs included in the calculation of avoided costs

(D) Interruptible power means electric energy or capacity supplied by an electric utility subject to interruption by the electric utility under specified conditions

(E) Maintenance power means electric energy or capacity supplied by an electric utility during scheduled outages of the qualifying facility

(F) Purchase means the purchase of electric energy or capacity or both from a qualifying facility by an electric utility

(G) Qualifying facility means a cogeneration facility or a small power production facility which is a qualifying facility under Subpart B of Part 292 of the Federal Energy Regulatory Commission's (FERC) regulations

(H) Rate means any price, rate, charge or classification made, demanded, observed or received with respect to the sale or purchase of electric energy or capacity or any rule or practice respecting any such rate, charge or classification and any contract pertaining to the sale or purchase of electric energy or capacity

(I) Sale means the sale of electric energy or capacity or both by an electric utility to a qualifying facility

(J) Supplementary power means electric energy or capacity supplied by an electric utility, regularly used by a qualifying facility in addition to that which the facility generates itself

(K) System emergency means a condition on a utility's system which is likely to result in imminent significant disruption of service to

consumers or is imminently likely to endanger life or property

(2) Arrangements Between Electric Utilities and Qualifying Cogeneration and Small Power Production Facilities Under Section 210 of the Public Utility Regulatory Policies Act of 1978

(A) Applicability This section applies to the regulation of sales and purchases between qualifying facilities and electric utilities

(B) Negotiated Rates or Terms Nothing in this section—

1 Limits the authority of any electric utility or any qualifying facility to agree to a rate for any purchase or terms or conditions relating to any purchase, which differ from the rate or terms or conditions which would otherwise be required by this rule, or

2 Affects the validity of any contract entered into between a qualifying facility and an electric utility for any purchase

(C) Every regulated utility which provides retail electric service in this state shall enter into a contract for parallel generation service with any customer which is a qualifying facility upon that customer's request, where that customer may connect a device to the utility's delivery and metering service to transmit electrical power produced by that customer's energy generating system into the utility's system

1 The utility shall supply, install, own and maintain all necessary meters and associated equipment used for billing. The costs of any such meters and associated equipment which are beyond those required for service to a customer which is not a qualifying facility shall be borne by the customer. The utility may install and maintain, at its expense, load research metering for monitoring the customer's energy generation and usage

2 The customer shall supply, install, operate and maintain in good repair and without cost to the utility, the relays, locks and seals, breakers, automatic synchronizer, a disconnecting device and other control and protective devices required by the utility to operate the customer's generating system parallel to the utility's system. The customer also shall supply, without cost to the utility, a suitable location for meters and associated equipment used for billing, load research and disconnection

3 The customer shall be required to reimburse the utility for the cost of any equipment or facilities required as a result of connecting the customer's generating system with the utility's system

4 The customer shall notify the utility prior to the initial testing of the customer's generating system and the utility shall have

the right to have a representative present during the testing

5 Meters and associated equipment used for billing, load research and connection and disconnection shall be accessible at all times to utility personnel

6 A manual disconnect switch for the qualifying facility must be provided by the customer which will be under the exclusive control of the utility dispatcher. This manual switch must have the capability to be locked out of service by the utility authorized switchmen as a part of the utility's workman's protection assurance procedures. The customer must also provide an isolating device which the customer has access to and which will serve as a means of isolation for the customer's equipment during any qualifying facility maintenance activities, routine outages or emergencies. The utility shall give notice to the customer before a manual switch is locked or an isolating device used, if possible, and otherwise shall give notice as soon as practicable after locking or use.

(D) No customer's generating system or connecting device shall damage the utility's system or equipment or present an undue hazard to utility personnel.

(E) If harmonics, voltage fluctuations or other disruptive problems on the utility's system are directly attributable to the operation of the customer, these problems will be corrected at the customer's expense

(F) Every contract shall provide fair compensation for the electrical power supplied to the utility by the customer. If the utility and the customer cannot agree to the terms and conditions of the contract, the Public Service Commission (PSC) shall establish the terms and conditions upon the request of the utility or the customer. Those terms and conditions will be established in accordance with Section 210 of the Public Utility Regulatory Policies Act of 1978 and the provisions of this rule

(3) Availability of Electric Utility System Cost Data

(A) All regulated electric utilities shall—

1 File tariffs providing standardized rates for facilities at or under one hundred (100) kilowatts on design capacity. The tariffs are to take account of the stochastic effect achieved by the aggregate output of dispersed small systems that is statistically a dispersed array of facilities may produce a level of reliability not enjoyed by any one (1) of the units taken separately. When that aggregate capacity value which allows the utility to avoid a capacity cost occurs and can be reasonably estimated, a corresponding credit must be included in the standard rates. The tariffs should take into account patterns of availability of particular energy sources such as the

benefits to a summer peaking utility from photovoltaic systems or to a winter peaking utility for wind facilities,

2 Submit a standard form contract for facilities over one hundred (100) kilowatts as the basis for tariffs for these facilities. Issues such as avoided costs, losses, reliability and ability to schedule are to be considered in the contract and

3 Submitted to the commission all tariffs and other data required to be prepared and filed by electric utilities under the provisions of subsection (3)(A) no later than September 15, 1981, and updated and revised on or before January 15, 1983 and not less than every two (2) years after that, unless otherwise ordered by the commission

(B) General Rule To make available data from which avoided costs may be derived, not later than September 15, 1981 and updated and revised on or before January 15, 1983, and not less than every two (2) years after that, unless otherwise ordered by the commission, each regulated electric utility shall provide to the PSC and shall maintain for public inspection the following data:

1 The estimated avoided cost on the electric utility's system, solely with respect to the energy component, for various levels of purchases from qualifying facilities. These levels of purchases shall be stated in blocks of not more than one hundred (100) megawatts for systems with peak demand of one thousand (1000) megawatts or more, and in blocks equivalent to not more than ten percent (10%) of the system peak demand for systems of less than one thousand (1000) megawatts. The avoided costs shall be stated on a cents per kilowatt hour basis, during daily and seasonal peak and off peak periods, by year, for the current calendar year and each of the next five (5) years.

2 The electric utility's plans for the addition of capacity by amount and type, for purchases of firm energy and capacity and for capacity retirements for each year during the succeeding ten (10) years, and

3 The estimated capacity costs at completion of the planned capacity additions and planned capacity firm purchases, on the basis of dollars per kilowatt and the associated energy costs of each unit, expressed in cents per kilowatt hour. These costs shall be expressed in terms of individual generating units and of individual planned firm purchases

(C) Special Rule for Small Electric Utilities

1 Each electric utility (other than any electric utility to which subparagraph (3)(C)1 B applies) upon request shall—

A Provide comparable data to that required under subsection (3)(B) to enable qualifying facilities to estimate the electric

utility's avoided costs for periods described in subsection (3)(B) or

B With regard to an electric utility which is legally obligated to obtain all its requirements for electric energy and capacity from another electric utility, provide the data of its supplying utility and the rates at which it currently purchases the energy and capacity

2 If any such electric utility fails to provide this information on request, the qualifying facility may apply to the Public Service Commission for an order requiring that the information be provided

(D) PSC Review

1 Any data submitted by an electric utility under this section shall be subject to review by the PSC

2 In any such review, the electric utility has the burden of coming forward with justification for its data

(4) Electric Utility Obligations Under This Rule

(A) Obligation to Purchase From Qualifying Facilities Each electric utility shall purchase, in accordance with section (5), any energy and capacity which is made available from a qualifying facility—

1 Directly to the electric utility, or

2 Indirectly to the electric utility in accordance with subsection (4)(D) of this rule

(B) Obligation to Sell to Qualifying Facilities Each electric utility shall sell to any qualifying facility, in accordance with section (6) of this rule, any energy and capacity requested by the qualifying facility

(C) Obligation to Interconnect.

1 Subject to paragraph (4)(C)2 of this rule, any electric utility shall make interconnections with any qualifying facility as may be necessary to accomplish purchases or sales under this rule. The obligation to pay for any interconnection costs shall be determined in accordance with section (7) of this rule

2 No electric utility is required to interconnect with any qualifying facility if, solely by reason of purchases or sales over the interconnection, the electric utility would become subject to regulation as a public utility under Part II of the Federal Power Act.

(D) Transmission to Other Electric Utilities If a qualifying facility agrees, an electric utility which would otherwise be obligated to purchase energy or capacity from a qualifying facility may transmit the energy or capacity to any other electric utility. Any electric utility to which energy or capacity is transmitted shall purchase energy or capacity under this subsection (4)(D) as if the qualifying facility were supplying energy or capacity directly to the electric utility. The rate for purchase by the electric utility to which such energy is transmitted shall be adjusted up or down to reflect

line losses pursuant to paragraph (5)(E)4 of this rule and shall not include any charges for transmission

(E) Parallel Operation Each electric utility shall offer to operate in parallel with a qualifying facility, provided that the qualifying facility complies with any applicable standards established in accordance with section (9) of this rule

(5) Rates for Purchases

(A) Rates for purchases shall be just and reasonable to the electric consumer of the electric utility and in the public interest and shall not discriminate against qualifying cogeneration and small power production facilities. Nothing in this rule requires any electric utility to pay more than the avoided costs for purchases

(B) Relationship to Avoided Costs

1 For purposes of this section, new capacity means any purchase from capacity of a qualifying facility, construction of which was commenced on or after November 9, 1978

2 Subject to paragraph (5)(B)3 of this rule, a rate for purchases satisfies the requirements of subsection (5)(A) of this rule if the rate equals the avoided costs determined after consideration of the factors set forth in subsection (5)(E) of this rule

3 A rate for purchases (other than from new capacity) may be less than the avoided cost if the PSC determines that a lower rate is consistent with subsection (5)(A) of this rule and is sufficient to encourage cogeneration and small power production

4 Rates for purchases from new capacity shall be in accordance with paragraph (5)(B)2 of this rule, regardless of whether the electric utility making the purchases is simultaneously making sales to the qualifying facility

5 In the case in which the rates for purchases are based upon estimates of avoided costs over the specific term of the contract or other legally enforceable obligation, the rates for the purchases do not violate this paragraph if the rates for the purchases differ from avoided costs at the time of delivery

(C) Standard Rates for Purchases

1 There shall be put into effect (with respect to each electric utility) standard rates for purchases from qualifying facilities with a design capacity of one hundred (100) kilowatts or less

2 There may be put into effect standard rates for purchases from qualifying facilities with a design capacity of more than one hundred (100) kilowatts

3 The standard rates for purchases under this subsection shall be consistent with subsections (5)(A) and (E) of this rule and may differentiate among qualifying facilities using

various technologies on the basis of the supply characteristics of the different technologies

(D) Purchases as Available or Pursuant to a Legally Enforceable Obligation Each qualifying facility shall have the option either—

1 To provide energy as the qualifying facility determines this energy to be available for the purchases, in which case the rates for the purchases shall be based on the purchasing utility's avoided costs calculated at the time of delivery; or

2 To provide energy or capacity pursuant to a legally enforceable obligation for the delivery of energy or capacity over a specified term, in which case the rates for the purchases, at the option of the qualifying facility exercised prior to the beginning of the specified term, shall be based on either the avoided costs calculated at the time of delivery or the avoided costs calculated at the time the obligation is incurred.

(E) Factors Affecting Rates for Purchases In determining avoided costs, the following factors, to the extent practicable, shall be taken into account.

1 The data provided pursuant to section (3) of this rule, including PSC review of any such data,

2 The availability of capacity or energy from a qualifying facility during the system daily and seasonal peak periods, including—

A. The ability of the utility to dispatch the qualifying facility;

B. The expected or demonstrated reliability of the qualifying facility,

C. The terms of any contract or other legally enforceable obligation, including the duration of the obligation, termination notice requirement and sanctions for noncompliance,

D. The extent to which scheduled outages of the qualifying facility can be usefully coordinated with scheduled outages of the utility's facilities,

E. The usefulness of energy and the capacity supplied from a qualifying facility during system emergencies, including its ability to separate its load from its generation,

F. The individual and aggregate value of energy and capacity from qualifying facilities on the electric utility's system, and

G. The smaller capacity increments and the shorter lead times available with additions of capacity from qualifying facilities,

3 The relationship of the availability of energy or capacity from the qualifying facility as derived in paragraph (5)(E)2 of this rule, to the ability of the electric utility to avoid costs, including the deferral of capacity additions and the reduction of oil use and

4 The costs or savings resulting from variations in line losses from those that would have existed in the absence of purchases from a qualifying facility, if the purchasing electric

utility generated an equivalent amount of energy itself or purchased an equivalent amount of electric energy or capacity

(F) Periods During Which Purchases not Required

1 Any electric utility which gives notice pursuant to paragraph (5)(F)2 of this rule will not be required to purchase electric energy or capacity during any period which due to operational circumstances purchases from qualifying facilities will result in costs greater than those which the utility would incur if it did not make the purchases, but instead generated an equivalent amount of energy itself

2 Any electric utility seeking to invoke paragraph (5)(F)1 of this rule must notify, in accordance with applicable state law or rule each affected qualifying facility in time for the qualifying facility to cease the delivery of energy or capacity to the electric utility

3 Any electric utility which fails to comply with the provisions of paragraph (5)(F)2 of this rule will be required to pay the same rate for the purchase of energy or capacity as would be required had the period described in paragraph (5)(F)1 of this rule not occurred

4 A claim by an electric utility that this period has occurred or will occur is subject to verification by the PSC as the PSC determines necessary or appropriate, either before or after the occurrence

(6) Rates for Sales

(A) Rates for sales shall be just and reasonable and in the public interest and shall not discriminate against any qualifying facility in comparison to rates for sales to other customers served by the electric utility. Rates for sales which are based on accurate data and consistent system wide costing principles shall not be considered to discriminate against any qualifying facility to the extent that those rates apply to the utility's other customers with similar load or other cost related characteristics

(B) Additional Services to be Provided to Qualifying Facilities

1 Upon request of a qualifying facility, each electric utility shall provide supplementary power, back up power maintenance power and interruptible power

2 The PSC may waive any requirement of paragraph (6)(B)1 of this rule if after notice in the area served by the electric utility and after opportunity for public comment, the electric utility demonstrates and the PSC finds that compliance with that requirement will impair the electric utility's ability to render adequate service to its customers or place an undue burden on the electric utility

(C) Rates for Sale of Back Up and Maintenance Power The rate for sales of back up power or maintenance power—

1 Shall not be based upon an assumption (unless supported by factual data) that forced outages or other reductions in electric output by all qualifying facilities on an electric utility's system will occur simultaneously or during the system peak or both and

2 Shall take into account the extent to which scheduled outages of the qualifying facilities can be usefully coordinated with scheduled outages of the utility's facilities

(7) Interconnection Costs

(A) If the utility and the qualifying facility cannot reach agreement as to the amount or the manner of payment of the interconnection costs to be paid by the qualifying facility, the PSC, after hearing, shall assess against the qualifying facility those interconnection costs to be paid to the utility, on a nondiscriminatory basis with respect to other customers with similar load characteristics or shall determine the manner of payments of the interconnection costs, which may include reimbursement over a reasonable period of time, or both. In determining the terms of any reimbursement over a period of time, the commission shall provide for adequate carrying charges associated with the utility's investment and security to insure total reimbursement of the utility's incurred costs, if it deems necessary

(8) System Emergencies

(A) Qualifying Facility Obligation to Provide Power During System Emergencies A qualifying facility shall be required to provide energy or capacity to an electric utility during a system emergency only to the extent provided by agreement between the qualifying facility and electric utility or ordered under Section 202(c) of the Federal Power Act

(B) Discontinuance of Purchases and Sales During System Emergencies During any system emergency, an electric utility may discontinue purchases from a qualifying facility if those purchases would contribute to the emergency and sales to a qualifying facility, provided that discontinuance is on a nondiscriminatory basis

(9) Standards for Operating Reliability The PSC may establish reasonable standards to ensure system safety and reliability of interconnected operations. Those standards may be recommended by any electric utility, any qualifying facility or any other person. If the PSC establishes standards, it shall specify the need for the standards on the basis of system safety and reliability

(10) Implementation of Certain Reporting Requirements Any electric utility which fails to comply with the requirements of subsection (3)(B) shall be subject to the same penalties to which it may be subjected for failure to comply with the requirements of the FERC's regulations issued under Section 133 of PURPA

(11) Exemption to Qualifying Facilities From the Public Utility Holding Company Act and Certain State Law and Rules

(A) Applicability This section applies to qualifying cogeneration facilities and qualifying small power production facilities which have a power production capacity which does not exceed thirty (30) megawatts and to any qualifying small power production facility with a power production capacity over thirty (30) megawatts if that facility produces electric energy solely by the use of biomass as a primary energy source

(B) A qualifying facility described in subsection (1)(A) shall not be considered to be an electric utility company as defined in Section 2(a)(3) of the Public Utility Holding Company Act of 1935, 15 USC 79b(a)(3)

(C) Any qualifying facility shall be exempted (except as otherwise provided) from Missouri PSC law or rule respecting the rates of electric utilities and the financial and organizational regulation of electric utilities. A qualifying facility may not be exempted from Missouri PSC law and rule implementing Subpart C of PURPA.

*Auth section 393.140 RSMo (1986) *
Original rule filed Oct 14, 1980 effective
May 15, 1981*

**Original authority 1939 amended 1949 1967*

4 CSR 240-20 070 Decommissioning Trust Funds

PURPOSE This rule is promulgated pursuant to section 393.292 RSMo to—1) govern the review and authorization of changes to the rates and charges contained in the tariff(s) of an electric corporation as a result of a change in the level or annual accrual of funding necessary for its nuclear power plant decommissioning trust fund 2) govern the procedure for the submission examination, hearing and approval for the tariff changes and 3) ensure that the amounts collected from ratepayers and paid into the trust funds will be neither greater nor lesser than the amounts necessary to carry out the purposes of the trust

Editor's Note The secretary of state has determined that the publication of this rule in its entirety would be unduly cumbersome or expensive. The entire text of the material referenced has been filed with the secretary of state. This material may be found at the Office of the Secretary of State or at the headquarters of the agency and is available to any interested person at a cost established by state law.

(1) As used in this rule, decommissioning means those activities undertaken in connection with a nuclear generating unit's retirement from service to ensure that the final removal, disposal, entombment or other disposition of the unit and of any radioactive components and materials associated with the unit are accomplished in compliance with all applicable laws, and to ensure that the final disposition does not pose any undue threat to the public health and safety. Decommissioning includes the removal and disposal of the structures, systems and components of a nuclear generating unit at the time of decommissioning.

(2) As used in this rule, decommissioning costs means all reasonable costs and expenses incurred in connection with decommissioning, including all expenses to be incurred in connection with the preparation for decommissioning, including, but not limited to, engineering and other planning expenses, and to be incurred after the actual decommissioning occurs, including, but not limited to, physical security and radiation monitoring expenses, less proceeds of insurance, salvage or resale of machinery, construction equipment or apparatus the cost of which was charged as a decommissioning expense.

(3) As used in this rule, utility(ies) means all electrical corporations subject to the jurisdiction of the Missouri Public Service Commission (commission) that own, in whole or in part or operate nuclear generating units in Missouri or elsewhere and that have costs of these units reflected in the rates charged to Missouri ratepayers.

(4) Each utility shall establish a tax-qualified externally managed trust fund for the purpose of collecting funds to pay for decommissioning costs. The tax-qualified trust shall be established and maintained in accordance with the provisions of the *Internal Revenue Code*. If the utility has collected funds in excess of the Internal Revenue Service's (IRS) tax-qualified amount, a nontax-qualified externally managed trust fund shall be established and maintained for all these funds. These trust funds shall be administered pursuant to the following requirements:

(A) Each utility shall submit a copy of the decommissioning trust agreement and any other agreement entered into between the utility, trustee and investment manager(s) for approval by the commission. The listing of trustee fees shall be contained in or attached to the trust agreement itself. Any change in the trust agreement, trustee or investment manager(s) also shall be submitted to the commission for approval.

(B) The commission shall have the authority to require each utility to change the trustee or investment manager(s) of a decommissioning trust for good cause shown. The commission shall be informed of any significant disputes between the utility, the trustee or investment manager(s).

(C) Each utility shall maintain separate tax-qualified trusts for each nuclear generating unit. All decommissioning trusts shall be maintained to show the amounts contributed annually by Missouri jurisdictional customers. Amounts to be contributed annually for Missouri jurisdictional customers shall be computed based on the jurisdictional allocator used in the company's last general rate proceeding unless otherwise ordered by the commission.

(D) The decommissioning trust shall be funded through no less than quarterly payments by the utility. The tax-qualified trust shall be funded with the lesser of the utility's decommissioning costs reflected in its cost of service or the maximum amount allowable by the IRS. All funds in excess of the IRS's ruling amount shall be placed in a nonqualified trust.

(E) The trustee or investment manager(s) shall invest the tax-qualified trust assets and nontax-qualified trust assets only in assets that are prudent investments for assets held in trust and in a manner designed to maximize the after-tax return on funds invested, consistent with the conservation of the principal, subject to the limitations specified as follows:

1. The trustee and investment manager(s) shall not invest any portion of the tax-qualified or nontax-qualified trust's funds in the securities or assets of the following:

A. Any owner or operator of a nuclear power plant.

B. Any index fund, mutual fund or pooled fund in which more than fifteen percent (15%) of the assets are issued by owners or operators of nuclear power plants.

C. Any affiliated company of the utility or

D. The trustee or investment manager's(s) company or affiliated companies (This limitation does not include time or demand deposits offered through the trustee or investment manager's(s) affiliated banking operations.)

2. The nontax-qualified trust shall be subject to the prohibitions against self-dealing applicable to the tax-qualified trust as specified in the *Internal Revenue Code*, and

3. A utility's total book value of investments in equity securities in all of its decommissioning trusts shall not exceed sixty-five percent (65%) of the trust funds' book value, and

(F) All income earned by a trust's funds shall become a part of that trust's funds.

(5) The utility or the trustee shall file reports quarterly to the commission. The reports shall contain the following information:

(A) A total of all jurisdictional balances of the trust fund(s) based on a carrying cost (book) value.

(B) A total of all jurisdictional balances of the trust fund(s) based on a market value.

(C) A Missouri jurisdictional balance of the trust fund(s) based on a carrying cost (book) value.

(D) A Missouri jurisdictional balance of the trust fund(s) based on a market value.

(E) A summary of the trust account including the utility's contributions, incomes, expenses and a weighted average after-tax return for the quarter;

(F) A portfolio summary per asset class by amount and percentage;

(G) A detailed report of daily transactions, and

(H) Any other information the commission orders the utility or trustee to provide.

(6) In addition, the utility or the trustee shall file reports annually to the commission that contain the following information:

(A) An asset maturity schedule;

(B) A summary of the trust's portfolio of investments including a listing of each security detailing the carrying cost, current market value, maturity date, estimated annual income and the yield to maturity;

(C) A copy of all correspondence including income tax returns and tax-exempt rulings concerning the trust with the IRS or any state revenue agency, and

(D) Any other information the commission orders the utility or trust to provide.

(7) The utility shall take every reasonable action to provide reasonable assurance that adequate funds are available at the nuclear generating unit's termination of operation, so that decommissioning can be carried out in a safe and timely manner and that lack of funds does not result in delays that may cause undue health and safety hazards.

(8) The utility shall maintain its nuclear generating unit(s) in a manner calculated to minimize the utility's total cost of

**Rules of
Department of Economic
Development
Division 240—Public Service Commission
Chapter 13—Service and Billing Practices for
Residential Customers of Electric, Gas and Water
Utilities**

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Title 4—DEPARTMENT OF ECONOMIC DEVELOPMENT

Division 240—Public Service Commission

Chapter 13—Service and Billing Practices for Residential Customers of Electric, Gas and Water Utilities

4 CSR 240 13 010 General Provisions

PURPOSE This rule describes in general terms the provisions of this chapter

(1) This chapter applies to residential utility service provided by all electric gas and water public utilities, referred to in this chapter as utilities which are subject to the jurisdiction of the Public Service Commission under the laws of the state

(2) A utility shall not discriminate against a customer or applicant for service for exercising any right granted by this chapter

(3) The informal procedures contained in these rules shall not constitute a formal complaint as defined in 4 CSR 240-2 070

(4) A utility shall adopt rules governing its relations with customers and applicants for service which are consistent with this chapter. The rules shall be part of a utility's tariffs. Any tariff revisions if required to comply with this chapter or to reflect any variances therefrom previously granted by the commission shall be filed by the utility within ninety (90) days of the effective date of this rule. Once such revised tariffs become effective, the utility's tariffs shall be deemed to be in full compliance with this chapter

Auth section 386 250(6) RSMo (Cum Supp 1991) and 393 140(11) RSMo (1986) * Original rule filed Dec 19 1975 effective Dec 30 1975 Amended Filed Oct 14 1977 effective Jan 13, 1978 Rescinded and readopted Filed Sept 22 1993 effective July 10 1994

*Original authority 386 250(6) RSMo (1939) amended 1963 1967 1977 1980 1987 1988 1991 and 393 140(11) RSMo 1939 amended 1949 1967

4 CSR 240-13 015 Definitions

PURPOSE This rule defines various terms that are used in this chapter

(1) The following definitions shall apply to this chapter

(A) Bill means a written demand for payment for service and the taxes and franchise fees related to it

(B) Billing period means a normal usage period of not less than twenty six (26) nor more than thirty five (35) days for a monthly billed customer nor more than one hundred (100) days for a quarterly billed customer, except for initial, corrected or final bills,

(C) Complaint means an informal or formal complaint under 4 CSR 240-2 070,

(D) Customer means a person or legal entity responsible for payment for service except one denoted as a guarantor;

(E) Cycle billing means a system which results in the rendition of bills to various customers on different days of a month,

(F) Delinquent charge means a charge remaining unpaid by a monthly billed customer at least twenty-one (21) days and for at least sixteen (16) days by a quarterly billed customer from the rendition of the bill by the utility or a charge remaining unpaid after the preferred payment date selected by the customer;

(G) Delinquent date means the date stated on a bill, which shall be at least twenty-one (21) days for a monthly billed customer, and at least sixteen (16) days for a quarterly billed customer from the rendition of the bill or which shall be the preferred payment plan date selected by the customer, after which the utility may assess an approved late payment charge in accordance with a utility tariff on file with the commission,

(H) Deposit means a money advance to a utility for the purpose of securing payment of delinquent charges which might accrue to the customer who made the advance,

(I) Discontinuance of service or discontinuance means a cessation of service not requested by a customer

(J) Due date means the date stated on a bill when the charge is considered due and payable,

(K) Estimated bill means a charge for utility service which is not based on an actual reading of the meter or other registering device by an authorized utility representative,

(L) Extension agreement means a verbal agreement between the utility and the customer extending payment for fifteen (15) days or less,

(M) Guarantee means a written promise from a third party to assume liability up to a specified amount for delinquent charges which might accrue to a particular customer,

(N) In dispute means any matter regarding a charge or service which is the subject of an unresolved inquiry,

(O) Late payment charge means an assessment on a delinquent charge in accordance with a utility tariff on file with the commission and in addition to the delinquent charge,

(P) Preferred payment date plan means a commission approved plan offered at the utility's option in which the delinquent date for the charges stated on a bill shall occur on the same day during each billing period as selected by the customer,

(Q) Purchased gas adjustment clause means the adjustment procedure approved by the commission to recognize variations in the cost of purchased gas,

(R) Rendition of a bill means the mailing or hand delivery of a bill by a utility to a customer

(S) Residential service or service means the provision of or use of a utility service for domestic purposes,

(T) Seasonally billed customer means a residential customer billed on a seasonal basis in accordance with a utility tariff on file with the commission,

(U) Settlement agreement means an agreement between a customer and a utility which resolves any matter in dispute between the parties or provides for the payment of undisputed charges over a period longer than the customer's normal billing period

(V) Tariff means a schedule of rates, services and rules approved by the commission,

(W) Termination of service or termination means a cessation of service requested by a customer,

(X) Utility means an electric gas or water corporation as those terms are defined in section 386 020, RSMo, and

(Y) Utility charges means the rates for utility service and other charges authorized by the commission as an integral part of utility service

Auth sections 386 250(6) RSMo (Cum Supp 1991) and 393 140(11) RSMo (1986) * Original rule filed Sept 22 1993 effective July 10 1994

*Original authority 386 250(6) RSMo (1939) amended 1963 1967 1977 1980 1987 1988 1991 and 393 140(11) RSMo (1939) amended 1949 1967

4 CSR 240 13 020 Billing and Payment Standards

PURPOSE This rule establishes reasonable and uniform billing and payment standards to be observed by utilities and customers

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(1) A utility shall normally render a bill for each billing period to every residential customer in accordance with its tariff

(2) Each billing statement rendered by a utility shall be computed on the actual usage during the billing period except as follows

(A) A utility may render a bill based on estimated usage—

1 To seasonally billed customers provided an appropriate tariff is on file with the commission and an actual reading is obtained before each change in the seasonal cycle,

2 When extreme weather conditions, emergencies, labor agreements or work stoppages prevent actual meter readings and

3 When the utility is unable to obtain access to the customer's premises for the purpose of reading the meter or when the customer makes reading the meter unnecessarily difficult. If the utility is unable to obtain an actual meter reading for these reasons where practicable it shall undertake reasonable alternatives to obtain a customer reading of the meter such as mailing or leaving postpaid preaddressed postcards upon which the customer may note the reading unless the customer requests otherwise

(B) A utility shall not render a bill based on estimated usage for more than three (3) consecutive billing periods or one (1) year, whichever is less except under conditions described in subsection (2)(A) of this rule

(C) Under no circumstances shall a utility render a bill based on estimated usage—

1 Unless the estimating procedures employed by the utility and any substantive changes to those procedures have been approved by the commission

2 As a customer's initial or final bill for service unless conditions beyond the control of the utility prevent an actual meter reading

(D) When a utility renders an estimated bill in accordance with these rules it shall—

1 Maintain accurate records of the reasons for the estimate and the effort made to secure an actual reading

2 Clearly and conspicuously note on the bill that it is based on estimated usage and

3 Use customer supplied readings whenever possible to determine usage and

(E) When a utility underestimates a customer's usage the customer shall be given the opportunity if requested to make payment in installments

(3) If a utility is unable to obtain an actual meter reading for three (3) consecutive billing periods the utility shall advise the customer by first class mail or personal delivery that the bills being rendered are estimated that estimation may not reflect the actual usage and that the customer may read and report

electric gas or water usage to the utility on a regular basis. The procedure by which this reading and reporting may be initiated shall be explained. A utility shall attempt to secure an actual meter reading from customers reporting their own usage at least annually, except for quarterly billing utilities in which case it shall be every two (2) years. These attempts shall include personal contact with the customer to advise the customer of the regular meter reading day. The utility shall offer appointments for meter readings on Saturday or prior to 9:00 p.m. on weekdays. The utility's obligation to make appointments shall begin only after a tariff for the appointments, has been filed with and approved by the commission. Discontinuance of the service of a customer who is reading and reporting usage on a regular basis because of inability to secure an actual meter reading shall not be required

(4) If a customer fails to report usage to the utility, the company shall obtain a meter reading at least annually. The utility shall notify the customer that if usage is not reported regularly by the customer and if the customer fails after written request to grant access to the meter then service may be discontinued pursuant to 4 CSR 240-13 050

(5) Notwithstanding section (2) of this rule, a utility may bill its customers in accordance with equal payment billing programs at the election of the utility customer, provided the equal payment billing program has been previously approved by the commission

(6) A utility may bill its customers on a cyclical basis if the individual customer receives each billing on or about the same day of each billing period. If a utility changes a meter reading route or schedule which results in a change of nine (9) days or more of a billing cycle, notice shall be given to the affected customer at least fifteen (15) days prior to the date the customer receives a bill based on the new cycle

(7) A monthly billed customer shall have at least twenty-one (21) days and a quarterly billed customer shall have at least sixteen (16) days from the rendition of the bill to pay the utility charges unless a customer has selected a preferred payment date in accordance with a utility's preferred payment date plan. If the due date or delinquent date falls upon a Sunday, legal holiday or any other day when the offices of the utility regularly used for the payment of customer bills are not open to the general public, the due date or delinquent date shall be extended through the next business day. The date of payment for remittance by mail is the date on which the utility receives the remittance. A utility shall not base an assessment of a deposit or delinquent charge

or a discontinuance of service on a payment that was made to a payment agent on or before the due date or delinquent date

(8) A utility shall not assess an additional charge upon a customer by reason of the customer's failure to pay any balance due and owing prior to the delinquent date unless this additional charge has been approved by the commission as a part of the utility's rate tariffs

(9) Every bill for residential utility service shall clearly state—

(A) The beginning and ending meter readings of the billing period and the dates of these readings

(B) The date when the bill will be considered due and the date when it will be delinquent, if different

(C) Any previous balance which states the balance due for utility charges separate from charges for services not subject to commission jurisdiction

(D) The amount due for the most recent billing period for electric gas or water usage stated separately from the amount due for the same period for a deposit and the amount due for the same period for service not subject to commission jurisdiction

(E) The amount due for other authorized charges,

(F) The total amount due,

(G) The telephone number the customer may call from the customer's service location without incurring toll charges and the address of the utility where the customer may initiate an inquiry or complaint regarding the bill as rendered or the service provided. Charges for measured local service are not toll charges for purposes of this rule,

(H) License occupation gross receipts franchise and sales taxes, and

(I) Purchased gas adjustment cost in total or cents per unit basis

(10) A utility shall render a separate billing for service provided at each address unless otherwise requested by the customer and agreed to by the utility

(11) A utility may include charges for special services together with utility charges on the same bill if the charges for special services are designated clearly and separately from utility charges. If partial payment is made, the utility shall first credit all payments to the balance outstanding for gas, electric or water charges, before crediting a deposit

(12) During the billing period prior to any tariffed seasonal rate change a utility shall notify each affected customer, on the bill or on a notice accompanying the bill of the direction

of the upcoming seasonal rate change and the months during which the forthcoming seasonal rate will be in effect

Auth sections 386 250(6) RSMo (Cum Supp 1991) 393 140(11) RSMo (1986) * Original rule filed Dec 19 1975 effective Dec 30, 1975 Amended Filed Oct 14 1977 effective Jan 13, 1978 Rescinded and readopted Filed Sept 22 1993 effective July 10 1994

*Original authority 386 250(6) RSMo (1939) amended 1963 1967 1980 1987 1988 1991 and 393 140(11) RSMo (1939) amended 1949 1967

4 CSR 240-13 025 Billing Adjustments

PURPOSE This rule establishes billing adjustments in the event of an over charge or an undercharge

(1) For all billing errors the utility will determine from all related and available information the probable period during which this condition existed and shall make billing adjustments for the estimated period involved as follows

(A) In the event of an overcharge an adjustment shall be made for the entire period that the overcharge can be shown to have existed not to exceed sixty (60) consecutive monthly billing periods or twenty (20) consecutive quarterly billing periods, calculated from the date of discovery inquiry or actual notification of the utility, whichever comes first,

(B) In the event of an undercharge an adjustment shall be made for the entire period that the undercharge can be shown to have existed not to exceed twelve (12) monthly billing periods or four (4) quarterly billing periods calculated from the date of discovery inquiry or actual notification of the utility whichever was first,

(C) No billing adjustment will be made where the full amount of the adjustment is less than one dollar (\$1)

(D) Where upon test an error in measurement is found to be within the limits prescribed by commission rules no billing adjustment will be made and

(E) When evidence of tampering is found, or there are misrepresentations of the use of service by the customer the utility will calculate the billing adjustment period in accordance with the applicable statute of limitations for the prosecution of such claim after determining the probable period during which such condition existed from all related and available information

Auth section 393 140(11) RSMo (1986) * Original rule filed Sept 22 1993 effective July 10 1994

*Original authority 1939 amended 1940 1967

4 CSR 240-13 030 Deposits and Guarantees of Payment

PURPOSE This rule establishes reasonable and uniform standards regarding deposits and guarantees required by utilities

(1) A utility may require a deposit or other guarantee as a condition of new residential service if—

(A) The customer has outstanding with a utility providing the same type of service an unpaid bill which accrued within the last five (5) years and at the time of the request for service remains unpaid and not in dispute,

(B) The customer has in an unauthorized manner interfered with or diverted the service of a utility providing the same service situated on or about or delivered to the customer's premises within the last five (5) years, or

(C) The customer is unable to establish an acceptable credit rating under standards contained in tariffs filed with and approved by the commission The customer shall be deemed prima facie to have established an acceptable credit rating if the customer meets any of the following criteria

- 1 Owns or is purchasing a home,
2 Is and has been regularly employed on a full time basis for at least one (1) year;
3 Has an adequate regular source of income or
4 Can provide adequate credit references from a commercial credit source

(2) A utility may require a deposit or guarantee as a condition of continued residential service if—

(A) The service of the customer has been discontinued by the utility for nonpayment of a delinquent account not in dispute

(B) In an unauthorized manner the customer interfered with or diverted the service of the utility situated on or about or delivered to the customer's premises, or

(C) The customer has failed to pay an undisputed bill on or before the delinquent date for five (5) billing periods out of twelve (12) consecutive monthly billing periods or two (2) quarters out of four (4) consecutive quarters Prior to requiring a customer to post a deposit under this subsection the utility shall send the customer a written notice explaining the utility's right to require a deposit or include

such explanation with each written discontinuance notice

(3) Deposits for gas and electric service assessed under the provisions of subsection (2)(A) or (C) of this rule during the months of November, December and January may be paid, if the customer is unable to pay the entire deposit by installments over a six (6) month period

(4) A deposit shall be subject to the following terms

(A) It shall not exceed two (2) times the highest bill for utility charges actually incurred or estimated to be incurred by the customer during the most proximate twelve (12) month period at the service location or in the case of a new customer, who is assessed a deposit under subsection (1)(C) of this rule one-sixth (1/6) of the estimated annual bill for monthly billed customers and one-third (1/3) of the estimated annual bill for quarterly billed customers for utility charges at the requested service location

(B) It shall bear interest at a rate specified in utility tariffs, approved by the commission which shall be credited annually upon the account of the customer or paid upon the return of the deposit, whichever occurs first Interest shall not accrue on any deposit after the date on which a reasonable effort has been made to return it to the customer Records shall be kept of efforts to return a deposit This rule shall not preclude a utility from crediting interest upon each service account during one (1) billing cycle annually,

(C) Upon discontinuance or termination other than for a change of service address it shall be credited, with accrued interest to the utility charges stated on the final bill and the balance, if any, shall be returned to the customer within twenty-one (21) days of the rendition of the final bill,

(D) Upon satisfactory payment of all undisputed utility charges during the last twelve (12) billing months it shall be promptly refunded or credited with accrued interest against charges stated on subsequent bills Payment of a charge is satisfactory if received prior to the date upon which the charge becomes delinquent provided it is not in dispute Payment of a disputed bill shall be satisfactory if made within ten (10) days of resolution or with drawal of the dispute A utility may withhold refund of a deposit pending the resolution of a dispute with respect to charges secured by the deposit

(E) A utility shall maintain records which show the name of each customer who has posted a deposit the current address of the customer the date and amount of deposit the



date and amount of interest paid and information to determine the earliest possible refund date

(F) Each customer posting a security deposit shall receive in writing at the time of tender of deposit or with the first bill a receipt as evidence of deposit unless the utility shows the existence or nonexistence of a deposit on the customer's bill in which event the receipt shall not be required unless requested by the customer. The receipt shall contain the following minimum information

- 1 Name of customer,
- 2 Date of payment,
- 3 Amount of payment
- 4 Identifiable name, signature and title of the utility employee receiving payment and
- 5 Statement of the terms and conditions governing the payment retention and return of deposits

(G) A utility shall provide means where a person entitled to a return of a deposit is not deprived of the deposit refund even though s/he may be unable to produce the original receipt for the deposit provided s/he can produce adequate identification to ensure that s/he is the customer entitled to refund of the deposit.

(H) No deposit or guarantee or additional deposit or guarantee shall be required by a utility because of race, sex, creed, national origin, marital status, age, number of dependents, source of income, disability or geographical area of residence and

(I) A utility shall provide means where a customer required to make a deposit may pay the deposit in installments unless the utility can show a likelihood that the customer does not intend to pay for the service

(5) In lieu of a deposit a utility may accept a written guarantee. The limit of the guarantee shall not exceed the amount of a cash deposit

6) A guarantor shall be released upon satisfactory payment of all undisputed utility charges during the last twelve (12) billing months. Payment of a charge is satisfactory if received prior to the date upon which the charge becomes delinquent provided it is not in dispute. Payment of a disputed bill shall be satisfactory if made within ten (10) days of resolution or withdrawal of the dispute

*Auth sections 386 250(6) RSMo (Cum Supp 1991) and 393 140(11) RSMo (1986) * Original rule filed Dec 19, 1975 effective Dec 30, 1975 Amended Filed Oct 14 1977 effective Jan 13 1978 Amended Filed June 10 1992 effective Feb 26 1993 Rescinded and readopted Filed Sept 22 1993 effective July 10 1994*

**Original authority 386 250(6) RSMo (1939) amended 1963 1967 1977 1980 1987 1988 1991 and 393 140(11) RSMo (1939) amended 1949 1967*

4 CSR 240-13 040 Inquiries

PURPOSE This rule establishes procedures to be followed when customers make inquiries of utilities so the inquiries are handled in a reasonable manner

(1) A utility shall adopt procedures which will ensure the prompt and thorough receipt, investigation and where possible, resolution of inquiries. The utility shall submit the procedures to the commission and the utility shall notify the commission and the public counsel of any substantive changes in these procedures prior to implementation

(2) A utility shall establish personnel procedures which at a minimum insure that—

(A) Qualified personnel shall be available and prepared at all times during normal business hours to receive and respond to all customer inquiries, service requests and complaints. A utility shall make necessary arrangements to insure that customers unable to communicate in the English language receive assistance.

(B) Qualified personnel responsible for and authorized to enter into written agreements on behalf of the utility shall be available at all times during normal business hours to respond to customer inquiries and complaints.

(C) Qualified personnel shall be available at all times to receive and initiate response to customer contacts regarding any discontinuance of service or emergency condition occurring within the utility's service area and

(D) Names, addresses and telephone numbers of personnel designated and authorized to receive and respond to the requests and directives of the commission regarding customer inquiries, service requests and complaints shall be provided to the commission

(3) A utility shall prepare, in written form, information which in layman's terms summarizes the rights and responsibilities of the utility and its customers in accordance with this chapter. The form shall be submitted to the consumer services department of the Missouri Public Service Commission and to the Office of the Public Counsel. This written information shall be displayed prominently, and shall be available at all utility office locations open to the general public, and shall be mailed or otherwise delivered to each residential customer of the utility if requested by the customer. The information shall be delivered

or mailed to each new customer of the utility upon the commencement of service and shall be available at all times upon request. The written information shall indicate conspicuously that it is being provided in accordance with the rules of the commission and shall contain information concerning but not limited to

(A) Billing and estimated billing procedures,

(B) Methods for customer verification of billing accuracy,

(C) Customer payment requirements and procedures,

(D) Deposit and guarantee requirements

(E) Conditions of termination, discontinuance and reconnection of service

(F) Procedures for handling inquiries

(G) Explanation of meter reading procedures which would enable a customer to read his/her own meter,

(H) A procedure where a customer may avoid discontinuance of service during a period of absence

(I) Complaint procedures under 4 CSR 240 2 070,

(J) The telephone number and address of a customer services office of the Missouri Public Service Commission, the commission's 800 telephone number, and the statement that the company is regulated by the Missouri Public Service Commission,

(K) The address and telephone number of the Office of Public Counsel and a statement of the function of that office, and

(L) If the utility is a gas distribution company, an explanation of the function of the purchased gas adjustment clause

(4) At all of its public business offices a utility shall make available for public inspection a copy of this chapter and the utility's tariffs. At these offices conspicuous signs shall be posted which indicate that this information is available for public inspection

(5) A utility shall maintain records on its customers for at least two (2) years which contain information concerning

(A) The payment performance of each of its customers for each billing period

(B) The number and general description of complaints registered with the utility

(C) The number of settlement agreements made by the utility,

(D) The actual number of discontinuances of service due to each of the following categories of reasons

1 The customer's failure to keep a settlement agreement or cold weather rule payment agreement,

2 The customer's failure to make any other required utility payment

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3 Unauthorized interference diversion or use of utility service, and

4 All other reasons combined

(E) Actual number of reconnections and

(F) Refund of deposits

(6) The utility shall submit to the commission upon request a written summary of the information required by section (5) of this rule

*Auth sections 386 250(6) RSMo (Cum Supp 1991) and 393 140(11), RSMo (1986) * Original rule filed Dec 19, 1975, effective Dec 30, 1975 Amended Filed Oct 14 1977 effective Jan 13 1978 Rescinded and readopted Filed Sept 22, 1993 effective July 10 1994*

**Original authority 386 250(6) RSMo (1939) amended 1963 1967 1977 1980 1987 1988 1991 and 394 140(11) RSMo (1939) amended 1949 1967*

4 CSR 240-13 045 Disputes

PURPOSE This rule establishes reasonable and uniform standards for handling disputes between customers and utilities

(1) A customer shall advise a utility that all or part of a charge is in dispute by written notice in person or by a telephone message directed to the utility during normal business hours A dispute must be registered with the utility at least twenty four (24) hours prior to the date of proposed discontinuance for a customer to avoid discontinuance of service as provided by these rules

(2) When a customer advises a utility that all or part of a charge is in dispute, the utility shall record the date time and place the contact is made investigate the contact promptly and thoroughly and attempt to resolve the dispute in a manner satisfactory to both parties

(3) Failure of a customer to participate with the utility in efforts to resolve an inquiry which has the effect of placing charges in dispute shall constitute a waiver of the customer's right to continuance of service and the utility, not less than five (5) days after provision of the notification required by section (9) may proceed to discontinue service unless the customer files an informal complaint with the commission within the five (5)-day period

(4) Customers presenting frivolous disputes shall have no right to continued service A utility before proceeding to discontinue the service of a customer presenting a dispute it

deems frivolous shall advise the consumer services department of the commission of the circumstances The consumer services department shall attempt to contact the customer by telephone and ascertain the basis of the dispute If telephone contact cannot be made, the consumer services department shall send the customer a notice by first class mail stating that service may be discontinued by the utility unless the customer contacts the consumer services department within twenty four (24) hours If it appears to the consumer services department that the dispute is frivolous or if contact with the customer cannot be made within seventy two (72) hours following the utility's report, the utility shall be advised that it may proceed to discontinue service If it appears that the dispute is not frivolous, service shall not be discontinued until ten (10) days after the notice required by 4 CSR 240 13 050(5) has been sent to the customer by the utility The customer shall retain the right to make an informal complaint to the commission

(5) If a customer disputes a charge, s/he shall pay to the utility an amount equal to that part of the charge not in dispute The amount not in dispute shall be mutually determined by the parties The parties shall consider the customer's prior consumption history, weather variations, the nature of the dispute and any other pertinent factors in determining the amount not in dispute

(6) If the parties are unable to mutually determine the amount not in dispute the customer shall pay to the utility, at the utility's option an amount not to exceed fifty percent (50%) of the charge in dispute or an amount based on usage during a like period under similar conditions which shall represent the amount not in dispute

(7) Failure of the customer to pay to the utility the amount not in dispute within four (4) working days from the date that the dispute is registered or by the delinquent date of the disputed bill, whichever is later, shall constitute a waiver of the customer's right to continuance of service and the utility may then proceed to discontinue service as provided in this rule

(8) If the dispute is ultimately resolved in favor of the customer in whole or in part, any excess moneys paid by the customer shall be refunded promptly

(9) If the utility does not resolve the dispute to the satisfaction of the customer, the utility representative shall notify the customer that each party has a right to make an informal

complaint to the commission and of the address and telephone number where the customer may file an informal complaint with the commission If a customer files an informal complaint with the commission prior to advising the company that all or a portion of a bill is in dispute, the commission shall notify the customer of the payment required by sections (5) or (6) of this rule

(10) A utility may treat a customer complaint or dispute involving the same question or issue based upon the same facts as already determined and is not required to comply with these rules more than once prior to discontinuance of service

*Auth sections 386 250(6), RSMo (Cum Supp 1991) and 393 140(11) RSMo (1986) * Original rule filed Sept 22, 1993 effective July 10 1994*

**Original authority 386.250(6) RSMo (1939) amended 1963 1967 1977 1980 1987 1988 1991 and 393 140(11) RSMo (1939) amended 1949 1967*

4 CSR 240-13 050 Discontinuance of Service

PURPOSE This rule prescribes the conditions under which service to a customer may be discontinued and procedures to be followed by utilities and customers regarding these matters so that reasonable and uniform standards exist for the discontinuance of service

(1) Service may be discontinued for any of the following reasons

(A) Nonpayment of an undisputed delinquent charge,

(B) Failure to post a required deposit or guarantee

(C) Unauthorized interference, diversion or use of the utility service situated or delivered on or about the customer's premises,

(D) Failure to comply with terms of a settlement agreement,

(E) Refusal after reasonable notice to permit inspection, maintenance, replacement or meter reading of utility equipment If the utility has a reasonable belief that health or safety is at risk, notice at the time inspection is attempted is reasonable

(F) Misrepresentation of identity in obtaining utility service,

(G) Violation of any other rules of the utility approved by the commission which adversely affects the safety of the customer or other persons or the integrity of the utility's system, or



(H) As provided by state or federal law

(2) None of the following shall constitute sufficient cause for a utility to discontinue service

(A) The failure of a customer to pay for merchandise appliances or services not subject to commission jurisdiction as an integral part of the utility service provided by a utility,

(B) The failure of the customer to pay for service received at a separate metering point, residence or location. In the event of discontinuance or termination of service at a separate residential metering point, residence or location in accordance with these rules a utility may transfer and bill any unpaid balance to any other residential service account of the customer and may discontinue service after twenty one (21) days after rendition of the combined bill for nonpayment, in accordance with this rule,

(C) The failure of the customer to pay for a different class of service received at the same or different location. The placing of more than one (1) meter at the same location for the purpose of billing the usage of specific devices under optional rate schedules or provisions is not construed as a different class of service for the purpose of this rule

(D) The failure to pay the bill of another customer, unless the customer whose service is sought to be discontinued received substantial benefit and use of the service,

(E) The failure of a previous owner or occupant of the premises to pay an unpaid or delinquent bill except where the previous occupant remains an occupant or user, or

(F) The failure to pay a bill correcting a previous underbilling whenever the customer claims an inability to pay the corrected amount unless a utility has offered the customer a payment arrangement equal to the period of underbilling

(3) On the date specified on the notice of discontinuance or within eleven (11) business days after that, and subject to the requirements of these rules a utility may discontinue service to a residential customer between the hours of 8 00 a m and 4 00 p m. Service shall not be discontinued on a day when utility personnel are not available to reconnect the customer's service, or on a day immediately preceding such a day. After the eleven (11) business day effective period of the notice, all notice procedures required by this rule shall again be followed before the utility may discontinue service

(A) The name and address of the customer and the address if different where service is rendered,

(B) A statement of the reason for the proposed discontinuance of service and the cost for reconnection,

(C) The date on or after which service will be discontinued unless appropriate action is taken,

(D) How a customer may avoid the discontinuance,

(E) The possibility of a settlement agreement if the claim is for a charge not in dispute and the customer is unable to pay the charge in full at one (1) time, and

(F) A telephone number the customer may call from the service location without incurring toll charges and the address of the utility prominently displayed where the customer may make an inquiry. Charges for measured local service are not toll charges for purposes of this rule

(5) A utility shall not discontinue residential service pursuant to section (1) unless written notice by first class mail is sent to the customer at least ten (10) days prior to the date of the proposed discontinuance. Service of notice by mail is complete upon mailing. As an alternative, a utility may deliver a written notice in hand to the customer at least ninety six (96) hours prior to discontinuance. A utility shall maintain an accurate record of the date of mailing or delivery. A notice of discontinuance of service shall not be issued as to that portion of a bill which is determined to be an amount in dispute pursuant to sections 4 CSR 240-13 045(5) or (6) that is currently the subject of a dispute pending with the utility or complaint before the commission, nor shall such a notice be issued as to any bill or portion of a bill which is the subject of a settlement agreement except after breach of a settlement agreement, unless the utility inadvertently issues the notice, in which case the utility shall take necessary steps to withdraw or cancel this notice

(6) Notice shall be provided as follows

(A) At least ten (10) days prior to discontinuance of service for nonpayment of a bill or deposit at a multidwelling unit residential building at which usage is measured by a single meter, notices of the company's intent to discontinue shall be conspicuously posted in public areas of the building, provided, however, that these notices shall not be required if the utility is not aware that the structure is a single-metered multidwelling unit residential building. The notices shall include the date on or after which discontinuance may occur and advise of tenant rights pursuant to section 441 650, RSMo. The utility shall not be required to provide notice in individual

situations where safety of employees is a consideration

(B) At least ten (10) days prior to discontinuance of service for nonpayment of a bill or deposit at a multidwelling unit residential building where each unit is individually metered and for which a single customer is responsible for payment for service to all units in the building or at a residence in which the occupant using utility service is not the utility's customer the utility shall give the occupant(s) written notice of the utility's intent to discontinue service, provided, however, that this notice shall not be required unless one (1) occupant has advised the utility or the utility is otherwise aware that s/he is not the customer, and

(C) In the case of a multidwelling unit residential building where each unit is individually metered or in the case of a single family residence, the notice provided to the occupant of the unit about to be discontinued shall outline the procedure by which the occupant may apply in his/her name for service of the same character presently received through that meter

(7) At least twenty four (24) hours preceding a discontinuance, a utility shall make reasonable efforts to contact the customer to advise him/her of the proposed discontinuance and what steps must be taken to avoid it. Reasonable efforts shall include either a written notice following the notice pursuant to section (4), a doorhanger or at least two (2) telephone call attempts reasonably calculated to reach the customer

(8) Immediately preceding the discontinuance of service, the employee of the utility designated to perform this function except where the safety of the employee is endangered, shall make a reasonable effort to contact and identify him/herself to the customer or a responsible person then upon the premises and shall announce the purpose of his/her presence. When service is discontinued, the employee shall leave a notice upon the premises in a manner conspicuous to the customer that service has been discontinued and the address and telephone number of the utility where the customer may arrange to have service restored

(9) Notwithstanding any other provision of this rule a utility shall postpone a discontinuance for a time not in excess of twenty one (21) days if the discontinuance will aggravate an existing medical emergency of the customer a member of his/her family or other permanent resident of the premises where service is rendered. Any person who alleges a medical emergency, if requested shall provide the

4) The notice of discontinuance shall contain the following information

utility with reasonable evidence of the necessity

(10) Notwithstanding any other provision of this rule a utility may discontinue residential service temporarily for reasons of maintenance health safety or a state of emergency

(11) Upon the customer's request a utility shall restore service consistent with all other provisions of this chapter when the cause for discontinuance has been eliminated, applicable restoration charges have been paid and, if required satisfactory credit arrangements have been made At all times a reasonable effort shall be made to restore service upon the day restoration is requested and in any event restoration shall be made not later than the next working day following the day requested by the customer The utility may charge the customer a reasonable fee for restoration of service if provided in the utility's approved tariffs

Auth sections 386 250(6) RSMo (Cum Supp 1991) and 393 140(11) RSMo (1986) * Original rule filed Dec 19 1975 effective Dec 30 1975 Amended Filed Oct 14 1977 effective Jan 13 1978 Emergency Amendment filed Jan 30 1984 effective Feb 9 1984 expired April 1 1984 Rescinded and readopted Filed Sept 22 1993 effective July 10 1994

*Original authority 386 250(6) RSMo (1939) amended 1963 1967 1977 1980 1987 1988 1991 and 393 140(11) (1939) amended 1949 1967

4 CSR 240-13 055 Cold Weather Maintenance of Service Provision of Residential Heat-Related Utility Service During Cold Weather

PURPOSE This rule protects the health and safety of residential customers receiving heat related utility service by placing restrictions on discontinuing and refusing to provide heat related utility service from November 1 through March 31 due to delinquent accounts of those customers

(1) The following definitions shall apply in this rule

(A) Energy Crisis Intervention Program (ECIP) means the federal ECIP administered by the Missouri Division of Family Services under section 660 100 RSMo

(B) Heat related utility service means any gas or electric service that is necessary to the proper function and operation of a customer's heating equipment,

(C) Low Income Home Energy Assistance Program (LIHEAP) means the federal LIHEAP administered by the Missouri Division of Family Services under section 660 110, RSMo,

(D) Registered elderly or handicapped customer means one who is sixty (60) years old and above, or is handicapped to the extent that s/he is unable to leave the premises without assistance and who files with the utility a form approved by the commission attesting to the fact that s/he meets these qualifications and which also lists an agency or person the utility shall contact as required in this rule, and

(E) Utilicare means the state program of energy assistance established by section 660 122, RSMo

(2) This rule takes precedence over other rules on provision of heat related utility service from November 1 through March 31 annually

(3) Notice Requirements From November 1 through March 31, prior to discontinuance of service due to nonpayment, the utility shall—

(A) Notify the customer, at least ten (10) days prior to the date of the proposed discontinuance, by first-class mail, and in the case of a registered elderly or handicapped customer the additional party listed on the customer's registration form of the utility's intent to discontinue service The contact with the registered individual shall include initially two (2) or more telephone call attempts with the mailing of the notice,

(B) Make further attempts to contact the customer within ninety six (96) hours preceding discontinuance of service either by a second written notice as in subsection (3)(A) sent by first class mail, or a door hanger, or at least two (2) telephone call attempts to the customer,

(C) Attempt to contact the customer at the time of the discontinuance of service in the manner specified by 4 CSR 240-13 050(8)

(D) Make a personal contact on the premises with a registered elderly or handicapped customer or some member of the family above the age of fifteen (15) years at the time of the discontinuance of service and

(E) Ensure that all of the notices and contacts required in this section shall describe the terms for provisions of service under this rule including the method of calculating the required payments the availability of financial assistance from the Division of Family Services and social service or charitable organizations that have notified the utility

that they provide that assistance and the identity of those organizations

(4) Weather Provisions Discontinuance of gas and electric service to all residential users including all residential tenants of apartment buildings, for nonpayment of bills where gas or electricity is used as the source of space heating or to control or operate the only space heating equipment at the residence is prohibited—

(A) On any day when the National Weather Service local forecast between 6 00 a m to 9 00 a m, for the following twenty four (24) hours predicts that the temperature will drop below thirty degrees Fahrenheit (30°F) and

(B) On any day when utility personnel will not be available to reconnect utility service during the immediately succeeding day(s) (Period of Unavailability) and the National Weather Service local forecast between 6 00 a m to 9 00 a m predicts that the temperature during the Period of Unavailability will drop below thirty degrees Fahrenheit (30°F)

(C) Nothing in this section shall prohibit a utility from establishing a higher temperature threshold below which it will not discontinue utility service

(5) Discontinuance of Service From November 1 through March 31, a utility may not discontinue heat related residential utility service due to nonpayment of a delinquent bill or account provided—

(A) The customer contacts the utility and states his/her inability to pay in full,

(B) The customer applies for financial assistance in paying his/her heat related utility bill from any federal, state, local or other heating payment fund program for which s/he may be eligible,

(C) The utility receives an initial payment and the customer enters into a payment agreement both of which are in compliance with section (8) of this rule

(D) The customer complies with the utility's requests for information regarding the customer's monthly or annual income and

(E) There is no other lawful reason for discontinuance of utility service

(6) Deposit Provisions A utility shall not assess a new deposit or bill deposits that were previously assessed during or after the period of this rule to those customers who enter into a payment agreement and make timely payments in accordance with this rule

(7) Reconnection Provisions If a utility has discontinued heat related utility service to a residential customer due to nonpayment of a delinquent account the utility from November 1 through March 31 shall reconnect service to



that customer without requiring a deposit provided—

(A) The customer contacts the utility requests the utility to reconnect service and states an inability to pay in full

(B) The customer applies for financial assistance in paying his/her heat related utility bill from any federal, state local or other heating payment fund program for which s/he may be eligible,

(C) The utility receives an initial payment and the customer enters into a payment agreement both of which are in compliance with section (8) of this rule,

(D) The customer complies with the requests of the utility for information regarding the customer's monthly or annual income

(E) None of the amount owed is an amount due as a result of unauthorized interference, diversion or use of the utility's service, and the customer has not engaged in such activity since last receiving service, and

(F) There is no other lawful reason for continued refusal to provide utility service

(8) Payment Agreements The payment agreement for service under this rule shall comply with the following

(A) A pledge of an amount equal to any payment required by this section by the agency which administers LIHEAP, Utlicare or ECIP or a combination of these, shall be deemed to be the payment required The utility shall confirm in writing the terms of any payment agreement under this rule, unless the extension granted the customer does not exceed two (2) weeks

(B) Payment Calculations

1 The utility shall first offer a twelve (12) month budget plan which is designed to cover the total of all preexisting arrears current bills and the utility's estimate of the ensuing bills

2 If the customer states an inability to pay the budget plan amount the utility and the customer may upon mutual agreement enter into a payment agreement which allows payment of preexisting arrears over a reasonable period in excess of twelve (12) months In determining a reasonable period of time, the utility and the customer shall consider the amount of the arrears the time over which it developed, the reasons why it developed the customer's payment history and the customer's ability to pay

3 A utility shall permit a customer to enter into a payment agreement to cover the current bill plus arrearages in fewer than twelve (12) months if requested by the customer

4 The company may revise the required payment in accordance with its budget or levelized payment plan

(C) Initial Payments

1 For a customer who has not defaulted on a payment plan under the cold weather rule, the initial payment shall be the amount of the monthly payment calculated in subsection (8)(B) of this rule

2 For a customer who has defaulted on a payment plan under the cold weather rule the initial payment shall be an amount equal to the total of the delinquent installments, unless the utility and customer agree to a lesser amount

(9) If a utility refuses to provide service pursuant to this rule and the reason for refusal of service involves unauthorized interference, diversion or use of the utility's service situated or delivered on or about the customer's premises, the utility shall maintain records concerning the refusal of service which, at a minimum shall include the name and address of the person denied reconnection, the names of all company personnel involved in any part of the determination that refusal of service was appropriate the facts surrounding the reason for the refusal and any other relevant information

(10) The commission shall recognize and permit recovery of reasonable operating expenses incurred by a utility because of this rule

(11) A utility may apply for a variance from this rule by filing an application for variance with the commission pursuant to the commission's rules of procedure

*Auth sections 386 250, RSMo (Cum Supp 1991) 393 130 and 393 140, RSMo (1986) * Original rule filed June 13, 1984, effective Nov 15 1984 Amended Filed Dec 30 1992 effective Oct 10, 1993*

**Original authority 386 250(6) RSMo (1939) amended 1963 1967 1977 1980 1987, 1988 1991 393 130 RSMo (1939) amended 1949 1967 1969 and 393 140(11) RSMo (1939) amended 1949 1967*



4 CSR 240 13 060 Settlement Agreement and Extension Agreement

PURPOSE This rule establishes procedures where a customer may enter into a settlement agreement or obtain an extension of time in which to pay charges due a utility so that reasonable and uniform standards are established with regard to payment

(1) When a utility and a customer arrive at a mutually satisfactory settlement of any dispute or the customer does not dispute liability to the utility but claims inability to pay the outstanding bill in full, a utility and the customer may enter into a settlement agreement A settlement agreement which extends beyond sixty (60) days shall be in writing and mailed or otherwise delivered to the customer

(2) Every settlement agreement resulting from the customer s inability to pay the outstanding bill in full shall provide that service will not be discontinued if the customer pays the amount of the outstanding bill specified in the agreement and agrees to pay a reasonable portion of the remaining outstanding balance in installments until the bill is paid For purposes of determining reasonableness the parties shall consider the following the size of the delinquent account the customer s ability to pay, the customer s payment history, the time that the debt has been outstanding the reasons why the debt has been outstanding, and any other relevant factors relating to the customer s service

(3) If a customer fails to comply with the terms and conditions of a settlement agreement, a utility may discontinue service after notifying the customer in writing by personal service or first class mail in accordance with 4 CSR 240-13 050—that the customer is in default of the settlement agreement, the nature of the default that unless full payment of all balances due is made the utility will discontinue service and the date upon or after which service will be discontinued

(4) The utility may enter into an extension agreement upon the request of a customer who claims an inability to pay the bill in full

Auth sections 386 250(6), RSMo (Cum Supp 1991) and 393 140(11) RSMo (1986) * Original rule filed Dec 19 1975 effective Dec 30 1975 Amended Filed Oct 14 1977 effective Jan 13 1978 Rescinded and readopted Filed Sept 22 1993 effective July 10 1994

*Original authority 386 250(6) RSMo (1993) amended 1963 1967 1977 1980 1987 1988 1991 and 393 140(11) RSMo (1939) amended 1949 1967

4 CSR 240-13 065 Variance

PURPOSE This rule establishes the procedure to be followed by a utility seeking a variance from any provision of this chapter

(1) Any utility may file an application with the commission seeking a variance from all or parts of Chapter 13 which may be granted for good cause shown

(2) A utility filing an application for a variance with the commission shall mail, contemporaneously with the filing, copies of the application by first class mail to the newspaper with the largest circulation in each county within the utility s service area affected by the variance the public counsel and each party in the utility s most recent rate case who represented residential customers

(3) Any variance granted by the commission shall be reflected in a tariff

Auth sections 386 250(6), RSMo (Cum Supp 1991) and 393 140(11) RSMo (1986) * Original rule filed Sept 22 1993, effective July 10 1994

*Original authority 386 250(6) RSMo (1939) amended 1963 1967 1977 1980 1987 1988 1991 and 393 140(11) RSMo (1939) amended 1949 1967

4 CSR 240 13 070 Commission Complaint Procedures

PURPOSE This rule sets forth the procedures to be followed prior to and in filing formal or informal complaints with the commission regarding matters covered in this chapter

(1) Prior to filing an informal or formal complaint the customer shall pursue remedies directly with the utility as provided in this chapter The commission specifically reserves the right to waive this requirement when circumstances so require

(2) Any person aggrieved by a violation of any rules in this chapter or the Public Service Commission laws of Missouri relating to utilities may file an informal or formal complaint under 4 CSR 240 2 070

(3) If a utility and a customer fail to resolve a matter in dispute the utility shall advise the customer of his/her right to file an informal complaint with the commission under 4 CSR 240-2 070

(4) If the staff is unable to resolve the complaint to the satisfaction of the parties, the staff shall send a dated letter to that effect to the complainant and to the utility

(A) The letter shall advise the complainant that, if s/he desires, s/he may file a formal complaint in accordance with 4 CSR 240-2 070

(B) If the complaint concerns a bill the nonpayment of which could subject the complainant to discontinuance of service under the provisions of 4 CSR 240-13 050 the staff s letter shall advise the complainant that if a formal complaint is not filed within thirty (30) days of the date of the letter, the complainant may become subject to discontinuance of service

(5) The commission staff may treat an informal complaint involving the same question or issue based upon the same facts dealt with in a prior informal complaint as already decided and may advise the complainant that this informal complaint will not be reviewed

(6) A utility shall not discontinue residential service relative to the matter in dispute during the pendency of an informal complaint and until at least thirty-one (31) days after the date of the letter issued pursuant to section (4), and shall in no case discontinue this service without leaving a notice of discontinuance after the date of the letter issued pursuant to section (4)

(7) Failure of the customer to pay the amount of a bill which is not in dispute, as determined pursuant to sections 4 CSR 240 13 045(5) or (6) of these rules shall be grounds for dismissal of an informal or formal complaint

Auth sections 386 250(6) RSMo (Cum Supp 1991) and 393 140(11), RSMo (1986) * Original rule filed Dec 19 1975, effective Dec 30, 1975 Amended Filed Oct 14, 1977, effective Jan 13, 1978 Amended Filed Jan 14 1981 effective July 15 1981 Rescinded and readopted Filed Sept 22, 1993 effective July 10, 1994

*Original authority 386 250(11) RSMo (1939) amended 1963 1967 1977 1980 1987 1988 1991 and 393 140(11) RSMo (1939) amended 1949 1967

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Rules of
**Department of Economic
Development**
Division 240—Public Service Commission
Chapter 18—Safety Standards

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Title 4—DEPARTMENT OF
ECONOMIC DEVELOPMENT
Division 240—Public Service
Commission
Chapter 18—Safety Standards

4 CSR 240 18 010 Safety Standards—
Electric and Telephone Utilities and
Rural Electric Cooperatives

*Auth sections 386 310 RSMo (Cum
Supp 1989) and 394 160, RSMo (1986) *
Original rule filed March 15, 1978,
effective Oct 2, 1978 Amended Filed
April 8, 1981, effective Oct 15, 1981
Amended Filed Feb 9, 1984, effective
June 15, 1984 Amended Filed June 12,
1987, effective Sept 15, 1987 Amended
Filed Jan 5, 1990, effective April 13, 1990
Amended Filed March 23, 1993, effective
Oct 10, 1993*

*PURPOSE This rule prescribes mini-
mum safety standards relating to the
operation of electric and telephone
utilities and rural electric cooperatives
Adoption of this rule will not only inform
the regulated utilities to which it applies
of the minimum safety standards
required by the commission but will also
be of assistance to the commission staff
in carrying out its assigned duties*

*Editor's Note The secretary of state has
determined that the publication of this rule in
its entirety would be unduly cumbersome and
expensive The entire text of the rule has been
filed with the secretary of state and is
summarized here by the agency adopting it
The entire text of the rule may be found at the
headquarters of the commission and is avail-
able to any interested person at a cost
established by state law*

(1) The commission adopts the *American National Standard National Electrical Safety Code (NESC)*, 1993 Edition as approved by the American National Standards Institute on July 10, 1992 It is published by the Institute of Electrical and Electronics Engineers, Inc, as the minimum safety standards relating to the operation of electric and telephone utilities and rural electric cooperatives The NESC is composed of four (4) different parts and four (4) sections, each of which pertain to different aspects of the electric and telecommunications industries The commission adopts Parts 1, 2 and 3 and Sections 1, 2 and 9 Part 1 specifies rules for the installation and maintenance of equipment normally found in electric generating plants and substations Part 2 pertains to safety rules for overhead electric and communication lines Part 3 contains safety rules for underground electric and communication lines Section 1 is an introduction to the NESC, section 2 defines special terms and Section 9 requires certain grounding methods for electric and communications facilities

2) All electric and telephone utilities and rural electric cooperatives subject to regulation by this commission pursuant to Chapters 386, 92—394, RSMo shall be required to adhere to the safety standards established by this rule

NOTICE

This chapter contains a rule(s) that has been rescinded and readopted. If you are planning to use or are interested in keeping 4 CSR 240-20.040, please pull out and retain pages 7, 8 until October 10, 1993.

Discard pages 7, 8 when adding new material for September 30, 1993 update.

maintenance and decommissioning consistent with the prudent operation of the unit

(9) On or before September 1, 1990 and every three (3) years after that, utilities with decommissioning trust funds shall perform and file with the commission cost studies detailing the utilities latest cost estimates for decommissioning their nuclear generating unit(s) along with the funding levels necessary to defray these decommissioning costs. These studies shall be filed along with appropriate tariff(s) effectuating the change in rates necessary to accomplish the funding required. In addition the commission, at any time for just cause may require a utility to file an updated decommissioning cost study, funding requirement and associated tariff(s).

(10) At the time a tariff(s) is filed by a utility which proposes any change in rates due to changes in the estimate of decommissioning cost or the funding level of its nuclear decommissioning trust fund(s), the utility shall file the following minimum information in support of the need for changes in its tariff rates:

(A) An updated decommissioning cost study which estimates the cost of decommissioning and the funding levels necessary to defray these costs. This study shall contain the following information:

1 Detailed quantities and unit prices in current dollars for each system of the nuclear generating unit to be decommissioned,

2 A detailed breakdown between radioactive contaminated systems and those systems which are not contaminated by radioactivity,

3 Funding levels which are computed on a levelized basis and which accrue future decommissioning costs over the remaining licensed life of the nuclear generating unit. The utility shall include the earnings rate and inflation rate assumed in the cost study as compared to those assumed in any previous study.

4 A detailed description of any facilities that were added to or deleted from the cost study filed in the previous case.

5 The beginning date for the expenditure of funds for decommissioning assumed in the study shall be no later than the expiration date of the unit's current Nuclear Regulatory Commission (NRC) license and

6 The study shall consider and evaluate all reasonable practices or procedures which would reduce the ultimate cost of decommissioning and

(B) A summary description of the reasons (for example changes in regulation technology or economics) that brought on the need to change the decommissioning cost estimate

(11) Upon the filing of the appropriate tariff(s) as set in sections (9) and (10) the commission shall establish a schedule of proceedings which shall be limited in scope to the following issues:

(A) The extent of any change in the level or annual accrual of funding necessary for the utility's decommissioning trust fund, and

(B) The changes in rates which would reflect any change in the funding level or accrual rate.

(12) For a fund intended to be tax qualified, after receipt of any commission order modifying the annual decommissioning funding requirements, the affected utility shall apply for an adjusted IRS ruling in a timely manner, seeking deductibility of the new annual decommissioning cost accruals consistent with the effective dates given in the order. Pending final IRS approval the utility shall be authorized to continue funding at the level which existed prior to the commission order provided that the utility will take all appropriate action to preserve the tax deduction of the amounts subsequently approved in the IRS ruling.

(13) Distributions may be made from a nuclear decommissioning trust fund only to satisfy the liabilities of the utility for nuclear decommissioning costs relating to the nuclear generating unit for which the decommissioning fund was established and to pay administrative costs, income taxes and other incidental expenses of the trust fund. The utility shall not use proceeds of the trust for the purpose of filing for an updated tax ruling or to qualify the trust.

(14) Each utility shall file with the commission the detailed plan required by the NRC for the decommissioning of its nuclear generating unit when that plan is filed with the NRC. Before any distribution of decommissioning trust funds are made for the decommissioning of its nuclear generating unit the utility must notify and obtain commission approval of its intent to make this distribution.

(15) The utility shall conduct the decommissioning of its nuclear generating unit in accordance with NRC requirements and must not knowingly allow any procedure that would unreasonably endanger human life or the environment.

(16) Upon termination of the trust, the utility shall file with the commission the appropriate tariff(s) to reflect the termination of payments into the decommissioning trust fund as well as refund or credit any overcollection of these funds.

(17) Upon proper application and after due notice and hearing the commission may waive any provision of this rule for good cause shown.

(18) The commission may adopt further amendments as it deems necessary for the sound management of the trust fund(s) consistent with the purpose of this rule.

*Auth section 393 292 RSMo (Supp 1989) * Original rule filed Nov 27 1989 effective March 26 1990 Amended Filed May 4 1993 effective Dec 9 1993*

**Original authority 1989*

4 CSR 240-20 080 Electrical Corporation Reporting Requirements for Certain Events

PURPOSE This rule prescribes requirements and procedures for the reporting of certain events by electrical corporations to the Public Service Commission to inform the commission of developments which may affect the rendering of safe and adequate service and to enable the commission to thoroughly and fairly investigate certain events, which may have an impact in future electric rate proceedings at the time and in the context in which those events occur.

(1) Commencing on September 1, 1991 every electrical corporation, as defined in section 386.020, RSMo, subject to the jurisdiction of the Public Service Commission (PSC) shall accumulate the following information and transmit it in writing to the manager of the energy department of the PSC or his/her designee no later than the last business day of the month following the month to be reported and after that on a monthly basis:

(A) All generating unit outages and derates excluding hydroelectric generating units and units whose capacity comprise less than one and one-half percent (1 1/2%) of the electrical corporation's installed capacity.

(B) All fuel purchases for power production purposes including the terms of those purchases. A copy of the Monthly Report of Cost and Quality of Fuels for Electric Plants on FERC Form No 423 as submitted to the Federal Energy Regulatory Commission (FERC), will satisfy the requirements of this subsection.

(C) Net hourly generation for each generating unit.

(D) Hourly purchases and sales of electricity from or to other utility companies independent power producers or cogenerators including the



parties to purchases and sales, and the terms of purchases and sales

(E) Capacity purchases of longer than seven (7) days duration,

(F) Planned outages of power production facilities as they are scheduled or rescheduled. Changes from the planned outage schedule must be reported by telephone to the manager of the energy department of the PSC or his/her designee prior to the initiation of the outage, if the changes result in the planned outage schedule being different from the schedule in the most recently submitted monthly report,

(G) Planned fuel test burns, unit heat rate tests and accreditation runs as they are scheduled or rescheduled. Changes from previously planned fuel test burns, unit heat rate tests and accreditation runs must be reported by telephone to the manager of the energy department of the PSC or his/her designee prior to their initiation, if these changes result in the schedule for fuel test burns, unit heat rate tests and accreditation runs being different from the schedule in the most recently submitted monthly report,

(H) Citations or notices of violation related to power production facilities received from any state or federal utility regulatory agency or environmental agency including, but not limited to, the FERC, the Nuclear Regulatory Commission (NRC), the Environmental Protection Agency (EPA), the Department of Natural Resources (DNR) and the Department of Energy,

(I) The terms of new contracts or existing contracts which will be booked to Accounts 310—346 or Accounts 502—546 of the FERC's Uniform System of Accounts requiring the expenditure by the electrical corporation of more than fifty thousand dollars (\$50,000) including, but not limited to, contracts for engineering, consulting, repairs and modifications or additions to an electric plant, and

(J) Copies of all written reports on forced generating unit outages of longer than three (3) days test burns of fuel, heat rate tests, accreditation runs and responses to state or federal utility regulatory agencies or environmental agencies including, but not limited to, the FERC, the NRC, the EPA, the DNR and the Department of Energy, concerning any alleged infractions, deviations or noncompliance with those agencies' rules or standards related to power production facilities

(2) The information required in subsections (1)(C) and (D) of this rule may be provided to the manager of the energy department of the PSC or his/her designee on computer diskette rather than in the written report required in section (1). If the information required in subsections (1)(C) and (D) is provided on

computer diskette the data reported on each diskette and the software program used to record the data shall be clearly identified on the diskette envelope or package and the diskette shall be accompanied by a statement as required in subsection (4)(A) of this rule

(3) In addition to the reporting requirements in sections (1) and (2) of this rule, every electrical corporation, as defined in section 386 020, RSMo, subject to the jurisdiction of the PSC, shall report to the manager of the energy department of the PSC or his/her designee by telephone by the end of the first business day following discovery and in writing within five (5) business days following discovery the following information

(A) Details of any accident at a power plant involving serious physical injury or death or property damage in excess of fifty thousand dollars (\$50,000),

(B) Forced outages of any nuclear generating unit(s) that could reasonably be anticipated to last longer than three (3) days,

(C) Forced outages of any fossil fuel fired generating unit(s) which constitutes twenty percent (20%) or more of the electrical corporation's accredited capacity that reasonably could be anticipated to last longer than three (3) days, when the unit(s) is forced out due to a common occurrence,

(D) Reductions of coal inventory below a thirty (30)-day supply and reductions of oil inventory below fifty percent (50%) of normal oil inventory, and

(E) Loss of transmission capability that could limit the output of a generating plant

(4) All reports and information submitted by electrical corporations pursuant to this rule shall be—

(A) Subscribed by the president, treasurer, general manager, receiver or other authorized representative of the electrical corporation having knowledge of the subject matter and shall be stated to be accurate and complete, and contain no material misrepresentations or omissions, based upon facts of which the person subscribing the report or information has knowledge, information or belief and

(B) Sent to the Energy Department Manager, Public Service Commission, P O Box 360, Room 530, 301 West High Street, Jefferson City, MO 65102

(5) The reporting requirements prescribed by this rule shall be in addition to all other reporting requirements prescribed by law

(6) The information contained in the reports filed pursuant to this rule shall be subject to the provisions of section 386 480 RSMo and the use of that information in any proceeding before the commission shall be governed by the

terms of any protective order issued by the commission in the proceeding, if a protective order has been issued

(7) The receipt by the commission or commission staff of reports prescribed by this rule shall not bind the commission or commission staff to the approval or acceptance of, or agreement with any matter contained in the reports for the purpose of fixing rates or in determining any other issue that may come before the commission

(8) Upon proper application and after notice and an opportunity for hearing, the commission, in its discretion, may waive any provision of this rule for good cause shown

*Auth section 393 140, RSMo (1986) *
Original rule filed March 1 1991 effective Sept 30, 1991*

**Original authority 1939 amended 1949 1967*

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MONTHLY REPORT OF COST AND QUALITY OF FUELS FOR ELECTRIC PLANTS

This report is mandatory under the Federal Power Act. Failure to comply may result in criminal fines, civil penalties and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider this report to be of a confidential nature.

Form Approved
OMB No. 1902-0024
Expires 9/30/93

Judith K. Morrarty
Secretary of State

(10/29/93)

CODE OF STATE REGULATIONS

1 Company Plant Code		2 Month and Year of Report		3 Name of Reporting Company				4 Page Number OF				
5 Plant Name				6 Plant Location (nearest village town city etc)								
7 Name Title and Address of person to be contacted concerning data entered on this form						8 Telephone No Area Code ()		Extension				
9 Signature of Official submitting this report				10 Title		11 Date Report Completed						
Line No	PURCHASES		Fuel Type (Use code) (c)	COAL MINES ONLY			SOURCE DATA <i>For coal enter name of mine or broker from which coal originated or was purchased</i> <i>For oil enter name of supplier refinery and if applicable port of entry</i> <i>For gas enter name of pipeline (supplier) or distributor and if applicable port of entry</i>	Quantity Received (Units) coal 1 000 tons oil 1 000 barrels gas 1 000 Mcf	QUALITY (AS RECEIVED)			Purchase Price In \$ per million BTU to nearest 0.1 cent
	Type (Use code) (a)	If Contract Expires Within 24 Mos Expirat Date (b)		Type (Use code) (d)	Coal District No (e)	State Abbrev (f)			County No (g)	BTU Content (Average of coal per lb oil per gal gas per cu ft) (j)	Sulfur Content (To nearest 0.01%) (k)	
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**Rules of
Department of Economic
Development
Division 240—Public Service Commission
Chapter 22—Electric Utility Resource
Planning**

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**Title 4—DEPARTMENT OF
ECONOMIC DEVELOPMENT**

**Division 240—Public Service
Commission**

**Chapter 22—Electric Utility Resource
Planning**

4 CSR 240-22 010 Policy Objectives

PURPOSE This rule states the public policy goal that this chapter is designed to achieve and identifies the objectives that the electric utility resource planning process must serve

(1) The commission's policy goal in promulgating this chapter is to set minimum standards to govern the scope and objectives of the resource planning process that is required of electric utilities subject to its jurisdiction in order to ensure that the public interest is adequately served. Compliance with these rules shall not be construed to result in commission approval of the utility's resource plans, resource acquisition strategies or investment decisions.

(2) The fundamental objective of the resource planning process at electric utilities shall be to provide the public with energy services that are safe, reliable and efficient at just and reasonable rates in a manner that adequately serves the public interest. This objective requires that the utility shall—

(A) Consider and analyze demand side efficiency and energy management measures on an equivalent basis with supply side alternatives in the resource planning process.

(B) Use minimization of the present worth of long run utility costs as the primary selection criterion in choosing the preferred resource plan, and

(C) Explicitly identify and where possible, quantitatively analyze any other considerations which are critical to meeting the fundamental objective of the resource planning process, but which may constrain or limit the minimization of the present worth of expected utility costs. The utility shall document the process and rationale used by decision makers to assess the tradeoffs and determine the appropriate balance between minimization of expected utility costs and these other considerations in selecting the preferred resource plan and developing contingency options. These considerations shall include but are not necessarily limited to mitigation of—

1 Risks associated with critical uncertain factors that will affect the actual costs associated with alternative resource plans,

2 Risks associated with new or more stringent environmental laws or regulations that may be imposed at some point within the planning horizon, and

3 Rate increases associated with alternative resource plans

*Auth sections 386 040, 386 610 and 393 140, RSMo (1986) and 386 250, RSMo (Cum Supp 1991) * Original rule filed June 12, 1992, effective May 6, 1993*

**Original authority 386 040 RSMo (1939) 386 250 RSMo (1939) amended 1963 1967 1977 1980 1987 1988 1991 386 610 RSMo (1939) and 393 140 RSMo (1939) amended 1949 1967*

4 CSR 240 22 020 Definitions

PURPOSE This rule defines terms used in the rules comprising 4 CSR 240 22—Electric Utility Resource Planning

Editor's Note The secretary of state has determined that the publication of this rule in its entirety would be unduly cumbersome or expensive. The entire text of the material referenced has been filed with the secretary of state. This material may be found at the Office of the Secretary of State or at the headquarters of the agency and is available to any interested person at a cost established by state law.

(1) Avoided cost means the cost savings obtained by substituting demand side resources for existing and new supply resources. 4 CSR 240 22 050(2) requires the utility to develop the following measures of avoided cost:

(A) Avoided utility costs developed pursuant to 4 CSR 240 22 050(2)(D), which include energy cost savings plus demand cost savings associated with generation, transmission and distribution facilities; and

(B) Avoided probable environmental costs developed pursuant to 4 CSR 240-22 050(2)(D) and 4 CSR 240-22 040(2)(B).

(2) Candidate resource options are demand side programs that pass the screening test required by 4 CSR 240 22 050(7), or supply side resources that are not rejected on the basis of the screening analysis required by 4 CSR 240-22 040(2).

(3) Capacity means the maximum capability to continuously produce and deliver electric power via supply side resources or the avoidance of the need for this capability by demand side resources.

(4) Chance node is a decision tree fork consisting of two (2) or more branches that represent the range and number of relevant potential outcomes for an uncertain factor.

(5) Coincident demand means the hourly demand of a component of system load at the hour of system peak demand within a specified interval of time.

(6) Contingency option means an alternative choice, decision or course of action designed to enhance the utility's ability to respond quickly and appropriately to events or circumstances that would render the preferred resource plan obsolete.

(7) Decision node is a decision tree fork consisting of two (2) or more branches that represent the set of decision alternatives being considered by utility planners at that stage of the resource planning process.

(8) Decision tree is a diagram that specifies the order in which key resource decisions must be made, enumerates the set of decision alternatives to be considered at each stage, identifies the critical uncertain factors that affect the outcome of each decision and shows how the potential range of values for uncertain factors interact with each decision option to affect the expected cost of providing an adequate level and quality of energy services.

(9) Demand means the rate of electric power use measured in kilowatts (kW).

(10) Demand side measure is synonymous with end use measure.

(11) Demand side resource (or program) means an organized process for packaging and delivering to a particular market segment a portfolio of end use measures that is broad enough to include at least some measures that are appropriate for most members of the target market segment.

(12) Driver variable means an external economic or demographic factor that significantly affects some component of utility loads.

(13) Electric utility or utility means any electrical corporation as defined in section 386 020 RSMo which is subject to the jurisdiction of the commission.

(14) End use energy service or energy service means the specific need that is served by the final use of energy, such as lighting, cooking, space heating, air conditioning, refrigeration, water heating or motive power.



(15) End use measure means an energy efficiency measure or an energy management measure

(16) Energy means the total amount of electric power that is generated or used over a specified interval of time measured in kilowatt hours (kWh)

(17) Energy efficiency measure means any device, technology, rate structure or operating procedure that makes it possible to deliver an adequate level and quality of end use energy service while using less energy than would otherwise be required

(18) Energy management measure means any device, technology, rate structure or operating procedure that makes it possible to alter the time pattern of electricity usage so as to require less generating capacity or to allow the electric power to be supplied from more fuel efficient generating units

(19) Expected cost of an alternative resource plan is the statistical expectation of the cost of implementing that plan, contingent upon the uncertain factors and associated subjective probabilities represented by chance nodes in the decision tree 4 CSR 240 22 060 requires the utility to consider probable environmental costs as well as direct utility costs in its assessment of alternative resource plans

(20) Expected unserved hours means the statistical expectation of the number of hours per year that a utility will be unable to supply its native load without importing emergency power

(21) Fixed cost margin means the portion of electric energy and demand rates that is designed to recover all nonvariable costs

(22) Implementation period means the time interval between the filings required of each utility pursuant to 4 CSR 240 22 080

(23) Implementation plan means descriptions and schedules for the major tasks necessary to implement the preferred resource plan over the implementation period

(24) Inefficient energy related choice means any decision that causes the life-cycle cost of delivering an adequate level and quality of end use energy service to be higher than it would be for an available alternative choice

(25) Inefficient price means a price that is not equal to the long run marginal cost of providing a good or service

(26) Information means any fact relationship, insight estimate or expert judgment that narrows the range of uncertainty surrounding key decision variables or has the potential to substantially influence or alter resource planning decisions

(27) Levelized cost means the dollar amount of a fixed annual payment for which a stream of those payments over a specified period of time is equal to a specified present value based on a specified rate of interest

(28) Life-cycle cost means the present worth of costs over the lifetime of any device or means for delivering end use energy service

(29) Load building program means an organized promotional effort by the utility to persuade energy related decision makers to choose electricity instead of other forms of energy for the provision of energy service or to persuade existing customers to increase their use of electricity either by substituting electricity for other forms of energy or by increasing the level or variety of energy services used This term is not intended to include the provision of technical or engineering assistance information about filed rates and tariffs, or other forms of routine customer service

(30) Load duration curve is a plot of ranked hourly demand versus the number of hours in which demand was greater than or equal to that value over a specified interval of time

(31) Load factor means the average demand over a specified interval of time divided by the maximum demand in the interval

(32) Load impact means the change in energy usage and the change in diversified demand during a specified interval of time due to the implementation of a demand side measure or program

(33) Load profile means a plot of hourly demand versus chronological hour of the day from the hour ending 1 00 a m to the hour ending 12 00 midnight

(34) Load research data means average hourly demands (kwhs per hour) derived from the metered instantaneous demand for each customer in the load research sample

(35) Load research estimates or class hourly loads, or class load estimates means the statistical expectation of the average hourly demands for each major class derived from the load research data for that class

(36) Load research sample means a subset of utility customers from each major class whose demands are metered to provide statistical estimates of class hourly loads to a specified level of accuracy

(37) Long run means an analytical framework within which all factors of production are variable

(38) Lost margin or lost revenues means the reduction between rate cases in billed demand (kW) and energy (kWh) due to installed demand side measures, multiplied by the fixed cost margin of the appropriate rate component

(39) Market imperfection means any factor or situation that contributes to inefficient energy related choices by decision makers, including at least—

(A) Inadequate information about costs performance and benefits of end use measures

(B) Inadequate marketing infrastructure or delivery channels for end use measures,

(C) Inadequate financing options for end use measures

(D) Mismatched economic incentives resulting from situations where the person who pays the initial cost of an efficiency investment is different from the person who pays the operating costs associated with the chosen efficiency level,

(E) Ineffective economic incentives when decision makers give low priority to energy related choices because they have a short term ownership perspective or because energy costs are a relatively small share of the total cost structure (for businesses) or of the total budget (for households), or

(F) Inefficient pricing of energy supplies

(40) Market segment means any subgroup of utility customers (or other energy related decision makers) which has some or all of the following characteristics in common they have a similar mix of end use energy service needs, they are subject to a similar array of market imperfections that tend to inhibit efficient energy related choices, they have similar values and priorities concerning energy related choices, or the utility has access to them through similar channels or modes of communication

(41) Nominal dollars mean future or then current dollar values that are not adjusted to remove the effects of anticipated inflation

(42) Participant means an energy related decision maker who implements one (1) or more end use measures as a direct result of a demand side program

(43) Planning horizon means a future time period of at least twenty (20) years' duration over which the costs and benefits of alternative resource plans are evaluated

(44) Preferred resource plan means the resource plan that is contained in the resource acquisition strategy that has most recently been adopted for implementation by the electric utility

(45) Probable environmental benefits test is a test of the cost effectiveness of end use measures that uses the sum of avoided utility costs and avoided probable environmental costs to quantify the savings obtained by substituting the end use measure for supply resources

(46) Probable environmental cost means the expected cost to the utility of complying with new or additional environmental laws, regulations, taxes or other requirements that utility decision makers judge may be imposed at some point within the planning horizon which would result in compliance costs that could have a significant impact on utility rates

(47) Resource acquisition strategy means a preferred resource plan an implementation plan and a set of contingency options for responding to events or circumstances that would render the preferred plan obsolete

(48) Resource plan means a particular combination of demand side and supply side resources to be acquired according to a specified schedule over the planning horizon

(49) Resource planning means the process by which an electric utility evaluates and chooses the appropriate mix and schedule of supply side and demand side resource additions to provide the public with an adequate level, quality and variety of end use energy services

(50) Screening test or cost effectiveness test means the probable environmental benefits test for demand side measures and the total resource cost test for demand side programs

(51) Subjective probability means the judgmental likelihood that the outcome represented by each branch of a chance node will actually occur. The sum of the probabilities associated with the branches of a single chance node must equal one (1). This means that the specified set of potential outcomes must be exhaustive and mutually exclusive

(52) Sulfur dioxide emission allowance is an authorization to emit during or after a specified calendar year one (1) ton of sulfur dioxide as defined in Title IV of the Clean Air Act Amendments of 1990, 42 USC 7651a(3)

(53) Supply side resource or supply resource means any device or method by which the electric utility can provide to its customers an adequate level and quality of electric power supply

(54) Technical potential of an end use measure is an estimate of the load impact that would occur if that measure were installed at every location in the utility's service territory where the measure is technically feasible but has not yet been installed

(55) Total resource cost test is a test of the cost effectiveness of demand side programs that compares the sum of avoided utility costs plus avoided probable environmental costs to the sum of all incremental costs of end use measures that are implemented due to the program (including both utility and participant contributions), plus utility costs to administer deliver and evaluate each demand side program to quantify the net savings obtained by substituting the demand side program for supply resources

(56) Uncertain factor means any event, circumstance, situation relationship, causal linkage, price cost, value response or other relevant quantity which can materially affect the outcome of resource planning decisions about which utility planners and decision makers have incomplete or inadequate information at the time a decision must be made

(57) Utility costs are the costs of operating the utility system and developing and implementing a resource plan that are incurred and paid by the utility. On an annual basis utility cost is synonymous with utility revenue requirement

(58) The utility cost test is a test of the cost effectiveness of demand side programs that compares the avoided utility costs to the sum of all utility incentive payments plus utility costs to administer, deliver and evaluate each demand side program to quantify the net savings obtained by substituting the demand side program for supply resources

(59) The utility benefits test is a test of the cost effectiveness of end use measures that uses avoided utility costs to quantify the savings obtained by substituting the end use measure for supply resources

(60) Utility discount rate means the post tax rate of return on net investment used to calculate the utility's annual revenue requirements

(61) Weather measure means a function of daily temperature data that reflects the observed relationship between electric load and temperature

*Auth sections 386 040, 386 610 and 393 140, RSMo (1986) and 386 250 RSMo (Cum Supp 1991) * Original rule filed June 12, 1992, effective May 6, 1993*

**Original authority 386 040 RSMo (1939) 386 250 RSMo (1939), amended 1963 1967 1977 1980 1987 1988 1991 386 610 RSMo (1939) and 393 140 RSMo (1939) amended 1949 1967*

4 CSR 240-22 030 Load Analysis and Forecasting

PURPOSE This rule sets minimum standards for the maintenance and updating of historical data the level of detail required in analyzing and forecasting loads and for the documentation of the inputs components and methods used to derive the load forecasts

(1) Historical Data Base The utility shall develop and maintain data on the actual historical patterns of energy usage within its service territory. The following information shall be maintained and updated on an ongoing basis

(A) Customer Class Detail The historical data base shall be maintained for each of the following major classes residential commercial, industrial, interruptible and other classes that may be required for forecasting (for example, large power, wholesale outdoor lighting and public authorities)

1 Taking into account the requirement for an unbiased forecast as well as the cost of developing data at the subclass level, the utility shall determine what level of subclass detail is required for forecasting and what methods to use in gathering subclass information for each major class

2 The utility shall consider the following categories of subclasses for residential dwelling type, for commercial building or business type and for industrial product type. If the utility uses subclasses which do not fit into these categories it must explain the reasons for its choice of subclasses

(B) Load Data Detail The historical load data base shall contain the following data

1 For each jurisdiction under which the utility has rates established and for which it prepares customer and energy forecasts, each major class and to the extent data is required to support the detail specified in paragraph



(1)(A)1, for each subclass actual monthly energy usage and number of customers and weather normalized monthly energy usage

2 For each major class estimated actual and weather normalized demands at the time of monthly system peaks, and

3 For the system actual and weather normalized hourly net system load,

(C) Load Component Detail The historical data base for major class monthly energy usage and demands at time of monthly peaks shall be disaggregated into a number of units component and a use kilowatt hour (kWh) per unit component for both actual and weather normalized loads

1 Typical units for the major classes are— residential number of customers commercial square feet of floor space or commercial employment level and industrial, production output or employment level If the utility uses a different unit measure it must explain the reason for choosing different units

2 The utility shall develop and implement a procedure to routinely measure and regularly update estimates of the effect of departures from normal weather on class and system electric loads

A The estimates of the effect of weather on class and system loads shall incorporate the nonlinear response of loads to daily weather and seasonal variations in loads

B For at least the base year of the forecast the utility shall estimate the cooling, heating and nonweather sensitive components of the weather normalized major class loads

C The utility shall document the methods used to develop weather measures and the methods used to estimate the effect of weather on electric loads If statistical models are used the documentation shall include at least the functional form of the models the estimation techniques employed, the data used to estimate the models including the development of model input data from basic data and the relevant statistical results of the models, including parameter estimates and tests of statistical significance and

(D) Length of Data Base Once the utility has developed the historical data base it shall retain that data base for the ten (10) most recent years or for the period of time used as the basis of the utility's forecast whichever is longer

1 The development of actual and weather normalized monthly class and system energy usage and actual hourly net system loads shall start from January 1982 or for the period of time used as the basis of the utility's forecast of these loads whichever is longer

2 Estimated actual and weather normalized class and system monthly demands at the time of the system peak and weather

normalized hourly system loads shall start from January 1990 or for the period of time used as the basis of the utility's forecast of these loads whichever is longer

(2) Analysis of Number of Units For each major class or subclass the utility shall analyze the historical relationship between the number of units and the economic or demographic factors (driver variables) that affect the number of units for that major class or subclass These relationships shall be specified as statistical or mathematical models that relate the number of units to the driver variables

(A) Choice of Driver Variables The utility shall identify appropriate driver variables as predictors of the number of units for each major class or subclass The critical assumptions that influence the driver variables shall also be identified

(B) Documentation of statistical models shall include the elements specified in subparagraph (1)(C)2 C Documentation of mathematical models shall include a specification of the functional form of the equations

(C) Where the utility has modeled the relationship between the number of units and the driver variables for a major class but not for subclasses within that major class, it shall consider how a change in the subclass shares of major class units could affect the major class forecast

(3) Analysis of Use Per Unit For each major class the utility shall analyze historical use per unit by end use

(A) End Use Detail For each major class use per unit shall be disaggregated by end use where information permits

1 Where applicable for each major class, end use information shall be developed for at least lighting, process equipment, space cooling space heating water heating and refrigeration

2 For each major class and each end use including those listed in paragraph (3)(A)1, if information is not available, the utility shall provide a schedule for acquiring this end use information or demonstrate that either the expected costs of acquisition were found to outweigh the expected benefits over the planning horizon or that gathering the end use information has proven to be infeasible

3 If the utility has not yet acquired end use information on space cooling or space heating for a major class the utility shall determine the effect that weather has on the total load of that major class by disaggregating the load into its cooling heating and nonweather sensitive components If the cooling or heating components are a significant portion of the total load of the major class

then the cooling or heating components of that load shall be designated as end uses for that major class

4 The difference between the total load of a major class and all end uses for which the utility has acquired end use information shall be designated as an end use for that major class

(B) The data base and historical analysis required for each end use shall include at least the following

1 Measures of the stock of energy using capital goods For each major class and end use, the utility shall implement a procedure to develop and maintain survey data on the energy related characteristics of the building appliance and equipment stock including saturation levels efficiency levels and sizes where applicable The utility shall update these surveys before each scheduled filing pursuant to 4 CSR 240 22 080 and

2 Estimates of end use energy and demand For each end use the utility shall estimate end use monthly energies and demands at time of monthly system peaks and shall calibrate these energies and demands to equal the weather normalized monthly energies and demands at time of monthly peaks for each major class for the most recently available data

(4) Analysis of Load Profiles The utility shall develop a consistent set of daily load profiles for the most recent year for which data is available For each month load profiles shall be developed for a peak weekday, a representative of at least one (1) weekday and a representative of at least one (1) weekend day

(A) Load profiles for each day type shall be developed for each end use for each major class and for the net system load

(B) For each day type, the estimated end use load profiles shall be calibrated to sum to the estimated major class load profiles and the estimated major class load profiles shall be calibrated to sum to the net system load profiles

(5) Base-Case Load Forecast The utility's base-case load forecast shall be based on projections of the major economic and demographic driver variables that utility decision makers believe to be most likely All components of the base case forecast shall be based on the assumption of normal weather conditions The load impacts of implemented demand side programs shall be incorporated in the base-case load forecast but the load impacts of proposed demand side programs shall not be included in the base-case forecast

(A) Customer Class and Total Load Detail The utility shall produce forecasts of monthly energy usage and demands at the time of the

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summer and winter system peaks by major class for each year of the planning horizon. Where the utility anticipates that jurisdictional levels of forecasts will be required to meet the requirements of a specific state, then the utility shall determine a procedure by which the major class forecasts can be separated by jurisdictional component.

(B) Load Component Detail For each major class, the utility shall produce separate forecasts of the number of units and use per unit components based on the analysis described in sections (2) and (3) of this rule.

1 Number of units forecast The utility's forecast of number of units for each major class shall be based on the analysis of the relationship between number of units and driver variables described in section (2). Where judgment has been applied to modify the results of a statistical or mathematical model, the utility shall specify the factors which caused the modification and shall explain how those factors were quantified.

A The forecasts of the driver variables shall be specified and clearly documented. These forecasts shall be compared to historical trends and significant differences between the forecasts and long term and recent trends shall be analyzed and explained.

B The forecasts of the number of units for each major class shall be compared to historical trends. Significant differences between the forecasts and long term and recent trends shall be analyzed and explained.

2 Use per unit forecast The utility's forecast of monthly energy usage per unit and seasonal peak demands per unit for each major class shall be based on the analysis described in section (3).

A The forecasts of the driver variables for the use per unit shall be specified. The utility shall document how the forecast of use per unit has taken into account the effects of real prices of electricity, real prices of competitive energy sources, real incomes and any other relevant economic and demographic factors.

B End use detail For each major class and for each end use the utility shall forecast both monthly energy use and demands at time of the summer and winter system peaks.

C The stock of energy using capital goods For each end use for which the utility has developed measures of the stock of energy using capital goods and where the utility has determined that forecasting the use of electricity associated with these energy using capital goods is cost effective and feasible it shall forecast those measures and document the relationship between the forecasts of the measures to the forecasts of end use energy and demands at time of the summer and winter system peaks. The values of the driver

variables used to generate forecasts of the measures of the stock of energy using capital goods shall be specified and clearly documented.

D The major class forecasted use per unit shall be compared to historical trends in weather normalized use per unit. Significant differences between the forecasts and long term and recent trends shall be analyzed and explained.

(C) Net System Load Forecast The utility shall produce a forecast of net system load profiles for each year of the planning horizon. The net system load forecast shall be consistent with the utility's forecasts of monthly energy and demands at time of summer and winter system peaks for the major rate classes.

(6) Sensitivity Analysis The utility shall analyze the sensitivity of the components of the base-case forecast for each major class to variations in the key driver variables, including the real price of electricity, the real price of competing fuels and economic and demographic factors identified in section (2) and subparagraph (5)(B)2 A.

(7) High Case and Low Case Load Forecasts Based on the sensitivity analysis described in section (6), the utility shall produce at least two (2) additional load forecasts (a high growth case and a low growth case) that bracket the base case load forecast. Subjective probabilities shall be assigned to each of the load forecast cases. These forecasts and associated subjective probabilities shall be used as inputs to the strategic risk analysis required by 4 CSR 240 22 070.

(8) Reporting Requirements To demonstrate compliance with the provisions of this rule and pursuant to the requirements of 4 CSR 240 22 080, the utility shall prepare a report that contains at least the following information:

(A) For each major class specified in subsection (1)(A) the utility shall provide plots of number of units, energy usage per unit and total class energy usage.

1 Plots shall be produced for the summer period (June through September) the remaining nonsummer months and the calendar year.

2 The plots shall cover the historical data base period and the forecast period of at least twenty (20) years.

A The historical period shall include both actual and weather normalized energy usage per unit and total class energy usage.

B The plots for the forecast period shall show each end use component of major class energy usage per unit and total class energy usage for the base-case forecast.

(B) For each major class specified in subsection (1)(A) the utility shall provide plots of class demand per unit and class total demand at time of summer and winter system peak. The plots shall cover the historical data base period and the forecast period of at least twenty (20) years.

1 The plots for the historical period shall include both actual and weather normalized class demands per unit and total demands at the time of summer and winter system peak demands.

2 The plots for the forecast period shall show each end use component of major class coincident demands per unit and total class coincident demands for the base case forecast.

(C) For the forecast of class energy and peak demands, the utility shall provide a summary of the sensitivity analysis required by section (6) of this rule that shows how changes in the driver variables affect the forecast.

(D) For the net system load the utility shall provide plots of energy usage and peak demand.

1 The energy plots shall include the summer, nonsummer and total energy usage for each calendar year.

2 The peak demand plots shall include the summer and winter peak demands.

3 The plots shall cover the historical data base period and the forecast period of at least twenty (20) years. The historical period shall include both actual and weather normalized values. The forecast period shall include the base-case low case and high case forecasts.

4 The utility shall describe how the subjective probabilities assigned to each forecast were determined.

(E) For each major class the utility shall provide estimated load profile plots for the summer and winter system peak days.

1 The plots shall show each end use component of the hourly load profile.

2 The plots shall be provided for the base year of the load forecast and for the fifth tenth and twentieth years of the forecast.

(F) For the net system load profiles the utility shall provide plots for the summer peak day and the winter peak day.

1 The plots shall show each of the major class components of the net system load profile in a cumulative manner.

2 The plots shall be provided for the base year of the forecast and for the fifth tenth and twentieth years of the forecast.

(G) The data presented in all plots also shall be provided in tabular form.

(H) The utility shall provide a description of the methods used to develop all forecasts required by this rule including an annotated summary that shows how these methods comply with the specific provisions of this rule. If end use methods have not been used in



forecasting an explanation as to why they have not been used shall be included. Also included shall be the utility's schedule to acquire end use information and to develop end use forecasting techniques or a discussion as to why the acquisition of end use information and the development of end use forecasting techniques are either impractical or not cost effective.

*Auth sections 386 040, 386 610 and 393 140, RSMo (1986) and 386 250, RSMo (Cum Supp 1991) * Original rule filed June 12, 1992, effective May 6, 1993*

**Original authority 386 040 RSMo (1939) 386 250 RSMo (1939) amended 1963 1967 1977 1980 1987 1988 1991 386 610 RSMo (1939) and 393 140 RSMo (1939) amended 1949 1967*

4 CSR 240-22 040 Supply Side Resource Analysis

PURPOSE *This rule establishes minimum standards for the scope and level of detail required in supply side resource analysis*

(1) The analysis of supply side resources shall begin with the identification of a variety of potential supply side resource options which the utility can reasonably expect to develop and implement solely through its own resources or for which it will be a major participant. These options include new plants using existing generation technologies, new plants using new generation technologies, life extension and refurbishment at existing generating plants, enhancement of the emission controls at existing or new generating plants, purchased power from utility sources, cogenerators or independent power producers, efficiency improvements which reduce the utility's own use of energy and upgrading of the transmission and distribution systems to reduce power and energy losses. The utility shall collect generic cost and performance information for each of these potential resource options which shall include at least the following attributes where applicable:

- (A) Fuel type and feasible variations in fuel type or quality,
- (B) Practical size range,
- (C) Maturity of the technology
- (D) Lead time for permitting, design, construction, testing and startup,
- (E) Capital cost per kilowatt
- (F) Annual fixed operation and maintenance costs

(G) Annual variable operation and maintenance costs,

(H) Scheduled routine maintenance outage requirements,

(I) Equivalent forced outage rates or full and partial forced outage rates,

(J) Operational characteristics and constraints of significance in the screening process,

(K) Environmental impacts, including at least the following:

1 Air emissions including at least the primary acid gases, greenhouse gases, ozone precursors, particulates and air toxics,

2 Waste generation including at least the primary forms of solid, liquid, radioactive and hazardous wastes

3 Water impacts including direct usage and at least the primary pollutant discharges, thermal discharges and groundwater effects and

4 Siting impacts and constraints of sufficient importance to affect the screening process, and

(L) Other characteristics that may make the technology particularly appropriate as a contingency option under extreme outcomes for the critical uncertain factors identified pursuant to 4 CSR 240 22 070(2)

(2) Each of the supply side resource options referred to in section (1) shall be subjected to a preliminary screening analysis. The purpose of this step is to provide an initial ranking of these options based on their relative annualized utility costs as well as their probable environmental costs and to eliminate from further consideration those options that have significant disadvantages in terms of utility costs, environmental costs, operational efficiency, risk reduction or planning flexibility, as compared to other available supply side resource options. All costs shall be expressed in nominal dollars.

(A) Cost rankings shall be based on estimates of the installed capital costs plus fixed and variable operation and maintenance costs levelized over the useful life of the resource using the utility discount rate. In lieu of levelized cost, the utility may use an economic carrying charge annualization in which the annual dollar amount increases each year at an assumed inflation rate and for which a stream of these amounts over the life of the resource yields the same present value.

(B) The probable environmental costs of each supply side resource option shall be quantified by estimating the cost to the utility to comply with additional environmental laws or regulations that may be imposed at some point within the planning horizon.

1 The utility shall identify a list of environmental pollutants for which in the judgment of utility decision makers additional laws or regulations may be imposed at some point within the planning horizon which would result in compliance costs that could have a significant impact on utility rates.

2 For each pollutant identified pursuant to paragraph (2)(B)1 the utility shall specify at least two (2) levels of mitigation that are more stringent than existing requirements which are judged to have a nonzero probability of being imposed at some point within the planning horizon.

3 For each mitigation level identified pursuant to paragraph (2)(B)2 the utility shall specify a subjective probability that represents utility decision maker's judgment of the likelihood that additional laws or regulations requiring that level of mitigation will be imposed at some point within the planning horizon. The utility, based on these probabilities, shall calculate an expected mitigation level for each identified pollutant.

4 The probable environmental cost for a supply side resource shall be estimated as the joint cost of simultaneously achieving the expected level of mitigation for all identified pollutants emitted by the resource. The estimated mitigation costs for an environmental pollutant may include or may be entirely comprised of a tax or surcharge imposed on emissions of that pollutant.

(C) The utility shall rank all supply side resource options identified pursuant to section (1) in terms of both of the following cost estimates: utility costs and utility costs plus probable environmental costs. The utility shall indicate which supply side options are considered to be candidate resource options for purposes of developing the alternative resource plans required by 4 CSR 240 22 060(3). The utility shall also indicate which options are eliminated from further consideration on the basis of the screening analysis and shall explain the reasons for their elimination.

(3) The analysis of supply side resource options shall include a thorough analysis of existing and planned interconnected generation resources. The analysis can be performed by the individual utility or in the context of a joint planning study with other area utilities. The purpose of this analysis shall be to ensure that the transmission network is capable of reliably supporting the supply resource options under consideration, that the costs of transmission system investments associated with supply side resources are properly considered and to provide an adequate foundation of basic information for decisions about the following types of supply side resource alternatives:

(A) Joint participation in generation construction projects

(B) Construction of wholly owned generation or transmission facilities and

(C) Participation in major refurbishment upgrading or retrofitting of existing generation or transmission resources

(4) The utility shall identify and analyze opportunities for life extension and refurbishment of existing generation plants taking into account their current condition to the extent that it is significant in the planning process

(5) The utility shall identify and evaluate potential opportunities for new long term power purchases and sales, both firm and nonfirm, that are likely to be available over all or part of the planning horizon. This evaluation shall be based on an analysis of at least the following attributes of each potential transaction

(A) Type or nature of the purchase or sale (for example firm capacity, summer only)

(B) Amount of power to be exchanged,

(C) Estimated contract price,

(D) Timing and duration of the transaction,

(E) Terms and conditions of the transaction if available

(F) Required improvements to the utility's generating system, transmission system, or both and the associated costs and

(G) Constraints on the utility system caused by wheeling arrangements whether on the utility's own system or on an interconnected system, or by the terms and conditions of other contracts or interconnection agreements

(6) For the utility's preferred resource plan selected pursuant to 4 CSR 240 22 070(7), the utility shall determine if additional future transmission facilities will be required to remedy any new generation related transmission system inadequacies over the planning horizon. If any such facilities are determined to be required and in the judgment of utility decision makers there is a risk of significant delays or cost increases due to problems in the siting or permitting of any required transmission facilities this risk shall be analyzed pursuant to the requirements of 4 CSR 240 22 070(2)

(7) The utility shall assess the age condition and efficiency level of existing transmission and distribution facilities and shall analyze the feasibility and cost effectiveness of transmission and distribution system loss reduction measures as a supply side resource. This provision shall not be construed to require a detailed line by line analysis of the transmission and distribution system but is intended to require the utility to identify and analyze opportunities for efficiency improvements in a

manner that is consistent with the analysis of other supply side resource options

(8) Before developing alternative resource plans and performing the integrated resource analysis, the utility shall develop ranges of values and probabilities for several important uncertain factors related to supply resources. These values can also be used to refine or verify information developed pursuant to section (2) of this rule. These cost estimates shall include at least the following elements and shall be based on the indicated methods or sources of information

(A) Fuel price forecasts over the planning horizon for the appropriate type and grade of primary fuel and for any alternative fuel that may be practical as a contingency option

1 Fuel price forecasts shall be obtained from a consulting firm with specific expertise in detailed fuel supply and price analysis or developed by the utility if it has expert knowledge and experience with the fuel under consideration. Each forecast shall consider at least the following factors as applicable to each fuel under consideration

A Present reserves, discovery rates and usage rates of the fuel and forecasts of future trends of these factors

B Profitability and financial condition of producers

C Potential effect of environmental factors, competition and government regulations on producers including the potential for changes in severance taxes

D Capacity, profitability and expansion potential of present and potential fuel transportation options

E Potential effects of government regulations, competition and environmental legislation on fuel transporters,

F In the case of uranium fuel, potential effects of competition and government regulations on future costs of enrichment services and cleanup of production facilities, and

G Potential for governmental restrictions on the use of the fuel for electricity production

2 The utility shall consider the accuracy of previous forecasts as an important criterion in selecting providers of fuel price forecasts

3 The provider of each fuel price forecast shall be required to identify the critical uncertain factors that drive the price forecast and to provide a range of forecasts and an associated subjective probability distribution that reflects this uncertainty

(B) Estimated capital costs including engineering design, construction, testing, startup and certification of new facilities or major upgrades, refurbishment or rehabilitation of existing facilities

1 Capital cost estimates shall either be obtained from a qualified engineering firm actively engaged in the type of work required or developed by the utility if it has available other sources of expert engineering information applicable to the type of facility under consideration

2 The provider of the estimate shall be required to identify the critical uncertain factors that may cause the capital cost estimates to change significantly and to provide a range of estimates and an associated subjective probability distribution that reflects this uncertainty,

(C) Estimated annual fixed and variable operation and maintenance costs over the planning horizon for new facilities or for existing facilities that are being upgraded, refurbished or rehabilitated

1 Fixed and variable operation and maintenance cost estimates shall be obtained from the same source that provides the capital cost estimates

2 The critical uncertain factors that affect these cost estimates shall be identified and a range of estimates shall be provided together with an associated subjective probability distribution that reflects this uncertainty,

(D) Forecasts of the annual cost or value of sulfur dioxide emission allowances to be used or produced by each generating facility over the planning horizon

1 Forecasts of the future value of emission allowances shall be obtained from a qualified consulting firm or other source with expert knowledge of the factors affecting allowance prices

2 The provider of the forecast shall be required to identify the critical uncertain factors that may cause the value of allowances to change significantly and to provide a range of forecasts and an associated subjective probability distribution that reflects this uncertainty and

(E) Annual fixed charges for any facility to be included in rate base or annual payment schedule for leased or rented facilities

(9) Reporting Requirements To demonstrate compliance with the provisions of this rule and pursuant to the requirements of 4 CSR 240 22 080 the utility shall furnish at least the following information

(A) A summary table showing each supply resource identified pursuant to section (1) and the results of the screening analysis including

1 The calculated values of the utility cost and the probable environmental cost for each resource option and the rankings based on these costs

2 Identification of candidate resource options that may be included in alternative resource plans and

3 An explanation of the reasons why each supply side resource option rejected as a result of the screening analysis was not included as a candidate resource option,

(B) A list of the candidate resource options for which the forecasts, estimates and probability distributions described in section (8) have been developed or are scheduled to be developed by the utility's next scheduled compliance filing pursuant to 4 CSR 240 22 080,

(C) A summary of the results of the uncertainty analysis described in section (8) that has been completed for candidate resource options and

(D) A summary of the mitigation cost estimates developed by the utility for the candidate resource options identified pursuant to subsection (2)(C). This summary shall include a description of how the alternative mitigation levels and associated subjective probabilities were determined and shall identify the source of the cost estimates for the expected mitigation level

*Auth sections 386 040 386 610 and 393 140 RSMo (1986) and 386 250 RSMo (Cum Supp 1991) * Original rule filed June 12 1992, effective Mar 6 1993*

**Original authority 386 040 RSMo (1939) 386 250 RSMo (1939) amended 1963 1967 1977 1980 1987 1988 1991 386 610 RSMo (1939) and 393 140 RSMo (1939) amended 1949 1967*

4 CSR 240-22 050 Demand-Side Resource Analysis

PURPOSE This rule specifies the methods by which end use measures and demand side programs shall be developed and screened for cost effectiveness. It also requires the ongoing evaluation of end use measures and programs and the use of program evaluation information to improve program design and cost effectiveness analysis

(1) Identification of End Use Measures The analysis of demand side resources shall begin with the development of a menu of energy efficiency and energy management measures that provide broad coverage of—

(A) All major customer classes including at least residential commercial, industrial and interruptible

(B) All significant decision makers including at least those who choose building design features and thermal integrity levels equipment and appliance efficiency levels, and utilization levels of the energy using capital stock,

(C) All major end uses, including at least lighting, refrigeration, space cooling space heating, water heating and motive power, and

(D) Renewable energy sources and energy technologies that substitute for electricity at the point of use

(2) Calculation of Avoided Costs The utility shall develop estimates of the cost savings that can be obtained by substituting demand side resources for existing and new supply side resources. These avoided cost estimates, expressed in nominal dollars, shall be used for cost effectiveness screening and ranking of end use measures and demand side programs

(A) Supply Resource Cost Estimates The utility shall use the cost estimates developed pursuant to 4 CSR 240 22 040(2) to calculate the following two (2) estimates of avoided cost avoided utility costs and avoided utility costs plus avoided probable environmental costs

1 The choice of new generation options used to calculate avoided costs shall be limited to those which will meet the need for capacity under the base-case load forecast at approximately the lowest present value of utility revenue requirements over the planning horizon. The utility shall document the basis on which the timing and choice of the new generation options were determined to be approximately least cost

2 The utility shall calculate the annual capacity cost of each new generation option and new transmission and distribution facilities as the sum of the levelized capital cost per kilowatt year and the fixed operation and maintenance cost per kilowatt year

3 The utility shall calculate the direct running cost of each generation option as the sum of fuel costs, sulfur dioxide emission allowance costs and variable operation and maintenance costs per kilowatt hour (KWh). The probable environmental costs calculated pursuant to 4 CSR 240 22 040(2)(B) shall also be expressed on a per kilowatt hour basis for both existing and new generation resources

(B) Avoided Cost Periods The utility shall determine avoided cost periods by grouping hours on a seasonal (for example summer, winter and transition) and time-of-use basis (for example on peak off peak, super peak or shoulder peak) as required to adequately reflect significant differences in running costs and the type of capacity being utilized to maintain required reserve margins

(C) Calculation of Avoided Capacity and Running Costs Avoided costs shall be calculated as the difference in costs associated with a specified decrement in load large enough to delay the on line date of the new capacity additions by at least one (1) year

1 Avoided running cost For each year of the planning horizon and for each avoided cost period, the utility shall calculate the avoided direct running cost per KWh (including sulfur dioxide emission allowance costs) and the avoided probable environmental running cost per KWh due to the specified load decrement

2 Avoided capacity costs The utility shall calculate and document the avoided capacity costs per kilowatt year for each year of the planning horizon

A This calculation shall include the costs of any new generation, transmission and distribution facilities that are delayed or avoided because of the specified load decrement

B For each year of the planning horizon, the utility shall determine the avoided cost periods in which the avoided new generation transmission and distribution capacity was utilized, and shall allocate a nonzero portion of the annualized avoided capacity costs to each of the periods in which that capacity was utilized

(D) Avoided Demand and Energy Costs The utility shall use the avoided capacity and running costs (appropriately adjusted to reflect reliability reserve margins demand losses and energy losses) to calculate the avoided demand and energy costs for each avoided cost period. Demand periods shall be defined as the avoided cost periods in which there is a significant probability of a loss of load (for example, periods which require the use of peaking capacity to maintain power pool reserve margins). Nondemand periods are the avoided cost periods in which there is not a significant probability of a loss of load

1 Demand period avoided demand costs Avoided demand costs per kilowatt year for the demand periods of each season shall include avoided transmission and distribution capacity costs, plus the smaller of the avoided generation capacity cost allocated to the demand period or the avoided capacity cost of peaking capacity

2 Demand period avoided energy costs Any capacity cost per kilowatt year allocated to the demand periods but not included in the avoided demand cost shall be converted to an avoided energy cost by dividing the avoided capacity cost per kilowatt year by the number of hours in the associated demand period. The utility shall add this converted avoided capacity cost to both of the running cost estimates developed pursuant to paragraph (2)(C)1 to calculate the demand period direct

energy costs and the probable environmental energy costs

3 Nondemand period avoided demand cost The avoided demand cost for the nondemand periods is zero (0)

4 Nondemand period avoided energy costs Avoided capacity cost per kilowatt year allocated to the nondemand periods within each season shall be converted to a per kilowatt hour cost by dividing the avoided capacity cost per kilowatt year by the number of hours in the associated nondemand period. The utility shall add this converted avoided capacity cost to both, of the running cost estimates developed pursuant to paragraph (2)(C)1 to calculate the nondemand period direct energy costs and the probable environmental energy costs

5 Annual avoided demand and energy costs Annual avoided demand costs shall include avoided transmission and distribution capacity costs, plus the smaller of the annual avoided generation capacity costs or the avoided capacity cost of peaking capacity. Annual avoided energy costs shall include annual avoided running costs plus any avoided capacity costs not included in the annual demand cost

(3) Cost Effectiveness Screening of End Use Measures The utility shall evaluate the cost effectiveness of each end use measure identified pursuant to section (1) using the probable environmental benefits test. All costs and benefits shall be expressed in nominal dollars

(A) The utility shall develop estimates of the end use measure demand reduction for each demand period and energy savings per installation for each avoided cost period on a normal weather basis. If the utility can show that subannual load impact estimates are not required to capture the potential benefits of an end use measure, annual estimates of demand and energy savings may be used for cost effectiveness screening

(B) Benefits per installation of each end use measure in each avoided cost period shall be calculated as the demand reduction multiplied by the levelized avoided demand cost plus the energy savings multiplied by the levelized avoided energy cost

1 Avoided costs in each avoided cost period shall be levelized over the planning horizon using the utility discount rate

2 Annualized benefits shall be calculated as the sum of the levelized benefits over all avoided cost periods

(C) Annualized costs per installation for each end use measure shall be calculated as the sum of the following components

1 Incremental costs of implementing the measure (regardless of who pays these costs) levelized over the life of the measure using the utility discount rate,

2 Incremental annual operation and maintenance costs (regardless of who pays these costs) levelized over the life of the measure using the utility discount rate, and

3 Any probable environmental impact mitigation costs due to implementation of the end use measure that are borne by either the utility or the customer

(D) Annualized costs for end use measures shall not include either utility marketing and delivery costs for demand side programs or lost revenues due to measure-induced reductions in energy sales or billing demands between rate cases

(E) Annualized benefits minus annualized costs per installation must be positive or the ratio of annualized benefits to annualized costs must be greater than one (1) for an end use measure to pass the screening test. The utility may relax this criterion for measures that are judged to have potential benefits which are not captured by the estimated load impacts or avoided costs

(F) End use measures that pass the probable environmental benefits test must be included in at least one (1) potential demand side program

(G) For each end use measure that passes the probable environmental benefits test, the utility shall also perform the utility benefits test for informational purposes. This calculation shall include the cost components identified in paragraphs (3)(C)1 and 2

(4) The utility shall estimate the technical potential of each end use measure that passes the screening test

(5) The utility shall conduct market research studies, customer surveys, pilot demand side programs, test marketing programs and other activities as necessary to estimate the technical potential of end use measures and to develop the information necessary to design and implement cost effective demand side programs. These research activities shall be designed to provide a solid foundation of information about how and by whom energy related decisions are made and about the most appropriate and cost effective methods of influencing these decisions in favor of greater long run energy efficiency

(6) The utility shall develop a set of potential demand side programs that are designed to deliver an appropriate selection of end use measures to each market segment. The demand side program planning and design

process shall include at least the following activities and elements

(A) Identify market segments that are numerous and diverse enough to provide relatively complete coverage of the classes and decision makers identified in subsections (1)(A) and (B) and that are specifically defined to reflect the primary market imperfections that are common to the members of the market segment,

(B) Analyze the interactions between end use measures (for example more efficient lighting reduces the savings related to efficiency gains in cooling equipment because efficient lighting reduces intrinsic heat gain)

(C) Assemble menus of end use measures that are appropriate to the shared characteristics of each market segment and cost effective as measured by the screening test and

(D) Design a marketing plan and delivery process to present the menu of end use measures to the members of each market segment and to persuade decision makers to implement as many of these measures as may be appropriate to their situation

(7) Cost Effectiveness Screening of Demand Side Programs The utility shall evaluate the cost effectiveness of each potential demand side program developed pursuant to section (6) using the the total resource cost test. The utility cost test shall also be performed for purposes of comparison. All costs and benefits shall be expressed in nominal dollars. The following procedure shall be used to perform these tests

(A) The utility shall estimate the incremental and cumulative number of program participants and end use measure installations due to the program and the incremental and cumulative demand reduction and energy savings due to the program in each avoided cost period in each year of the planning horizon

1 Initial estimates of demand side program load impacts shall be based on the best available information from in house research, vendors, consultants, industry research groups, national laboratories or other credible sources

2 As the load impact measurements required by subsection (9)(B) become available these results shall be used in the ongoing development and screening of demand side programs and in the development of alternative resource plans

(B) In each year of the planning horizon the benefits of each demand side program shall be calculated as the cumulative demand reduction multiplied by the avoided demand cost plus the cumulative energy savings multiplied by the avoided energy cost, summed over the avoided cost periods within each year. These calculations shall be performed using the



avoided probable environmental costs developed pursuant to section (2),

(C) **Utility Cost Test** In each year of the planning horizon, the costs of each demand side program shall be calculated as the sum of all utility incentive payments plus utility costs to administer, deliver and evaluate each demand side program. For purposes of this test demand side program costs shall not include lost revenues or costs paid by participants in demand side programs,

(D) **Total Resource Cost Test** In each year of the planning horizon, the costs of each demand side program shall be calculated as the sum of all incremental costs of end use measures that are implemented due to the program (including both utility and participant contributions) plus utility costs to administer, deliver and evaluate each demand side program. For purposes of this test demand side program costs shall not include lost revenues or utility incentive payments to customers,

(E) The present value of program benefits minus the present value of program costs over the planning horizon must be positive or the ratio of annualized benefits to annualized costs must be greater than one (1) for a demand side program to pass the utility cost test or the total resource cost test. The utility may relax this criterion for programs that are judged to have potential benefits that are not captured by the estimated load impacts or avoided costs, and

(F) Potential demand side programs that pass the total resource cost test shall be considered as candidate resource options and must be included in at least one (1) alternative resource plan developed pursuant to 4 CSR 240 22 060(3)

(8) For each demand side program that passes the total resource cost test, the utility shall develop time-differentiated load impact estimates over the planning horizon at the level of detail required by the supply system simulation model that is used in the integrated resource analysis required by 4 CSR 240 22 060(4)

(9) **Evaluation of Demand Side Programs** The utility shall develop evaluation plans for all demand side programs that are included in the preferred resource plan selected pursuant to 4 CSR 240 22 070(6). The purpose of these evaluations shall be to develop the information necessary to improve the design of existing and future demand side programs and to gather data on the implementation costs and load impacts of programs for use in cost effectiveness screening and integrated resource analysis

(A) **Process Evaluation** Each demand side program that is part of the utility's preferred resource plan shall be subjected to an ongoing evaluation process which addresses at least the following questions about program design

1 What are the primary market imperfections that are common to the target market segment?

2 Is the target market segment appropriately defined or should it be further subdivided or merged with other segments?

3 Does the mix of end use measures included in the program appropriately reflect the diversity of end use energy service needs and existing end use technologies within the target segment?

4 Are the communication channels and delivery mechanisms appropriate for the target segment?, and

5 What can be done to more effectively overcome the identified market imperfections and to increase the rate of customer acceptance and implementation of each end use measure included in the program?

(B) **Impact Evaluation** The utility shall develop methods of estimating the actual load impacts of each demand side program included in the utility's preferred resource plan to a reasonable degree of accuracy

1 **Impact evaluation methods** Comparisons of one (1) or both of the following types shall be used to measure program impacts in a manner that is based on sound statistical principles

A Comparisons of preadoption and postadoption loads of program participants corrected for the effects of weather and other intertemporal differences, and

B Comparisons between program participants' loads and those of an appropriate control group over the same time period

2 The utility shall develop load impact measurement protocols that are designed to make the most cost effective use of the following types of measurements, either individually or in combination: monthly billing data, load research data, end use load metered data, building and equipment simulation models and survey responses or audit data on appliance and equipment type, size and efficiency levels, household or business characteristics, or energy related building characteristics

(C) The utility shall develop protocols to collect data regarding demand side program market potential, participation rates, utility costs, participant costs and total costs

(10) Demand side programs and load building programs shall be separately designed and administered and all costs shall be separately classified so as to permit a clear distinction between demand side program costs and the

costs of load building programs. The costs of demand side resource development that also serve other functions shall be allocated between the functions served

(11) **Reporting Requirements** To demonstrate compliance with the provisions of this rule and pursuant to the requirements of 4 CSR 240 22 080 the utility shall prepare a report that contains at least the following information

(A) A list of the end use measures developed for initial screening pursuant to the requirements of section (1) of this rule,

(B) The estimated load impacts, annualized costs per installation and the results of the probable environmental benefits test for each end use measure identified pursuant to section (1)

(C) The technical potential and the results of the utility benefits test for each end use measure that passes the probable environmental benefits test,

(D) Documentation of the methods and assumptions used to develop the avoided cost estimates developed pursuant to section (2) including

1 A description of the type and timing of new supply resources including transmission and distribution facilities used to calculate avoided capacity costs

2 A description of the assumptions and procedure used to calculate avoided running costs

3 A description of the avoided cost periods and how they were determined

4 A tabulation of the direct running costs and the probable environmental running costs for each avoided cost period in each year of the planning horizon, and

5 A tabulation of the avoided demand cost, the avoided direct energy costs and the avoided probable environmental energy costs for each avoided cost period in each year of the planning horizon,

(E) Copies of completed market research studies, pilot programs, test marketing programs and other studies as required by section (5) of this rule and descriptions of those studies that are planned or in progress and the scheduled completion dates

(F) A description of each market segment identified pursuant to subsection (6)(A)

(G) A description of each demand side program developed for initial screening pursuant to section (6) of this rule

(H) A tabulation of the incremental and cumulative number of participants, load impacts, utility costs and program participant costs in each year of the planning horizon for each demand side program developed pursuant to section (6) of this rule

(I) The results of the utility cost test and the total resource cost test for each demand side program developed pursuant to section (6) of this rule, and

(J) A description of the process and impact evaluation plans for demand side programs that are included in the preferred resource plan as required by section (9) of this rule and the results of any such evaluations that have been completed since the utility's last scheduled filing pursuant to 4 CSR 240-22 080

*Auth sections 386 040 386 610 and 393 140 RSMo (1986) and 386 250 RSMo (Cum Supp 1991) * Original rule filed June 12 1992 effective May 6 1993*

**Original authority 386 040 RSMo (1939) 386 250 RSMo (1939) amended 1963 1967 1977 1980 1987 1988 1991 386 610 RSMo (1939) and 393 140 RSMo (1939) amended 1949 1967*

4 CSR 240-22 060 Integrated Resource Analysis

PURPOSE This rule requires the utility to design alternative resource plans to meet the planning objectives identified in 4 CSR 240 22 010(2) and sets minimum standards for the scope and level of detail required in resource plan analysis and for the logically consistent and economically equivalent analysis of alternative resource plans

(1) Resource Planning Objectives The utility shall design alternative resource plans to satisfy at least the objectives and priorities identified in 4 CSR 240 22 010(2) The utility may identify additional planning objectives that alternative resource plans will be designed to serve

(2) Specification of Performance Measures The utility shall specify a set of quantitative measures for assessing the performance of alternative resource plans with respect to identified planning objectives These measures shall include at least the following present worth of utility revenue requirements present worth of probable environmental costs present worth of out of pocket costs to participants in demand side programs levelized annual average rates and maximum single-year increase in annual average rates All present worth and levelization calculations shall use the utility discount rate and all costs and benefits shall be expressed in nominal dollars Utility decision makers may also specify other measures that they believe are appropriate for assessing the performance of

resource plans relative to the planning objectives identified in 4 CSR 240 22 010(2)

(3) Development of Alternative Resource Plans The utility shall use appropriate combinations of candidate demand side and supply side resources to develop a set of alternative resource plans, each of which is designed to achieve one (1) or more of the planning objectives identified in 4 CSR 240 22 010(2) The alternative resource plans developed at this stage of the analysis shall not include load building programs which shall be analyzed as required by section (5) of this rule

(4) Analysis of Alternative Resource Plans The utility shall assess the relative performance of the alternative resource plans by calculating for each plan the value of each performance measure specified pursuant to section (2) This calculation shall assume values for uncertain factors that are judged by utility decision makers to be most likely The analysis shall cover a planning horizon of at least twenty (20) years and shall be carried out with computer models that are capable of simulating the total operation of the system on a year by year basis in order to assess the cumulative impacts of alternative resource plans These models shall be sufficiently detailed to accomplish the following tasks and objectives

(A) The financial impact of alternative resource plans shall be modeled in sufficient detail to provide comparative estimates of at least the following measures of the utility's financial condition for each year of the planning horizon pretax interest coverage, ratio of total debt to total capital and ratio of net cash flow to capital expenditures,

(B) The modeling procedure shall be based on the assumption that rates will be adjusted annually in a manner that is consistent with Missouri law This provision does not imply any requirement for the utility to file actual rate cases or for the commission to accord any particular ratemaking treatment to actual costs incurred by the utility,

(C) The modeling procedure shall include a method to ensure that the impact of changes in electric rates on future levels of demand for electric service is accounted for in the analysis and

(D) The modeling procedure shall treat supply side and demand side resources on a logically consistent and economically equivalent basis This means that the same types or categories of costs benefits and risks shall be considered, and that these factors shall be quantified at a similar level of detail and precision for all resource types

(5) Analysis of Load Building Programs If the utility intends to continue existing load building programs or implement new ones it shall analyze these programs in the context of one (1) or more of the alternative plans developed pursuant to section (3) of this rule including the preferred resource plan selected pursuant to 4 CSR 240 22 070(6) This analysis shall use the same modeling procedure and assumptions described in section (4) and shall include the following elements

(A) Estimation of the impact of load building programs on the electric utility's summer and winter peak demands and energy usage,

(B) A comparison of annual average rates in each year of the planning horizon for the resource plan with and without the load building program,

(C) A comparison of the probable environmental costs of the resource plan in each year of the planning horizon with and without the proposed load building program and

(D) An assessment of any other aspects of the proposed load building programs that affect the public interest

(6) Reporting Requirements To demonstrate compliance with the provisions of this rule and pursuant to the requirements of 4 CSR 240 22 080, the utility shall prepare a report that contains at least the following information

(A) A description of each alternative resource plan including the type and size of each resource addition and a listing of the sequence and schedule for retiring existing resources and acquiring each new resource addition,

(B) A summary tabulation that shows the performance of each alternative resource plan as measured by each of the measures specified in section (2) of this rule

(C) For each alternative resource plan a plot of each of the following over the planning horizon

1 The combined impact of all demand side resources on the base-case forecast of summer and winter peak demands,

2 The composition by program of the capacity provided by demand side resources

3 The composition by supply resource of the capacity (including reserve margin) provided by supply resources Existing supply side resources may be shown as a single resource

4 The combined impact of all demand side resources on the base-case forecast of annual energy requirements,

5 The composition by program, of the annual energy provided by demand side resources,



6 The composition by supply resource, of the annual energy (including losses) provided by supply resources. Existing supply side resources may be shown as a single resource,

7 The values of the three (3) measures of financial condition identified in subsection (4)(A),

8 Annual average rates,

9 Annual emissions of each environmental pollutant identified pursuant to 4 CSR 240 22 040(2)(B)1, and

10 Annual probable environmental costs

(D) A discussion of how the impacts of rate changes on future electric loads were modeled and how the appropriate estimates of price elasticity were obtained,

(E) A description of the computer models used in the analysis of alternative resource plans and

(F) A description of any proposed load building programs a discussion of why these programs are judged to be in the public interest and, for all resource plans that include these programs, plots of the following over the planning horizon

1 Annual average rates with and without the load building programs, and

2 Annual utility costs and probable environmental costs with and without the load building programs

*Auth sections 386 040 386 610 and 393 140 RSMo (1986) and 386 250, RSMo (Cum Supp 1991) * Original rule filed June 12 1992 effective May 6 1993*

**Original authority 386 040 RSMo (1939) 386 250 RSMo (1939) amended 1963 1967 1977 1980 1987 1988 1991 386 610 RSMo (1939) and 393 140 RSMo (1939) amended 1949 1967*

4 CSR 240-22 070 Risk Analysis and Strategy Selection

PURPOSE This rule requires the utility to identify the critical uncertain factors that affect the performance of resource plans establishes minimum standards for the methods used to assess the risks associated with these uncertainties and requires the utility to specify and officially adopt a resource acquisition strategy

(1) The utility shall use the methods of formal decision analysis to assess the impacts of critical uncertain factors on the expected performance of each of the alternative resource plans developed pursuant to 4 CSR 240 22 060(3) to analyze the risks associated with

alternative resource plans, to quantify the value of better information concerning the critical uncertain factors and to explicitly state and document the subjective probabilities that utility decision makers assign to each of these uncertain factors This assessment shall include a decision tree representation of the key decisions and uncertainties associated with each alternative resource plan

(2) Before developing a detailed decision tree representation of each resource plan, the utility shall conduct a preliminary sensitivity analysis to identify the uncertain factors that are critical to the performance of the resource plan This analysis shall assess at least the following uncertain factors

(A) The range of future load growth represented by the low case and high case load forecasts

(B) Future interest rate levels and other credit market conditions that can affect the utility's cost of capital,

(C) Future changes in environmental laws, regulations or standards,

(D) Relative real fuel prices,

(E) Siting and permitting costs and schedules for new generation and generation on related transmission facilities

(F) Construction costs and schedules for new generation and transmission facilities

(G) Purchased power availability terms and cost,

(H) Sulfur dioxide emission allowance prices

(I) Fixed operation and maintenance costs for existing generation facilities,

(J) Equivalent or full and partial forced outage rates for new and existing generation facilities,

(K) Future load impacts of demand side programs and

(L) Utility marketing and delivery costs for demand side programs

(3) For each alternative resource plan the utility shall construct a decision tree diagram that appropriately represents the key resource decisions and critical uncertain factors that affect the performance of the resource plan

(4) The decision tree diagram for all alternative resource plans shall include at least two (2) chance nodes for load growth uncertainty over consecutive subintervals of the planning horizon The first of these subintervals shall be not more than ten (10) years long

(5) The utility shall use the decision tree formulation to compute the cumulative probability distribution of the values of each performance measure specified pursuant to 4 CSR 240 22 060(2), contingent upon the identified uncertain factors and associated

subjective probabilities assigned by utility decision makers pursuant to section (1) of this rule Both the expected performance and the risks of each alternative resource plan shall be quantified

(A) The expected performance of each resource plan shall be measured by the statistical expectation of the value of each performance measure

(B) The risk associated with each resource plan shall be characterized by some measure of the dispersion of the probability distribution for each performance measure, such as the standard deviation or the values associated with specified percentiles of the distribution

(6) The utility shall select a preferred resource plan from among the alternative plans that have been analyzed pursuant to the requirements of 4 CSR 240 22 060 and sections (1)—(5) of this rule The preferred resource plan shall satisfy at least the following conditions

(A) In the judgment of utility decision makers, the preferred plan shall strike an appropriate balance between the various planning objectives specified in 4 CSR 240 22 010(2) and

(B) The trend of expected unserved hours for the preferred resource plan must not indicate a consistent increase in the need for emergency imported power over the planning horizon

(7) The impact of the preferred resource plan on future requirements for emergency imported power shall be explicitly modeled and quantified The requirement for emergency imported power shall be measured by expected unserved hours under normal weather load conditions

(A) The daily normal weather series used to develop normal weather loads shall contain a representative amount of day to-day temperature variation Both the high and low extreme values of daily normal weather variables shall be consistent with the historical average of annual extreme temperatures

(B) The supply system simulation software used to calculate expected unserved hours shall be capable of accurately representing at least the following aspects of system operations

1 Chronological dispatch, including unit commitment decisions that are consistent with the operational characteristics and constraints of all system resources,

2 Heat rates, fuel costs, variable operation and maintenance costs, and sulfur dioxide emission allowance costs for each generating unit,

3 Scheduled maintenance outages for each generating unit

4 Partial and full forced outage rates for each generating unit, and

5 Capacity and energy purchases and sales, including the full spectrum of possibilities, from long term firm contracts or unit participation agreements to hourly economy transactions

A The utility shall maintain the capability to model purchases and sales of energy both with and without the inclusion of sulfur dioxide emission allowances

P The level of energy sales and purchases shall be consistent with forecasts of the utility's own production costs as compared to the forecasted production costs of other likely participants in the bulk power market and

(C) The utility may use an alternative method of calculating expected unserved hours per year if it can demonstrate that the alternative method produces results that are equivalent to those obtained by a method that meets the requirements of subsection (7)(B)

(8) The utility shall quantify the expected value of better information concerning at least the critical uncertain factors that affect the performance of the preferred resource plan, as measured by the present value of utility revenue requirements

(9) The utility shall develop an implementation plan that specifies the major tasks and schedules necessary to implement the preferred resource plan over the implementation period. The implementation plan shall contain

(A) A schedule and description of ongoing and planned research activities to update and improve the quality of data used in load analysis and forecasting,

(B) A schedule and description of ongoing and planned demand side programs, program evaluations and research activities,

(C) A schedule and description of all supply side resource acquisition and construction activities and

(D) Identification of critical paths and major milestones for each resource acquisition project including decision points for committing to major expenditures

(10) The utility shall develop document and officially adopt a resource acquisition strategy. This means that the utility's resource acquisition strategy shall be formally approved by the board of directors, a committee of senior management, an officer of the company or other responsible party who has been duly delegated the authority to commit the utility to the course of action described in the resource acquisition strategy. The officially adopted resource acquisition strategy shall consist of the following components

(A) A preferred resource plan selected pursuant to the requirements of section (6) of this rule,

(B) An implementation plan developed pursuant to the requirements of section (9) of this rule,

(C) A specification of the ranges or combinations of outcomes for the critical uncertain factors that define the limits within which the preferred resource plan is judged to be appropriate and an explanation of how these limits were determined

(D) A set of contingency options that are judged to be appropriate responses to extreme outcomes of the critical uncertain factors and an explanation of why these options are judged to be appropriate responses to the specified outcomes and

(E) A process for monitoring the critical uncertain factors on a continuous basis and reporting significant changes in a timely fashion to those managers or officers who have the authority to direct the implementation of contingency options when the specified limits for uncertain factors are exceeded

(11) Reporting Requirements To demonstrate compliance with the provisions of this rule, and pursuant to the requirements of 4 CSR 240 22 080, the utility shall furnish at least the following information

(A) A decision tree diagram for each of the alternative resource plans along with narrative discussions of the following aspects of the decision analysis

1 A discussion of the sequence and timing of the decisions represented by decision nodes in the decision tree and a description of the specific decision alternatives considered at each decision point and

2 An explanation of how the critical uncertain factors were identified, how the ranges of potential outcomes for each uncertain factor were determined and how the subjective probabilities for each outcome were derived

(B) Plots of the cumulative probability distribution of each performance measure for each alternative resource plan

(C) For each performance measure a table that shows the expected value and the risk of each resource plan

(D) A plot of the expected level of annual unserved hours for the preferred resource plan over the planning horizon

(E) A discussion of the analysis of the value of better information required by section (8) a tabulation of the key quantitative results of that analysis and a discussion of how those findings will be incorporated in ongoing research activities

(F) A discussion of the process used to select the preferred resource plan including the relative weights given to the various performance measures and the rationale used by utility decision makers to judge the appropriate tradeoffs between competing planning objectives and between expected performance and risk, and

(G) The fully documented resource acquisition strategy that has been developed and officially adopted pursuant to the requirements of section (10) of this rule

*Auth sections 386 040 386 610 and 393 140, RSMo (1986) and 386 250 RSMo (Cum Supp 1991) * Original rule filed June 12, 1992 effective May 6 1993*

**Original authority 386 040 RSMo (1939), 386 250 RSMo (1939) amended 1963 1967 1977, 1980 1987 1988 1991 386 610 RSMo (1939) and 393 140 RSMo (1939) amended 1949 1967*

4 CSR 240 22 080 Filing Schedule and Requirements

PURPOSE This rule specifies the requirements for electric utility filings to demonstrate compliance with the provisions of this chapter. The purpose of the compliance review required by this chapter is not commission approval of the substantive findings, determinations or analyses contained in the filing. The purpose of the compliance review required by this chapter is to determine whether the utility's resource acquisition strategy meets the requirements stated in 4 CSR 240 22 010(2)(A)-(C)

(1) Each electric utility which sold more than one (1) million megawatt hours to Missouri retail electric customers for calendar year 1991 shall make a filing with the commission every three (3) years that demonstrates compliance with the provisions of this chapter. The utility's filing shall include at least the following items

(A) Letter of transmittal

(B) Summary information and any press release related to the filing,

(C) Reports and information required by 4 CSR 240-22 030(8), 4 CSR 240 22 040(9), 4 CSR 240-22 050(11), 4 CSR 240 22 060(6) and 4 CSR 240 22 070(11),

(D) A narrative description and summary of the reports and information referred to in subsection (1)(C). The narrative shall specifically show that the resource acquisition strategy contained in the filing has been



officially approved by the utility and that the methods used and the procedures followed by the utility in formulating the resource acquisition strategy comply with the provisions of this chapter,

(E) A request for a protective order from the commission if the utility seeks to protect anything contained in the filing as trade secrets, or as confidential or private technical, financial or business information, and

(F) Tariff sheets as required by 4 CSR 240 14 040(2) for demand side programs that are promotional practices as defined by 4 CSR 240 14 010(6)(L)

(2) The electric utility's compliance filing may also include a request for nontraditional accounting procedures and information regarding any associated ratemaking treatment to be sought by the utility for demand side resource costs. If the utility desires to make any such request, it must be made in the utility's compliance filing pursuant to this rule and not at some subsequent time. If the utility desires to continue any previously authorized nontraditional accounting procedures beyond the three (3) year implementation period it must request reauthorization in each subsequent filing pursuant to this rule. Any request for initial authorization or reauthorization of these nontraditional accounting procedures must—

(A) Be limited to specific demand side programs that are included in the utility's implementation plan, and

(B) Include specific proposals that contain at least the following information

1 An explanation of the specific form and mechanics of implementing the proposed accounting procedure and any associated ratemaking treatment to be sought,

2 A discussion of the rationale and justification of the need for a nontraditional treatment of these costs,

3 An explanation of how the specific proposal meets this need for nontraditional treatment, and

4 A quantitative comparison of the utility's estimated earnings over the three (3) year implementation period with and without the proposed nontraditional accounting procedures and any associated ratemaking treatment to be sought

(3) The electric utilities shall make their initial compliance filings on a staggered basis in order of decreasing size of gross annual Missouri operating revenues from retail electric sales commission for calendar year 1991. The electric utility with the largest gross annual Missouri operating revenues shall make its initial filing seven (7) months (December 1993) after the effective date of this

chapter (May 5, 1993). The remaining electric utilities shall make their initial filings in successive increments of seven (7) months (December 1993) from the effective date of this chapter (May 5, 1993)

(4) The commission will establish a docket for the purpose of receiving the compliance filing of each affected electric utility. The commission will issue an order that establishes an intervention deadline, sets an early prehearing conference and provides for notice

(5) The staff shall review each compliance filing required by this rule and shall file a report not later than one hundred twenty (120) days after each utility's scheduled filing date that identifies any deficiencies in the electric utility's compliance with the provisions of this chapter, any major deficiencies in the methodologies or analyses required to be performed by this chapter and any other deficiencies which, in its limited review, the staff determines would cause the electric utility's resource acquisition strategy to fail to meet the requirements identified in 4 CSR 240 22 010(2)(A)—(C). If the staff's limited review finds no deficiencies the staff shall state that in the report. A staff report that finds that an electric utility's filing is in compliance with this chapter shall not be construed as acceptance or agreement with the substantive findings, determinations or analysis contained in the electric utility's filing

(6) Also within one hundred twenty (120) days after an electric utility's compliance filing pursuant to this rule the office of public counsel and any intervenor may file a report or comments based on a limited review that identify any deficiencies in the electric utility's compliance with the provisions of this chapter any deficiencies in the methodologies or analyses required to be performed by this chapter, and any other deficiencies which the public counsel or intervenor believes would cause the utility's resource acquisition strategy to fail to meet the requirements identified in 4 CSR 240 22 010(2)(A)—(C)

(7) All workpapers, documents reports data computer model documentation analysis letters, memoranda, notes, test results, studies recordings transcriptions and any other supporting information relating to the filed resource acquisition strategy within the electric utility's or its contractors' possession custody or control shall be preserved and made available in accordance with any protective order to the staff, public counsel and any intervenor for use in its review of the periodic filings required by this rule. Each electric utility shall retain at least one (1) copy of the officially adopted resource acquisition

strategy and all supporting information for at least ten (10) years

(8) If the staff public counsel or any intervenor finds deficiencies it shall work with the electric utility and the other parties to reach, within forty five (45) days of the date that the report or comments were submitted a joint agreement on a plan to remedy the identified deficiencies. If full agreement cannot be reached, this should be reported to the commission through a joint filing as soon as possible but no later than forty five (45) days after the date on which the report or comments were submitted. The joint filing should set out in a brief narrative description those areas on which agreement cannot be reached

(9) If full agreement on remedying deficiencies is not reached then within sixty (60) days from the date on which the staff public counsel or any intervenor submitted a report or comments relating to the electric utility's compliance filing, the electric utility may file a response and the staff public counsel and any intervenor may file comments in response to each other. The commission will issue an order which indicates on what items if any a hearing will be held and which establishes a procedural schedule

(10) If the utility determines that circumstances have changed so that the preferred resource plan is no longer appropriate either due to the limits identified pursuant to 4 CSR 240 22 070(10)(C) being exceeded or for other reasons, the utility, in writing shall notify the commission within sixty (60) days of the utility's determination. If the utility decides to implement any of the contingency options identified pursuant to 4 CSR 240 22 070(10)(D), the utility shall file for review in advance of its next regularly scheduled compliance filing a revised implementation plan

(11) Upon written application, and after notice and an opportunity for hearing, the commission may waive or grant a variance from a provision of this chapter for good cause shown

(A) The granting of a variance to one (1) electric utility which waives or otherwise affects the required compliance with a provision of this chapter does not constitute a waiver respecting or otherwise affect the required compliance of any other electric utility with a provision of these rules

(B) The commission will not waive or grant a variance from this chapter in total

(12) The commission may extend or reduce any of the time periods specified in this rule for good cause shown

(13) The commission will issue an order which contains findings that the electric utility's filing pursuant to this rule either does or does not demonstrate compliance with the requirements of this chapter, and that the utility's resource acquisition strategy either does or does not meet the requirements stated in 4 CSR 240 22 010(2)(A)—(C), and which addresses any utility requests pursuant to section (2) for authorization or reauthorization of nontraditional accounting procedures for demand side resource costs

*Auth sections 386 040, 386 610 and 393 140, RSMo (1986) and 386 250, RSMo (Cum Supp 1991) * Original rule filed June 12 1992 effective May 6 1993*

**Original authority 386 040 RSMo (1939) 386 250 RSMo (1939) amended 1963 1967 1977 1980 1987 1988 1991 386 610 RSMo (1939) and 393 140 RSMo (1939) amended 1949 1967*

**Rules of
Department of Economic
Development
Division 240—Public Service Commission
Chapter 80—Steam Heating Utilities**

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Title 4—DEPARTMENT OF
ECONOMIC DEVELOPMENT
Division 240—Public Service
Commission
Chapter 80—Steam Heating Utilities

4 CSR 240-80 010 Rate Schedules

PURPOSE This rule prescribes the form and governs the filing and publication of rate schedules of steam heating utilities regulated by the Public Service Commission

(1) Every steam heating company engaged in manufacturing and distributing and selling, for distribution or distributing steam for motive power, heating, cooking or for any public use or service, is directed not later than October 15 1913 to have on file with this commission and keep open for public inspection schedules showing all rates and charges in connection with such service of whatever nature made by such steam heating companies for each and every kind of service which it renders as were in force on April 15 1913 together with proper supplements covering all changes in the rate schedules authorized by this commission, if any, since April 15, 1913

(2) All rate schedules on file on October 15, 1913, with the commission, not in accordance with these rules, shall be issued in the form and manner prescribed by this rule and all rate schedules issued after October 15 1913 must conform to this rule

(3) Rate schedules shall be drawn up substantially in accordance with PSC Form No 16 and shall be plainly printed or typewritten on good quality of paper of size eight and one-half inches by eleven inches (8 1/2" X 11") in book sheet or pamphlet form A loose-leaf plan may be used so changes can be made by reprinting and inserting a single leaf When the loose-leaf plan is used all sheets, except the title page sheet must show, in the marginal space at top of page, the name of the heating company, the PSC number of the schedule and the number of the page In the marginal space at the bottom of the sheet shall be shown the date of issue effective date and the name, title and address of the officer by whom the schedule is issued All schedules shall bear a number with the prefix PSC Mo _____ Schedules shall be numbered in consecutive serial order beginning with number 1 for each steam heating company If a schedule or a part is canceled a new schedule or part (sheet(s) if loose-leaf) will refer to the schedule canceled by its PSC number; thus, PSC Mo No _____ canceling PSC Mo No _____

(4) Each schedule shall be accompanied by a letter of transmittal in duplicate if receipt is desired in the following form

LETTER OF TRANSMITTAL

(Name of steam heating company)
(Date)

To the Public Service Commission, State of Missouri, Jefferson City

The accompanying schedule issued by the _____ is sent to you for filing in compliance with the requirements of the Public Service Commission Law

PSC Mo No _____
Sup No _____ to PSC Mo No _____
Effective _____, 19 _____

(Signature and title of filing officer)

(5) Thirty (30) days' notice to the commission is required as to every publication relating to steam heating rates or service except where publications are made effective on less than statutory notice by permission, regulation or requirement of the commission

(6) Except as is otherwise provided, no schedule or supplement will be accepted for filing unless it is delivered to the commission free from all charges or claims for postage, the full thirty (30) days required by law before the date upon which such schedule or supplement is stated to be effective No consideration will be given to or for the time during which a schedule or supplement may be held by the post office authorities because of insufficient postage When a schedule or a supplement is issued and as to which the commission is not given the statutory notice, it is as if it had not been issued and a full statutory notice must be given of any reissuance No consideration will be given to telegraphic notices in computing the thirty (30) days' notice required In such cases the schedule will be returned to the sender and correction of the neglect or omission cannot be made which takes into account any time elapsing between the date upon which such schedule or supplement was received and the date of the attempted correction For rate schedules and supplements issued on short notice under special permission of the commission literal compliance with the requirements for notice named in any order, regulation or permission granted by the commission will be exacted

*Auth section 393 290 RSMo (1986)
Original rule filed Dec 19 1975 effective
Dec 29 1975 Amended Filed May 29
1986, effective Oct 27, 1986*

4 CSR 240-80 020 Uniform System of Accounts—Heating Companies

PURPOSE This rule prescribes a uniform system of accounts for all steam heating companies regulated by the Public Service Commission

Editor's Note The secretary of state has determined that the publication of this rule in its entirety would be unduly cumbersome or expensive The entire text of the rule has been filed with the secretary of state and is summarized here by the agency adopting it The entire text of the rule may be found at the headquarters of the agency and is available to any interested person at a cost not more than the actual cost of reproduction

(1) The uniform system of accounts for steam heating companies with the text pertaining thereto, embodied in printed form prescribed for the use of heating companies engaged in manufacturing and distributing and selling for distribution or distributing hot or cold water, steam or currents of hot or cold air for motive power, heating, cooking or for any public use or service in any city town or village in the state of Missouri and every heating company within the state not engaged in operation Each heating company shall be required to keep all accounts in conformity therewith

(2) The uniform system of accounts for heating companies is arranged so that it contains only the necessary accounts which those utilities must keep It consists of—balance sheet accounts fixed asset accounts operating revenue accounts operating expense accounts and instructions pertaining to deductions from gross income

(3) For the purposes of improving the efficiency of administration and operation any heating company, unless otherwise ordered may keep upon its books any temporary or experimental accounts and any accounts covering particular divisions of its operations provided that in respect of each such temporary, experimental or divisional account the heating company shall file with the Public Service Commission at least ten (10) days in advance of the time when the account is to be instituted, a statement showing the name of the account the date when it is to be instituted, the purpose for which it is to be kept the period of time during which it is to be kept and a clear and accurate definition of the classes of items and facts to be contained in the account and in case of a divisional account, the definition of the division covered Upon compliance with the provisions of this section



any account herein prescribed or defined may be subdivided

(4) All notices required to be filed with the commission concerning accounts shall be upon sheets eight and one-half inches by eleven inches (8 1/2" X 11") in size and shall be entitled with the name of the heating company filing notices, followed by a brief statement of the character of the accounts covered by the notice

(5) The uniform system of accounts for heating companies shall become effective on January 1, 1915

(6) Each heating company shall have and keep an office in this state, in which all accounts, records, memoranda, books and papers carried in pursuance of any requirements of law shall be kept. No such accounts, records, memoranda, books or papers shall at any time be removed from this state, except upon such conditions as may be prescribed by the commission

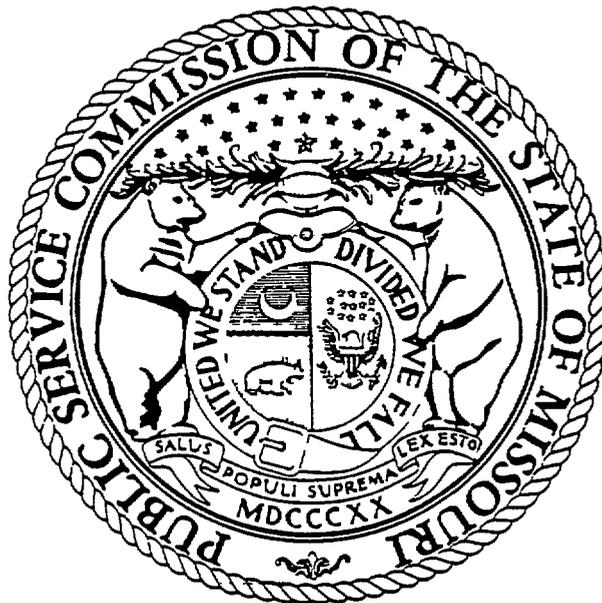
(7) Annual reports for all heating companies subject to regulations by this commission shall be filed with the commission on or before April 15 following the year for which the report is made

*Auth section 393 140 (4), RSMo (1986)
Original rule filed Dec 19, 1975, effective
Dec 29 1975 Amended Filed April 26,
1976, effective Sept 11, 1976*

Attachment 3:

Manual of Internal Procedures,
Missouri Public Service Commission

*Manual of
Internal Procedures*



**Missouri
Public Service
Commission**

MISSOURI PUBLIC SERVICE COMMISSION

INTERNAL PROCEDURES

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INFORMATION OFFICE PROCEDURES

- PURPOSE** To establish procedures for issuing news releases and for answering media inquiries
- SUSPENSIONS** When a case is suspended and intervention deadline set, the Information Office will issue its first news release.
- In addition to explaining what has been requested, the news release should contain any filing deadlines and geographical information outlining the area which is affected.
- The purpose of the news release is to convey enough information to consumers to allow them to gauge the request's impact on their personal lives
- The news release should be sent to the media in the affected service area and also to any other news media which might aid in disseminating the information.
- STAFF FILINGS** Information Office will not prepare news releases on testimony filed by the Commission's Staff unless a request is made by the attorney handling the case, the staff members who prepared the testimony, or the Commission. In major rate cases or other cases of unusual impact, the Information Office will ask the Commission at least five (5) days before the Staff filing whether a news release should be issued.
- FINAL ORDERS** The Information Office issues news releases on all final orders except those relating to financial matters
- MEDIA INQUIRIES** The Information Officer will handle inquiries from the media about specific Commission matters. If the Information Officer is not able to answer the questions asked, he or she will either have the appropriate PSC employee return the call or else transfer that particular call to the appropriate PSC employees.

Revised Effective August 30, 1991

INCIDENT REPORTS

- PURPOSE** To prescribe standardized procedures for the preparation, Staff approval, and filing of Gas, Electric, or Steam Incident Reports prepared by the Energy Department pursuant to a formal incident investigation
- PROCEDURE** Effective with the date of this policy, each Gas, Electric or Steam Incident Report shall be filed in a public docket in accordance with the following procedures:
- A As soon as it is reasonably possible after a formal incident investigation is initiated, the General Counsel's Office shall, at the request of the Energy Department, file a motion with the Commission, stating the facts known at that time and requesting that a docket be established for the purpose of receiving the Incident Report pertaining to the incident investigation
 - B The Commission Order establishing the docket shall include an Ordered Section directing the Energy Department to file its Incident Report within 120 days from the date the docket is established, unless otherwise ordered by the Commission.
 - C. When the Energy Department forms a belief that violations may have occurred, it shall inform the Office of the General Counsel of the probable violations. The Energy Department shall make this assessment prior to the forwarding of the draft FACTS section of the Incident Report to the involved operator or other involved parties.
 - D. In the preparation of the Incident Report, the Energy Department shall submit a draft of the appropriate portions of the FACTS section of the Incident Report to the involved operator and other involved parties at least 28 days before the Incident Report is to be filed with the Commission, if possible. Fourteen days, if possible, should be allowed for review and comment, in order to insure the accuracy of said fact.

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- E Upon completion of the draft Incident Report, the Energy Department shall forward a copy of the Incident Report to the Manager of the Energy Department, the Director of the Utility Operations Division, and the Office of General Counsel, allowing at least 7 days, if possible, for review and approval
- F Each Incident Report shall contain a one or two page SYNOPSIS section which summarizes the key Staff findings and recommendations.
- G Following the final Staff approval of the Incident Report, the following actions shall be taken
- 1 The General Counsel's Office shall file the original and 14 copies of the Incident Report, and obtain a "filed" stamping on additional copies as requested by the Energy Department
 - 2 The Records Department of the Commission shall stamp "filed" all copies of the Incident Report submitted and place the original Incident Report in the official case papers
 - 3 The Records Department of the Commission shall forward a copy of the Incident Report to
 - 1 Each Commissioner
 - 2 The Hearing Examiner assigned
 3. The General Counsel's Office
 - 4 The Utility Operations Division Director
 - 5 The Information Office
 - 6 The Central File
- All extra copies of the Incident Report shall be returned to the Energy Department
4. The General Counsel's Office shall forward a copy of the Incident Report to the involved operator, parties of record, and other interested persons as designated by the Energy Department At least one copy of the Incident Report should be sent to the involved operator by overnight mail Upon the request of the Energy Department, the General Counsel's Office by separate letter may informally request that the involved operator or other interested persons make a written response to the Staff on the recommendations which may be

contained in the Incident Report. Such informal request should allow at least 30 days for response. The Hearing Examiner assigned shall be provided a copy of the letter containing the informal request.

- 5 Upon the request of the Energy Department, the General Counsel's Office may by motion request that the Commission order the involved operator to file a response to the recommendations contained in the Incident Report. Such order should allow at least 30 days from the filing date of the Incident Report for response, unless otherwise ordered by the Commission.
 - 6 At such time when Staff has received and reviewed the response or responses to the recommendations in the Incident Report, Staff shall file a recommendation that the docket be closed, or stating that there is reason to leave the docket open.
 - 7 After Staff has filed its recommendation, the Hearing Examiner shall prepare a proposed order for the Commission.
 - 8 When so recommended in the Incident Report, the General Counsel's Office shall file a complaint with the Commission based on the allegations contained in the Incident Report. The complaint shall be filed simultaneously with the Incident Report, unless the Commission instructs otherwise. The General Counsel's Office shall forward at least one copy of the complaint to the involved operator by overnight mail, facsimile, or other expeditious delivery arranged with the operator.
- H If a complaint is filed, the Information Officer will issue a press release within one day of the filing date of the complaint. If a press release is issued, the Information Officer will take appropriate efforts to see that the involved operator is advised of the press release, and provide a copy of the press release to the operator as soon as possible.

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MANAGEMENT AUDITS

PURPOSE To prescribe a standardized procedure for commencement of a management audit, conduct of the audit itself, its filing and release, and the management audit follow-up process.

- PROCEDURES**
1. Effective with the date of this procedure, management audits shall be commenced as follows:
 - A By order of the Commission in conjunction with the issuance of a rate decision
 - B. By order of the Commission on its own motion or in response to a motion of the Staff or other party. Prior to filing with the Commission a motion which requests that a management audit be conducted, the Management Services Staff will contact company officials and discuss with them the impending proposal
 - 2 A Commission order for a management audit shall be issued under an investigatory docket styled as follows. In the matter of a management audit of _____.
 - 3 The Commission order will direct any party filing formal documents in the case to also serve such documents upon the officers of the collective bargaining units of the company
 4. The Commission order shall specify the scope of the management audit, whether it is to be conducted by Staff or by a management consultant, and the responsibilities of the Staff, company, and consultant (if applicable).
 - 5 The Commission order shall address the conduct of the management audit, the filing of both the management audit report and the company's implementation plan, and the management audit follow-up process.
 - 6 Subsequent to the filing of the management audit report and the company's implementation plan, the scheduling of an on-the-record conference may be directed.

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7 All Commission ordered management audits shall be conducted in accordance with generally accepted auditing standards related to legal and regulatory compliance and management economy, efficiency, and effectiveness as defined in the Consultant Standards and Ethics for Performance of Management Analysis, published by The National Association of Regulatory Utility Commissioners (November 15, 1989).

8 The investigatory docket initiating a management audit shall normally remain open until the audit follow-up process is complete and the audit recommendations have been implemented by the company.

STAFF-
CONDUCTED
AUDIT

9. If the management audit is to be conducted by Staff, the review of the draft management audit report, the filing and release of the final report, and the management audit follow-up process shall be as follows

A. Upon completion of its investigation the Management Services Department will prepare a draft report, designate it confidential, and take the following action

(1) Prior to sending the draft report to the company, provide copies to appropriate Commission staff for review and comment, including, but not limited to, the Executive Secretary, Director of Policy & Planning, Utility Division Directors, General Counsel, and Chief Hearing Examiner

(11) Provide copies of the draft report to the company for review and comment

(111) Request the company's written comments on the draft report within two weeks of distribution

(1V) If determined necessary, meet with company representatives to discuss the draft report. A representative from the General Counsel's office may accompany Staff at such a conference

B Subsequent to receipt of the Company's comments on the draft, the Management Services Department will prepare a final report and take the following action

- (1) Distribute copies of the final report, designated confidential, to the Commission, Executive Secretary, Director of Policy & Planning, Utility Division Directors, General Counsel, Chief Hearing Examiner and company.
- (11) Specify the date by which the company shall submit its implementation plan (within thirty or sixty days from submission of the final report depending upon the length and complexity of the final report).
 - (111) Arrange to have the management audit report and the Company's implementation plan filed with the Executive Secretary. The filed documents will be considered public unless otherwise directed by the Commission.
 - (112) Review the company's implementation plan as to its responsiveness to the management audit report and file comments with the Executive Secretary as warranted.
 - (113) When directed by the Commission, schedule an on-the-record conference within ten to thirty days after receiving the company's implementation plan.

C In order to facilitate the management audit follow-up process

- (1) The company will be required to file regular status reports, beginning six months after the filing of the final report, to provide information on its progress in implementing the audit recommendations. Such reports shall continue until the Staff and company agree that all recommendations have been implemented, unless otherwise ordered by the Commission.
 - (11) The company will be required to file a completed project report when all audit recommendations have been implemented.

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D. Periodic implementation reviews may also be scheduled and conducted by Staff as a part of the audit follow-up process to assess the extent to which the company has achieved the objectives of the audit recommendations.

(1) The review procedure of the draft implementation review report shall be carried out in the same manner as the draft management audit report (see section 9 A of this policy).

(11) Subsequent to its meeting with company representatives, the Management Services Department will prepare a final report and file it with the Executive Secretary

CONSULTANT-
CONDUCTED
AUDITS

10 If the management audit is to be conducted by a consultant, the Commission order will include provisions for the development of the request for proposal (RFP), process, Staff assistance and supervision during the entire audit process, the filing and release of the final report, and the conduct of the management audit follow-up process

A The Commission order will also include provisions for the contractual relationship between the company and the consultant (with the Commission interests noted), and the company's responsibility for payment of all costs of the consultant

B. Upon completion of its investigation, the consultant will prepare a draft report, designate it confidential, and unless otherwise directed by the Commission's order, take the following actions

(1) Provide copies of the draft report to Staff and the company for review and comment.

(11) Obtain written comments from Staff and the company on the draft report within three weeks of its distribution

(111) If determined necessary, meet with the company and Staff within two weeks after having received the written comments to discuss the audit findings

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- C The final report will be prepared, designated confidential, and provided to Staff and the company
 - D The filing of both the consultant's management audit report and the implementation plan, the scheduling of the on-the-record conference and the conduct of the audit follow-up process will be the same as for Staff-conducted audits (see section 9 B (11-v) and 9 C. of this policy).
- 11 The above sections 1 - 10 represent the procedure to be followed regarding management audits, unless specifically amended by a Commission order related to a specific management audit investigatory docket.

Revised Effective October 11, 1991

NOTIFICATION OF PROCEEDINGS

PURPOSE To prescribe standardized procedures for the determination of parties to whom notices and orders should be sent by the Executive Secretary in all cases pending before the Commission with the exception of utility rate cases. A procedure for utility rate case notifications has been issued separately.

- PROCEDURE
- 1 Notification of proceedings in cases, with the exception of utility rate cases, will be as follows:
 - A. Certified copies to attorneys of record of all parties and Public Counsel.
 - B. Uncertified copies to other persons as listed in the service list in the case file.
 - 2 Service List
 - A. The Records Department Manager will ensure that parties or persons designated to receive notice in all cases are listed on a service list filed in the case papers and, when appropriate, on the letter of transmittal. The service list shall be the first or top item in the file to be read. All requests for addition to the service list shall be in writing and shall be referred to the Records Department for approval. The employee in the Records Department who adds a name to the service list shall indicate his or her identity in the column provided for that purpose. In the event a name is to be deleted from the service list, the person performing that deletion shall line out the name in red ink and indicate his or her identity.

Revised Effective August 30, 1991

NOTIFICATION OF PROCEEDINGS - UTILITY RATE CASES

PURPOSE

To prescribe standardized procedures for the determination of parties to whom notices and orders should be sent by the Records Department in all general utility rate cases pending before the Commission. A procedure for case notifications in all other cases pending before the Commission is provided in IP-4. The notification prescribed herein may also be determined to be appropriate for other cases of general or widespread interest. An example is the proposed sale of an entire system to a municipality, after which the utility proposes to discontinue service.

RECORDS
DEPARTMENT

1 Notification of proceedings in general UTILITY rate cases and other cases determined appropriate will be as follows

A Orders suspending proposed general rate tariff filings will be sent to the following

- 1) The utility company (companies),
- 2) The companies' attorneys,
- 3) The Public counsel,
- 4) The mayor of each city in the company's Missouri service area,
- 5) The presiding commissioner of each county commission in the company's Missouri service area,
- 6) The Jackson County Executive or St. Louis County Executive if those counties are in the service area,
- 7) Other parties designated by the Commissioners, the Director of the Utility Services Division and the Director of the Utility Operations Division, and other staff members, as required.

RECORDS
DEPARTMENT AND
INFORMATION
OFFICE:

B Notice of orders suspending proposed general rate tariff filings will be sent to the following

- 1) The publisher of each newspaper located in the Missouri counties in which the company provides service, as listed in the newspaper directory of the current Official Manual of the State of Missouri.
- 2) The members of the General Assembly representing the company's Missouri service area.

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C Orders or notices issued subsequent to the cutoff date for interventions will be sent to the following:

- 1) The utility company (companies),
- 2) The companies' attorneys,
- 3) The Public Counsel;
- 4) Attorneys for intervenors;
- 5) Other parties designated by the presiding officer or otherwise included in the service list pursuant to subsection 3 of this policy (below)

2 Notification of proceedings in all other utility tariff filings will be determined on a case-by-case basis

3 Service List

- A) The Records Department will ensure that parties or persons designated to receive notice in all cases are listed on a service list filed in the case papers and, when appropriate, on the letter of transmittal. The service list shall be the first or top item in the file to be read. All requests for addition to the service list, shall be written and shall be referred to Records Department for approval. The employee in the Records Department who adds a name to the service list shall indicate his or her identity in the column provided for that purpose. In the event a name is to be deleted from the service list, the person performing that deletion shall line out the name in "red" and indicate his or her identity in "red" also.
- B) Requests by members of the Commission or the Commission Staff seeking additions or deletions shall be sent in writing to the Records Department.

4 Subsequent interventions

In the event that an intervention is filed with and granted by the Commission subsequent to the issuance of any orders in any case before the Commission, the Records Department will ensure that copies of all such previously issued orders are sent to such intervenors.

Revised Effective January 17, 1992

ASSIGNMENT OF CASES TO HEARING EXAMINERS

PURPOSE To prescribe procedures for the timely assignment of docketed cases to Hearing Examiners

- PROCEDURE
- 1 When applications or other initial pleadings are made which comply with IP-8, "Acceptance of Pleadings for Filing and Immediate Handling", they shall be stamped filed and docketed by the Records Department. A copy of the filing and docket number shall be transmitted to the Chief Hearing Examiner for assignment.
 - 2 All tariffs shall be filed and distributed as required by IP-18, "Tariff Filings". When a tariff filing becomes a docketed case, it will be assigned in accordance with paragraph 3.
 - 3 The Chief Hearing Examiner shall be responsible for assigning cases to individual hearing examiners. The Chief Hearing Examiner shall assign each docketed case to a hearing examiner within one working day of receiving the case from the Records Department and shall inform the Records Department of the assignment on the same day the assignment is made. The Chief Hearing Examiner may delegate this responsibility as required.
 - 4 The Commission may reassign a docketed case as it deems appropriate.

Revised Effective August 30, 1991

ADMINISTRATION - CASE NUMBERS

PURPOSE To prescribe standardized procedures for the assignment of numbers to cases which will provide information as to the type of company and the type of case through the alphabetical prefix to the number

- PROCEDURE**
- 1 Beginning EFFECTIVE DATE OF IP, all case numbers assigned by the Records Department will indicate the type of company, the type of case, the fiscal year, and the sequence number of case within the fiscal year. Thus, a rate case filed by a water Company on July 1, 1991, would be assigned the case number: WR-92-1, wherein the W indicates the type of company (water), and R indicates the type of case (rate), the number 92 indicate fiscal year 1992, and the number 1 indicates that this is the first case filed in the fiscal year
 2. The following letters will be used to identify the types of companies
 - E - Electric
 - G - Gas
 - H - Heating
 - S - Sewer
 - T - Telephone
 - W - Water
 - A - All utilities
 - O - Other
 - M - Manufactured Housing
 - 3 The following letters will be used to identify the type of case
 - A - Certificate of Authority
 - C - Complaint
 - D - Discontinuance of Service
 - F - Finance
 - M - Merger or Sale
 - R - Rate
 - S - Safety
 - T - Tariff
 - O - Other (Cost of Service Studies, etc)
 - X - Rulemaking
 - 4 To assist the Commissioners and members of the Staff who work with case numbers, Attachment A provides a ready reference on the new case number system.

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A T T A C H M E N T A

TYPE OF COMPANY

E - Electric
G - Gas
H - Heating
S - Sewer
T - Telephone
W - Water
A - All Utilities
O - Other
M - Manufactured Housing

TYPE OF CASE

A - Certificate of Authority
C - Complaint
D - Discontinuance of Service
F - Finance
M - Merger or Sale
R - Rate [or Tariff]
S - Safety
T - Tariff
O - Other (Cost of Service
 Studies, etc)
X - Rulemaking

E - Type of Company
R - Type of Case
92 - Fiscal Year
13 - Sequence Number

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ACCEPTANCE OF PLEADINGS FOR FILING AND IMMEDIATE HANDLING

PURPOSE. To prescribe standardized procedures for determining if applications to the Commission or other initial pleadings comply with the Commission's Rules and applicable statutes to permit filing and issuance of a case number

- PROCEDURE**
- 1 All applications, and other pleadings, filed with the Executive Secretary must comply with the Commission's Rules and the Missouri Statutes concerning the contents and attachments to such pleadings
 - 2 Receiving personnel shall check applications for completeness using check lists based on the provisions of
 - 4 CSR 240-2 040
 - 4 CSR 240-2 060
 - 4 CSR 240-2 070
 - 4 CSR 240-2 080
 3. If there are any material deficiencies, the pleadings will be returned to the sender, without assignment of a case number and accompanied by a brief description of the deficiency
 - 4 Questions concerning the compliance of a filing or pleading with Commission rules shall be directed to the Chief Hearing Examiner or Deputy Chief Hearing Examiner This includes complaints.
 5. Before a complaint is stamped filed it shall be provided to the Chief Hearing Examiner or the assigned Hearing Examiner to determine whether it should be docketed. Complaints which do not involve the providing of service by a utility to a customer shall be forwarded to the General Counsel's office for a determination of Commission jurisdiction.
 - 6 This procedure for determining whether a filing should be accepted does not preclude a later determination that the case should be dismissed for substantive or other reasons

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RULEMAKING

- PURPOSE** To prescribe standardized internal procedures for rulemaking by the Commission pursuant to the Missouri Administrative Procedures Act. These procedures do not apply to cases established to develop proposed rules.
- EXCEPTION** These procedures apply to all rulemakings except for rules involving manufactured housing. Manufactured housing rules must follow the procedures in Section 700.040 and Executive Order 93-12.
- PROCEDURE WITHIN AGENCY**
- 1 Any person preparing a rule must be thoroughly familiar with Chapter 536 RSMo and the Rulemaking Manual For State Agencies published by the Secretary of State's Office.
 - 2 In determining whether to institute any internally-generated rulemaking proceeding, the Commission may informally solicit information from, and consult directly with, appropriate Commission Staff at any time prior to the filing of the proposed rule with the Secretary of State.
 - 3 If the Commission desires to generate a rule, it shall direct the Executive Director to draft a proposed rule. The Executive Director shall direct the appropriate Division Directors to establish a working group to draft the rule. The Working Group shall include an attorney from the General Counsel's Office. Revisions to Chapter 2 will include a Regulatory Law Judge in the working group.
 - 4 If a rulemaking proposal originates from the Staff, the appropriate Division Director shall prepare a memorandum describing the content and purpose of the proposed rule and submit it to the other Division Directors and the Executive Director for discussion and a decision on whether to draft a proposed rule.
 - 5 When the draft of any proposed rule is complete, it shall be circulated to the Executive Director and Division Directors. After review by the Executive Director and Division Directors, the Executive Director will circulate the draft to the Commission and place the draft rule on the Agenda for Commission consideration of whether to solicit informal industry comments.
 - 6 If comments are solicited the working group will review the comments and revise the draft rule accordingly. The draft rule will then be reviewed by the Executive Director and Division Directors. The revised draft will contain the original language removed in brackets and new language added redlined and Staff shall prepare a summary of industry comments.

- 4 If the investigation shows that the costs have exceeded the estimate in the rule, amendment or rescission by ten percent or, where appropriate, the estimated five hundred dollars, the General Counsel's Office shall prepare the appropriate filing to be made with the Secretary of State. The filing shall be prepared within sixty days after the end of the first full fiscal year of the rule, amendment or rescission.
- 5 The General Counsel shall forward the filing to the Chief RLJ for Commission review and filing with the Secretary of State.
- 6 Once the Commissioners approve the filing the Chief RLJ shall provide a copy of the filing to the Records Department and shall make the filing at the Secretary of State.

Assigned to _____
Regulatory Law Judge

Proposed Rule, Amendment, or Rescission

4 CSR 240- _____

Case No _____

SCHEDULE FOR FORMAL RULEMAKING PROCESS

DATE	ACTIVITY
_____	Petition for proposed rule, amendment or rescission filed, docketed and assigned to a Regulatory Law Judge *
_____	Proposed rule approved by Commission for publication filing with the Secretary of State
_____	Internally generated rule docketed after vote by Commissioners
_____	Proposed rule formally filed with Secretary of State
_____	Proposed rule published in Missouri Register
_____	Comments due to the Commission no less than 30 days after publication in the Missouri Register
_____	Hearing scheduled, if applicable
_____	Draft of rule and summary of comments submitted by the Regulatory Law Judge to Commission for approval
_____	Adoption of order of rulemaking and summary of comments by Commission
_____	Order of rulemaking filed with ARD within 90 days of comments or hearing
_____	Publication in Missouri Register

*If fiscal note not included, Regulatory Law Judge refers petition to affected divisions for preparation of fiscal note

PREPARATION OF HEARING TRANSCRIPTS

PURPOSE This policy is to provide an effective procedure for maintaining full and true records of all proceedings of the Commission as required by Chapters 386 thru 393, RSMo (1986) as revised and for the timely filing of these records as required

PROCEDURES The following procedures will be utilized in carrying out this policy

- 1 The Reporting Department staff shall provide the official transcripts whenever possible. In the event the Reporting Department staff is unable to provide reporting and transcribing service, the Chief Hearing Reporter shall make arrangements for such services by outside (non-Commission employees) reporters
- 2 As a general rule, transcripts of all hearings of cases which have statutory time limits for resolution will be filed by the Chief Hearing Reporter within two weeks after the conclusion of the hearing. Other cases will be filed as soon as practicable after the hearing is concluded
- 3 If any party to a proceeding believes that there is a need for expediting the completion and filing of the transcript, that party's attorney should ask the hearing examiner in writing for an expedited transcript at least five days prior to the date of hearing. The hearing examiner will then consult with the Chief Hearing Reporter and decide whether the expedited transcript can, and should, be directed
- 4 If the Commission or the examiner needs the transcript of a particular proceeding to be prepared and filed on an expedited basis, the examiner shall make arrangements for the expedited transcript with the Chief Hearing Reporter at least five days in advance of the hearing
- 5 If a conflict arises concerning the priority of preparing and filing transcripts of two or more

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cases, due to the inability of the reporting department to complete the transcripts in question by the desired transcript filing dates, the Chief Hearing Examiner shall determine the priority in which the transcripts are to be prepared. The Chief Hearing Examiner will notify the Chief Hearing Reporter as to the order of preparing the transcripts, whether an outside reporting service is required and who shall bear the cost of the outside reporting service

6 Whenever it is determined that the Reporting Department staff is unable to produce a transcript in the time required by the Commission, outside (non_PSC) reporting services may be utilized. The following procedure is to be followed in those instances

A The Chief Hearing Reporter shall make all arrangements for the reporting and transcribing of cases by outside (non-Commission employee) reporters. The terms and conditions of the employment of the outside reporter shall be set out in a contract to be entered into between the Commission and the outside reporting service, or the outside reporting service and the company, and shall explicitly include the following

- 1) The outside reporter is the official reporter of the Public Service Commission for purposes of the case which he or she is hired to report, and is not the employee or agent of any party to that case,
- 2) The Chief Hearing Reporter and the outside r e p o r t i n g s e r v i c e should explicitly agree as to whether the outside reporting service will report the entire case or will share reporting responsibility with staff reporters, and shall agree as to any minimum or maximum number of days of the hearing or

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per week which the outside reporting service shall report and be compensated for;

- 3) The time within which the transcript is to be delivered by the outside reporting service to the Chief Hearing Reporter shall be explicitly agreed upon;
 - 4) The outside reporting service shall operate under the supervision of the Chief Hearing Reporter as to the format of the transcript and shall follow the directives of the hearing examiner as to the conduct of the hearing. The Chief Hearing Reporter shall make corrections to the transcript as directed by the hearing examiner;
 - 5) The outside reporting service shall prepare one original transcript, without copies, and shall submit that transcript to the Chief Hearing Reporter and not directly to any party to the case,
 - 6) The Chief Hearing Reporter will have the transcript copied and distributed to the parties
- B If an outside service is to be compensated by a utility company or a party to the case, the Chief Hearing Reporter will submit a contract to the outside reporting service and the utility or party who will bear the cost of the reporting service. The Commission shall review the contract to determine if the required conditions are included.
- C Any party or counsel with questions or complaints about the quality of the record of the case or about the timing of filing the transcript should address those matters in writing to the hearing examiner

- D When the Commission requires an outside reporting service and will bear the cost of such service, it must utilize the standard contract entered into by the Department of Economic Development or a standard contract which the Commission has put out for bid. A copy of the contract is at pages 5 and 6 of this IP. When the Commission has determined a utility company or a party to a case will bear the cost of the transcript, the Commission, company and court reporting service shall utilize the contract included in this IP at pages 7 and 8.

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CONTRACT

THIS AGREEMENT, entered into this _____ day of _____, 19__, by and between the Missouri Public Service Commission, hereinafter referred to as the "Agency", and _____, hereinafter referred to as the "Contractor", witnesseth that

WHEREAS, it is the intention of the Agency to use the services of a court reporter to accurately record the technical testimony occurring in public hearings

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements hereinafter set forth, the parties hereto, and legally intending to be bound thereby, do covenant and agree for the themselves and their respective successors and assigns as follows

- 1 The Contractor agrees to provide the services of a registered professional reporter and/or certified court reporter and/or certified shorthand reporter and/or graduated shorthand reporter, who shall be competent, able to accurately record technical testimony, and deliver a correct and accurate transcript within the time specified by the Commission.
- 2 The Contractor is under the sole and exclusive control and direction of the Agency for the services rendered under this contract and the Contractor will prepare and provide only one (1) original copy of the transcript That one (1) original transcript will be provided to the Agency and no other person, including the Company
- 3 For the services stated above, the Contractor shall be compensated in the following manner

Original transcript priced per page

30-day service	\$ _____
15-day service	\$ _____
7-day service	\$ _____
24-hour service	\$ _____
Attendance per hour	\$ _____
Attendance per hour - no transcript required	\$ _____

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- 4 Travel mileage and meals are to be reimbursed to the Contractor at actual and reasonable prices in accordance with Office of Administration travel regulations (Maximum for travel is 20 5 cents per mile.)
- 5 The Contractor agrees that the final judge of the quality of services provided hereunder shall be the Agency
- 6 The Agency shall have exclusive and sole authority over the method, manner and product of Contractor and the Contractor will follow the direction of the Commission Chief Hearing Reporter as to the format of the transcript and abide by the decision and direction of the Commission Hearing Examiner as to the conduct of the hearing
- 7 The period of performance of the court reporting shall commence on _____.
- 8 Upon completion of the service required hereunder, the Contractor agrees to submit a detailed invoice itemizing all charges and attaching receipts of actual costs, when applicable Upon the receipt by the Agency of accurate transcripts and any copies required, and upon receipt of the invoice described above, the Contractor will be entitled to payment for services rendered.
- 9 In no event will the total charges for this contract exceed \$10,000 00 without prior written approval of the Division of Purchasing and the Agency

Contractor Date

Missouri Public Service Commission Date

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CONTRACT

The _____,
(hereinafter, Company), _____,
(hereinafter, Reporting Service) enter into this agreement this _____ day of _____, 19 ____

WHEREAS It has been determined by the Missouri Public Service Commission and the Company that an outside reporting service is required to complete the transcript in Case No _____ in the time limits required

WHEREAS The Company has agreed to be solely and exclusively responsible for any and all costs of producing the transcript in Case No _____

THEREFORE The parties have agreed and covenanted as follows

- 1 That Reporting Service will be the official court reporter for the portion of the transcript which it prepares in Case No. _____
- 2 That Reporting Service agrees to provide the services of a registered professional reporter and/or certified court reporter and/or certified shorthand reporter and/or graduated shorthand reporter, who shall be competent, able to accurately record technical testimony and deliver a correct and accurate transcript within _____
- 3 That Reporting Service is under the sole and exclusive control and direction of the Public Service Commission for the services rendered under this contract and that Reporting Service will prepare and provide only one (1) original copy of the transcript That one (1) original transcript will be provided to the Commission and no other person, including the Company
- 4 That Public Service Commission shall have exclusive and sole authority over the method, manner and product of Reporting Service and that Reporting Service will follow the direction of the Commission Chief Hearing Reporter as to the format of the transcript and abide by the decision and direction of the Commission's Hearing Examiner as to the conduct of the hearing
- 5 That Reporting Service agrees to provide service as necessary

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FILING REQUIREMENTS OF COMMISSION ORDERS ON APPEAL

PURPOSE Once the Commission issues a report and order or a session order and denies an application for rehearing, the Commission's case file is not necessarily complete. If a writ of review or a writ of prohibition is sought by a party regarding an order of the Commission, then the case file should reflect such and the ultimate disposition of any writ. It is necessary that the Commission's official records reflect any writs sought at circuit court, appeals thereof and their ultimate disposition, so that all interested persons are fully aware of or can become fully aware of the status of Commission orders.

GENERAL COUNSEL The Commission's General Counsel shall file two copies of the following documents with the Records Department.

- * Writ of review of Commission orders
- * Writ of prohibition
- * Orders or judgments of the circuit court on any writ of review or writ of prohibition
- * Notices of appeal from orders of judgments of the circuit court ruling on Commission actions or orders
- * Appellate opinions on Commission actions or orders

RECORDS DEPARTMENT The Records Department shall provide one copy of the document to the Chief Hearing Examiner. The Records Department shall place the other copy of the document in the appropriate case papers.

GENERAL COUNSEL. The attorney assigned to the case shall prepare an agenda discussion form, set out in Attachment A, concerning any order or judgment of a circuit court or appellate court and shall place the matter on the Commission's agenda for discussion.

Revised Effective April 3, 1992

DATE. _____

AGENDA ITEM PRE-DISCUSSION FORM

1 Name of person placing item on agenda _____.

2 Description of item _____

_____ /
for "Other Discussion" "Litigation" "Closed Meeting" (Circle One)

on _____ (date on agenda).

3 Summary of item _____

4 What Commission action/response is being sought _____

5 Length of presentation _____

6 Can the item be continued, if necessary (yes/no) and by what date is
Commission action required _____.

7 List other Staff who should be called to the agenda for discussion

_____.

Revised Effective April 3, 1992

"SPIN-OFF" DOCKETS

PURPOSE This IP is to prescribe the initial assignment of spin-off dockets and how those dockets are to be established. A spin-off docket is a case established by an order in another case before the Commission.

COMMISSION AND HEARING EXAMINER: An ordered paragraph in the order creating the proceeding should state the number of the new case, its style, and a brief description of its purpose. The hearing examiner preparing the order should also draft a separate initiating order for the new case. The initiating order should state the origin and purpose of the docket, those entitled to notice, and a recitation of any necessary parties. The initiating order should also specify the initial action such as a recommended method of procedure being filed within a specified time by the party requesting the docket, or the setting of a prehearing conference to arrive at a method of procedure.

EXECUTIVE SECRETARY The spin-off docket shall be assigned to the same hearing examiner who handled the primary case from which the new docket was created. In the newly created file the Executive Secretary will place only the initiating session order.

Revised Effective August 30, 1991

FEES - FINANCE APPLICATIONS

PURPOSE To prescribe standardized procedures for determining if the fee schedule in Section 386.300 1(5), RSMo 1986, applies to applications requesting authorization to issue bonds, notes or other evidence of indebtedness

FINANCIAL ANALYSIS The Financial Analysis Department shall review the application and send a copy of the Department's recommendation regarding the application to the Internal Accounting Department.

INTERNAL ACCOUNTING The Internal Accounting Department shall review the application and inform the Financial Analysis Department whether statutory fees are applicable to the proposed financing. This information will be reflected in Staff's memorandum concerning the application.

HEARING EXAMINER The Hearing Examiner, if the statutory fees are applicable, shall include in the order approving the application language directing the applicant to submit to the Internal Accounting Department within thirty (30) days of the closing of the authorized transaction, a verified report containing journal entries recording the issuance and utilization of the proceeds of said issuance.

INTERNAL ACCOUNTING Internal Accounting will bill the applicant for fees owed.

Revised Effective April 13, 1994

PROCEDURE FOR TAX IMPACT INFORMATION

PURPOSE Sections 393 190 and 392 300, RSMo 1986, and Commission rules 4 CSR 240-2.060(3)(F) and (4)(E) require a utility which is seeking Commission approval and permission to sell, assign, lease, transfer, merge, consolidate or otherwise dispose of any of its assets used in the public service to file with the application a statement as to what impact the action proposed will have on the tax revenues of the political subdivision in which any of the property is located. The Commission must then send a copy of the statement to the county clerk of the county in which the political subdivision is located

RECORDS DEPARTMENT Check each application for sale, assignment, lease, transfer, merger, consolidation or other disposition of utility assets for a statement concerning the impact such action will have on the tax revenues of any political subdivision in which said assets are located. Return to applicant if information is not included. If tax information is included in application or when it is provided, send a copy of the statement to the county clerk of the county in which the political subdivision is located. Place a copy of the transmittal letter in the general file

HEARING EXAMINER When assigned a case involving an application seeking Commission permission and approval of the actions listed in Sections 392 300 and 393 190, RSMo 1986, ensure the county clerk has been sent a copy of the statement concerning the tax revenue impact of the proposed action

Revised Effective January 17, 1992

PROCEDURE FOR TARIFF INCREASES OF MORE THAN 7%

PURPOSE Section 393 275, RSMo 1986 requires the Public Service Commission to notify the governing body of each city or county imposing a business license tax on the gross receipts of any gas corporation, electric corporation, water corporation or sewer corporation of any increase in revenue of more than 7%

HEARING EXAMINER OTHER WRITER OF ORDER If the Commission issues an order approving the tariffs which increase revenue of a gas, electric, water or sewer corporation by more than 7%, the Hearing Examiner or member of the utility Staff preparing the order must ensure that the order requires the aforementioned corporations to file the information required by Section 393 275.

The ordered section must require the corporations to list the city(s) and/or county(s) that impose a business license tax on them. The corporations must estimate the annual increase in gross receipts resulting to the city(s) and/or county(s) from the revenue increase. The ordered section shall also state that tariffs will not be approved until all the information is received.

ADMINISTRATION DIVISION When the gas, electric, water or sewer corporation files the information required by Section 393 275 as ordered, the Administration Division shall send a letter or memorandum with the information to each city and county listed with a cover letter indicating that this information is in compliance with Section 393.275. A copy of the cover letter shall be filed in the case papers.

Revised Effective September 11, 1990

CONSOLIDATED DOCKETS

PURPOSE A consolidated docket or case is one which results from a combination of a number of individual cases wherein the parties or issues are similar. A typical example of consolidation would be that of separate complaints, rate design, original cost study, and general rate cases involving the same utility. Another typical example of consolidation is multiple application for the same type of service or service area when it is assumed that each applicant would also be a protestant in the other case or cases.

This procedure prescribes filing requirements, file contents, and style or title in such a consolidated case. The procedure is intended to reduce the number of copies filed by parties and minimize the length and number of Commission files or orders.

HEARING EXAMINER When drafting an order of consolidation the assigned examiner will include a statement or identification of the lead or main case which will thereafter be maintained as the only complete file. The order shall also specify any modification or abbreviation of the case styles or resulting case style which may be appropriate. The parties should also be directed to file only the proper number of pleadings or other documents which would be required for a single case.

RECORDS DEPARTMENT The Records Department shall place a copy of the order of consolidation in all affected case files. In all of the files other than the one designated as the lead or main file there shall be placed (as the last document) a memorandum stating "for further file contents refer to Case No. ___-___-___". When the case is closed a copy of the Report and Order (if short) should be placed in all separate files. If the document is extensive it may be necessary to seek advice as to a proper alternate method of indicating final disposition.

Revised Effective January 17, 1992

STAFF MEMORANDA IN DOCKETED CASES

PURPOSE To prescribe a standardized procedure for review, filing and distribution of Staff recommendations in memorandum form in docketed cases (except for PGA filings)

- 1 When Staff files its official recommendation or position in a docketed case in memorandum form rather than pleading or prepared testimony form, the memorandum shall be prepared in conformance with the format shown on Attachment 1 hereto. The memorandum shall not be filed in the case file until signed by the appropriate Division Director(s) or designee(s), and the General Counsel or designee.
- 2 At a minimum, the Staff shall serve the official memorandum upon the company or applicant and any other person who has filed a document in the case papers indicating an interest in the matter, unless otherwise agreed to by the parties or if the memorandum is considered confidential or proprietary and is filed under seal. In this event the nonproprietary version of the memorandum shall be served as provided above. Staff shall file the original and eight (8) copies of the memorandum with the Records Department in all cases except financing cases. In financing cases the original and nine (9) copies shall be filed.
- 3 The Records Department shall stamp and file the original memorandum in the case file and distribute a stamped filed copy to the Hearing Examiner assigned to the case, to the Commissioners, to the central file, to the General Counsel's office and, in finance cases, to the Internal Accounting Department.
- 4 Where an application is filed requesting a specific issue date or effective date, the Staff shall determine whether the requested dates can be met. To make that determination the "lead" Staff person should consult with all participating Staff members in order to evaluate the complexity of the application, to establish the amount of information and review time needed to prepare a recommendation, while also considering the time needed for the Hearing Examiner to prepare an order, the Commission to vote the order, and a ten (10) day effective date for the order. The Hearing Examiner usually needs three (3) working days to prepare an order and the order must be placed on the agenda at least twenty-four (24) hours in advance of the agenda. To reduce the amount of time to approve an application, the company can notify the Commission in writing that it will waive the full ten (10) day effective date requirement. If the Staff determines the requested date cannot be met, the Staff, through the General Counsel's office, will verbally notify the assigned Hearing Examiner and at the same time provide a date by which a Staff memorandum can be expected.

Revised Effective February 3, 1995

TARIFF FILINGS
(Non-Docketed)

PURPOSE To prescribe a standardized procedure for handling of all tariff filings in non-docketed cases (Tariffs which become docketed cases shall be processed pursuant to IP-17)

- 1 Notice of all public utility tariff filings shall be out of the Commission's Utility Tariff Filings which shall be published weekly and be available by subscription
- 2 When a public utility as defined in Section 386 020, R S Mo , has filed a proposed tariff, the Records Department shall immediately route the tariff to the Utility Operations Division Staff's tariff routing slip recommendation concerning the tariff shall be circulated to the Commission no less than two (2) working days prior to the appearance on an agenda for Commission action The tariff should appear on an agenda prior to the last agenda day on which the Commission may take action The Utility Operations Staff shall include in its tariff routing slip recommendation a determination of whether the tariff affects any other matter pending before the Commission
- 3 Any Commission employee participating in a tariff routing slip recommendation to the Commission shall indicate the date of completion of review of the tariff routing slip recommendation
- 4 After the tariff filing has been acted on by the Commission, the tariff filing packet is returned to the Director of Utility Operations' secretary for final processing

Revised Effective February 7, 1995

COOPERATIVE AGREEMENTS OR CONTRACTS

PURPOSE. To establish the procedure for entering into cooperative agreements or contracts with similar commission(s) of other states, that are proper, expedient, fair and equitable and in the interest of the State of Missouri and the citizens thereof.

PROCEDURE Section 386 210, RSMo 1986, provides legal authorization for the Missouri Public Service Commission to enter into cooperative agreements or contracts with other state commissions. These agreements must

- 1 Be in writing and clearly state the purpose and benefits of the agreement/contract
- 2 Include the method for determining the contribution amounts for each state
3. Be signed by the Executive Secretary and the appropriate signing authority(ies) of the other state(s)

Revised Effective January 17, 1992

COMMISSION PROJECT TEAM PROCEDURES

- PURPOSE To prescribe standard procedures for the establishment and operation of Staff "Project Teams" which will address matters of special interest to the Commission
- COMMISSIONERS, STAFF, EXECUTIVE SECRETARY 1. Project proposals may be submitted by a Commissioner or a Commission employee and shall be directed to the Executive Secretary who shall appoint a Project Coordinator, if it is determined that an analysis of the project should be performed. Project proposals may not deal with issues which are the subject of contested case proceedings nor with "company-specific" issues which are likely to become the subject of contested case proceedings in the immediately foreseeable future.
- PROJECT COORDINATOR 2. The Project Coordinator shall analyze the proposal, consult with appropriate staff personnel, and prepare a report for the Commissioners, and affected Division Directors which will contain
- a A detailed statement of purpose along with the project's goals and expected benefits,
 - b a summary of resources needed, plus an estimate of the cost to complete the project,
 - c a list of potential conflicts with contested case proceedings,
 - d a time line which includes a reporting schedule;
 - e. a list of recommended project team members and team leader,
 - f a recommended project priority

Revised Effective April 3, 1992

- COMMISSIONERS 3 The proposal will then be placed on the agenda for a decision of whether or not to proceed with the project. If it is decided that the project should be undertaken a project team leader will be designated and project team members assigned. A priority for the project should be approved with a time line for completion. A Commissioner may be designated to monitor the team's progress.
- PROJECT TEAM LEADER 4 The Project Team Leader will meet with the project team to discuss the project details, determine who will be responsible for each aspect of the project, finalize the project time line, and establish a reporting schedule
- 5 The Project Team Leader will schedule monthly meetings with the Commission to report on the progress of the project. All written reports generated by the project team will be submitted by the Project Team Leader to the Commissioners, Executive Secretary, affected Division Directors, and affected Department Managers. The status reports will also include the Project Team Leader's recommendations concerning changes to project priorities, team members, time lines, and reporting schedules
- 6 At any time a potential or actual conflict between project team activities and contested case proceedings is identified, the Project Team Leader shall report such to the Commission, Executive Secretary, affected Division Directors and affected Department Managers. The Project Team Leader shall also recommend whether the project should be discontinued and the related activities transferred to normal case supervision

PROCEDURE FOR CONFIDENTIAL MATERIAL FILED WITH COMMISSION

- | | | |
|--|----|--|
| RECORDS
DEPARTMENT | 1 | The Records Department shall maintain a record of all copies of all confidential material filed with the Commission. The record shall contain a description of the material, the case number in which the material is filed, and shall indicate the date filed, number of copies, to whom a copy is distributed, when a copy is returned to the Records Department, and the date when a copy is destroyed. |
| | 2. | Confidential material filed with the Records Department shall be distributed by the Records Department to those employees and Commissioners authorized to receive a copy of the confidential material. |
| ALL
EMPLOYEES
AND
COMMISSIONERS | 3 | Each employee and Commissioner is responsible for the security of any confidential material in his or her possession. Employees and Commissioners shall ensure that the confidential material is maintained in a locked file cabinet or desk at all times when not in use. When the employee or Commissioner has no further use for the confidential material during the pendency of a proceeding, it shall be returned to the Records Department. |
| HEARING
EXAMINER. | 4 | The Hearing Examiner shall inform the Records Department of any confidential material which is admitted into evidence as an exhibit at a hearing. The Records Department shall include this material in its confidential material records and shall follow the procedures for filed confidential material in disposing of the confidential exhibits. |

Revised Effective January 17, 1992

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RECORDS
DEPARTMENT.

5 All confidential material will be collected by the Records Department 30 days after the effective date of the Commission's final order or order denying motions for rehearing, whichever occurs last.

6 The Records Department shall retain the original and two copies of all confidential material in a locked cabinet and shall destroy all other copies and shall so note in the records of confidential material.

GENERAL
COUNSEL'S
OFFICE

7 If the case is appealed, the attorney assigned to the case shall retain the General Counsel's copy of the confidential documents. After all litigation is complete, the attorney shall return the documents to the Records Department to be destroyed.

Revised Effective January 17, 1992

CASE PAPERS - COMMISSION FILES

PURPOSE This procedure is intended to ensure the proper maintenance of the Commission's case papers, annual reports or other files for ready access as public records, and to minimize the potential for loss or alteration.

- STAFF
- 1 Case papers, annual reports and other files maintained in the Commission's file room are public records and are not to be considered as personal or working files of any person. No person shall mark or in any way alter or disassemble any case paper, annual report or other file. Other material, such as telephone books, located in the file room may be removed but must be checked out.
 - 2 No person shall be allowed unaccompanied access to the Commission's file room which shall remain locked at all times when an employee of the Records Department is not present.
 - 3 Case papers, annual reports and other files shall be maintained in the Commission file room at all times when not needed for actual work such as conducting hearings, preparation of orders, circulation with a proposed order or for review. A reading area is available for use in reviewing these items.
 - 4 A person desiring to remove case papers, annual reports or other files from the file room shall first sign a check-out card or log for the Records Librarian.
 - 5 All case papers, annual reports or other files checked out from the file room must be returned to the file room on every Monday between 1 00 p m and 4 30 p m. If necessary, the case papers, annual reports or other files may be checked out again at this time by again signing the check-out card or log for the Records Librarian. If a Monday is a holiday the case papers, annual reports or other files shall be checked in on the next workday.

Revised Effective April 7, 1992

- 6 Case papers circulating with Commission orders or being used to prepare orders need not be checked in as required by paragraph 5
- 7 Persons failing to return case papers, annual reports or other files to the file room as required by this IP may lose the privilege of removing those items from the file room
- 8 No person shall be allowed to remove individual folders or items from a case paper jacket or envelope except to make copies Items must be replaced in correct order
9. No person shall remove any part of the Commission case papers from the Commission's offices in the Truman State Office Building
- 10 Any deviation from these procedures must be approved by a Commissioner or the Chief Hearing Examiner, or his designee and the Records Department shall note on the check-out card that the item has been removed from the Commission's offices and who authorized the removal

Revised Effective April 7, 1992

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PROCEDURE FOR REVIEW OF PROPOSED COMMISSION ACTION ON FEDERAL ISSUES

- PURPOSE. To establish a standardized procedure for the review of federal issues which may require Commission action. Action requests from The National Association of Regulatory Utility Commissioners, notices from federal agencies and courts and notices of proposed action on legislation are regularly received in the Commission offices. This procedure will establish the process for handling them in a timely manner.
- STAFF
- 1 Upon receipt of information or notice of federal activity, such as notice of action on federal legislation, NARUC Action Requests, or requests for comments from federal agencies which may require a response or other action from the Commission, the information or notice will immediately be sent to the Director of Policy and Planning for assignment.
- 2 If the notice or request requires a response in less than 10 days, the receiving party shall also send a copy to each Commissioner, the Executive Secretary, the General Counsel and other Division Directors. The information will be transmitted with an "Action Request - Federal Issues" cover sheet which specifies "priority" and date action is necessary.
- GENERAL COUNSEL
- 3 Upon receipt of a notice or action request an attorney will be assigned to the matter by the General Counsel.
- POLICY AND PLANNING DIVISION
- 4 Upon receipt of a notice or information relating to federal issues which may require a Commission response, the Policy and Planning Division will assure that the information has been distributed to the Commissioners, the Executive Secretary, the General Counsel and appropriate staff members.
- 5 An "Action Request - Federal Issues" notice will be transmitted with the information which will specify a date for return which ensures that the matter can be presented to the Commission at least two agenda meetings prior to the required action date. If the response date does not allow time for this notice, the request will state that action is requested "immediately", and the agenda date will be noted.

Revised Effective September 23, 1991

6 The Policy and Planning Division will coordinate drafting a response or recommendation to the notice or request. In all instances, a recommendation for action, even if no response is recommended, will be sent to the Commission at least two agenda sessions prior to the date action is required.

7 When a recommendation has been prepared, it will be attached to an "Agenda Item Pre-Discussion Form" and transmitted to the Commission and other individuals on the original transmittal list. The matter will be placed on the agenda at least two sessions prior to the date when action is required. Short notice items will be handled under legislation, litigation or good cause, as a timely response dictates.

STAFF 8 Suggested changes will be submitted to the Policy & Planning Division prior to the agenda date when the proposal will be discussed. Very short notice requests may require bringing suggested changes to the subject agenda meeting.

COMMISSION 9 At the agenda session for which the action request is scheduled, the Commission will determine whether or not it will take action on the matter. If the Commission elects to take no action, the matter will be considered closed.

POLICY 10 If the Commission elects to make some response, the
POLICY Policy and Planning Division, in cooperation with other
PLANNING Staff members, will prepare the response in final form
DIVISION

11. Whether or not the Commission elects to take action, the Policy and Planning Division will maintain a file on the matter for at least five (5) years which contains documentation of the notice or request and the Commission's decision to take action, or not take action, and a summary of the reasons therefor.

GENERAL 12 If a filing with a court or federal agency is proposed,
COUNSEL the attorney assigned from the General Counsel's Office will prepare the response in appropriate filing form and be responsible for filing it with the appropriate agency or court.

Revised Effective September 23, 1991

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CONTRACTS

- PURPOSE To establish a standardized procedure for preparing and processing all contracts including leases to be entered into between the Public Service Commission and any private or public person, corporation or partnership for all goods and services incidental to carrying out administrative and technical duties of the Commission and staff
- GENERAL COUNSEL 1 All contracts to be entered into by the Commission shall be initially drawn or reviewed by the General Counsel's office at least thirty (30) days prior to the proposed date of execution
- 2 The General Counsel shall submit the contract to the Administration Division for review
- ADMINISTRATION DIVISION EXECUTIVE SECRETARY 3 The Administration Division shall review the contract and submit it to the Executive Secretary for approval. The Executive Secretary shall return the contract to the Administration Division for external processing. Any changes to the contract shall be submitted to the General Counsel for review
- 4 Once the contract is approved at the Commission it shall be submitted to the Department of Economic Development and the Office of Administration, Division of Purchasing for final approval. Upon receiving an approved contract the original shall be kept in the Internal Accounting Department and a copy retained in the General Counsel's office

Revised Effective April 3, 1992

PROCUREMENT OF PROFESSIONAL AND TECHNICAL SERVICES

PURPOSE. To establish a standardized procedure for procurement of professional and technical services required by the Commission and Staff of the Missouri Public Service Commission to carry out their statutory duties and responsibilities

Standard RFP

DIVISION DIRECTOR. 1 The director of the division requiring services will prepare a draft request for proposal (RFP) and obtain signatures of the following Public Service Commission personnel or if absent their designees

- A Division Director
- B. General Counsel
- C. Department Manager
- D Internal Accounting
- E Executive Secretary

EXECUTIVE SECRETARY 2 The Executive Secretary shall inform the Commission of the request and will request Commission approval to proceed with the RFP

3 The RFP, along with the sign-off sheet, shall be submitted to the Internal Accounting Department once Commission approval is obtained

4 A proposed list of evaluation committee members shall be submitted to the Internal Accounting Department at the time the RFP is submitted

INTERNAL ACCOUNTING DEPARTMENT. 5 Internal Accounting will attach a requisition to the RFP and forward it to the Department of Economic Development for approval and then to the Office of Administration, Division of Purchasing for processing

6. All questions shall be directed to the Division Director who prepared the RFP. The General Counsel's office should be consulted on legal questions.

7. After the bids have been opened and the Division of Purchasing has the cost evaluation prepared, the Internal Accounting Department shall pick up and immediately distribute the proposals to the Evaluation Committee.

Revised Effective April 3, 1992

EVALUATION COMMITTEE 8 The Evaluation Committee shall make its recommendation to the Executive Secretary and forward one copy of each evaluation along with a cover letter signed by the Executive Secretary to the Internal Accounting Department for forwarding to the Division of Purchasing. Also, one copy of each proposal received from all vendors is to be submitted to the Internal Accounting Department.

INTERNAL ACCOUNTING DEPARTMENT 9 When it is necessary for the vendor to begin work before a signed copy of the contract can be obtained from the Division of Purchasing, the Internal Accounting Department shall obtain approval from the Division of Purchasing

10 Contact with the Division of Purchasing should be coordinated with the Internal Accounting Department. When an emergency arises, appropriate action should be taken by the Division Director and the Internal Accounting Department shall be notified of such action as soon as possible

Generic RFP

DEPARTMENT MANAGER 11 A department manager may request professional and technical services for a subject area covered by a generic contract presently in place by drafting a RFP proposal and circulating it to other affected departments. The draft RFP should only set out the scope of the work requested.

12. Once comments are received on the draft RFP it shall be submitted to the originating department's Division Director who will inform the Executive Secretary of the request

EXECUTIVE SECRETARY 13 The Executive Secretary shall inform the Commission of the request and will request Commission approval. Once Commission approval is obtained the RFP is submitted to vendors which have been awarded contracts under the generic RFP

14 If an acceptable proposal is received pursuant to this process the Department Manager and other designated Staff will negotiate with the vendor. The Executive Secretary is to be kept apprised of the progress of the negotiations.

15 Once an understanding is reached between Staff and a vendor, the Executive Secretary and the vendor will exchange letters and appropriate documents. The letters, other documents, plus the original generic RFP and the vendor's original proposal constitute the contract

Revised Effective April 3, 1992

VEHICLE MAINTENANCE

PURPOSE. This policy is to establish a standardized procedure for performance of regularly scheduled maintenance on all Commission vehicles at appropriate mileage intervals to maximize safe, reliable and cost effective operation of each vehicle during its service span

Division Directors have the ultimate responsibility to ensure that regularly scheduled service and maintenance is performed on all Commission vehicles assigned to their division

DIVISION
DIRECTORS

- 1 All Commission vehicles shall have regularly scheduled service performed at specified mileage intervals set out in the attached Commission Vehicle Service and Repair Record Form (Attachment A)
2. Repair work on all Commission vehicles covered by warranty shall be done by an authorized dealer
- 3 Commission vehicles assigned to the Jefferson City area are to be repaired and serviced by the Office of Administration Central Garage Prior approval must be obtained from the O A Central Garage to have the necessary work performed elsewhere
- 4 Repair and service work on all vehicles assigned to locations outside the Jefferson City area may be performed by any reputable firm
- 5 Monthly records which indicate the type of service and/or repair done, date and mileage shall be kept on all Commission vehicles by the staff members responsible for the vehicle The monthly record approved by the Division Director shall be submitted to the Internal Accounting Department within four (4) working days after the end of the month
6. Staff members having a Commission pool vehicle assigned to them for an extended period of time shall be responsible for service and repair in accordance with the attached Commission Vehicle Service and Repair Record Form. Monthly records of the service and repair shall be submitted to the Administration Division
- 7 All major repairs estimated to cost over \$100 shall be approved by the Division Director prior to the work being done.

Revised Effective April 3, 1992

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**MISSOURI PUBLIC SERVICE COMMISSION
VEHICLE SERVICE AND REPAIR RECORD**

Assigned to _____
 License Number _____ Date in Service _____
 Year _____ Make _____

MILEAGE	OPERATIONS TO BE PERFORMED	MILEAGE	DATE
5 000	# 1		
10 000	# 1, # 2		
15 000	# 1		
20 000	# 1 # 2 # 3 # 4		
25 000	# 1		
30 000	# 1 # 2		
35 000	# 1		
40,000	# 1, # 2 # 3 # 4		
45 000	# 1		
50 000	# 1, # 2		
55 000	# 1		
60,000	# 1, # 2 # 3 # 4		
65 000	# 1		
70 000	# 1 # 2		
75 000	# 1		
80 000	# 1 # 2 # 3 # 4		

EACH TIME GASOLINE IS PURCHASED Check Engine Oil Level
 EACH WEEK Check Condition of *Tires and Pressure Check Windshield Wipers and Washer
 *Align front wheels and rotate tires when needed

OPERATION # 1 **
 Change Engine Oil
 Change Engine Oil Filter

OPERATION # 3
 Engine Tuneup
 Clean or Replace Spark Plugs
 Clean and Repack Front Wheel Bearings
 Change Carburetor Air Cleaner
 Change Fuel Filter
 Service PCV Valve
 Check Exhaust Gas Recirculation Valve
 Lubricate and Inspect Upper and Lower Ball Joints and
 Steering Linkage
 Service Fuel Vapor Storage Cannister

OPERATION # 2
 Lubricate Chassis
 Check transmission rear axle power steering and
 master cylinder fluid levels
 Inspect Front Brake Linings or Pads
 Clean or Replace Carburetor Air Cleaner
 Check All Belts for Proper Tension and condition
 Inspect Universal Joints

OPERATION # 4
 Pressure-check Cooling System
 Check Coolant for Proper Protection
 Inspect rear brake lining

*Vehicles used extensively for off road purposes shall have operation 1 performed more frequently

Date	Mileage	Description of Repair or Replacement ***

*Use separate sheet if necessary

1184a

Employee _____ Date _____

Approved _____ Date _____

Division Director

PREPARATION OF FISCAL NOTES

PURPOSE This policy is to provide an effective procedure for preparing and transmitting fiscal notes to the Department of Economic Development.

ADMINISTRATION DIVISION 1 The Administration Division will deliver a copy of the unprepared fiscal note to the divisions affected by the proposed legislation and a Fiscal Note Routing Slip form (Attachment A) At the same time, an informational copy will be sent to the Commission and the General Counsel for assignment to a staff member who is responsible for reviewing fiscal note narrative

DIVISION DIRECTORS 2 The affected division directors will provide information (i.e., number of FTE required by title, essential objective(s) of the proposed legislation, comments that would make the proposed legislation more administratively feasible, percent of travel for each FTE and other information as required) to the Administration Division for completion of the fiscal note in its entirety.

ADMINISTRATION DIVISION 3 The Internal Accounting Department will review the fiscal note for its mathematical accuracy of the estimated cost for FTEs, related expense and equipment costs, and all other budget concerns The Administration Division will then forward the original copy to the affected division directors for approval who will then forward the fiscal note to the General Counsel

The Administration Division shall obtain electronic data processing cost from the Director of MIS, Department of Economic Development (DED), if the information is not included in cost provided by DED The Director of MIS will add such cost to the fiscal note if the information is not available when requested

- GENERAL COUNSEL: 4 General Counsel will review the narrative portion of the fiscal note to make sure that the narrative accurately states the regulatory impact of the legislation, but does not give any indication of the Commission's position on the legislation. General Counsel will then deliver the fiscal note to the Executive Secretary
- EXECUTIVE SECRETARY 5 The Executive Secretary will review the fiscal note, make changes if necessary, and present it to the Commission for review and approval
- COMMISSION 6 The Commission will review the fiscal note, make changes if necessary, and then approve the fiscal note and return it to the Administration Division
- ADMINISTRATION DIVISION 7 The Administration Division will deliver the completed fiscal note to the Department of Economic Development
- 8 The Administration Division shall coordinate the response to any request from the Department of Economic Development for a statement on the practicality of implementation of the fiscal note, which shall be transmitted in a separate memo

Revised Effective April 7, 1992

Fiscal Note Routing Slip

Fiscal Note No _____

(Due in the Department of Economic Development at _____ a m /p m

on _____, 19 ____)

Organization/Persons	Initials
1	
2 General Counsel	
3 Internal Accounting	
4 Executive Secretary	
5 Commission	
6 Administration Division	
7 Department of Economic Development	

COMPLIANCE/ENFORCEMENT PROCEDURE

- PURPOSE The purpose of this procedure is to provide Commission Staff members with a uniform procedure for handling matters regarding possible violations of Commission statutes, rules, orders and company tariffs
- EMERGENCIES If an emergency situation arises, or unusual circumstances exist which make it impractical to follow this procedure, the Staff shall proceed as directed by the appropriate Division Director(s), with notification to the Executive Secretary and the Office of General Counsel.
- STAFF
- 1 The Staff, upon becoming aware of a possible violation, shall proceed as follows
 - a) The Staff member who initially becomes aware of the possible violation shall write a brief summary of the facts regarding the alleged violation which shall be forwarded to the appropriate department manager. The department manager shall inform and consult with the Office of General Counsel in order to determine the manner in which to proceed with investigation of the alleged violation,
 - b) The appropriate department manager may then proceed with further investigation regarding the alleged violation,
 - c) The department conducting the investigation shall update the file by writing brief supplemental reports regarding additional factual information gathered about the alleged violation
 - 2 The manager of the department conducting the investigation may direct the Staff to notify the alleged violator and instruct as to the appropriate corrective action to be taken in order to avoid further proceedings
 3. When the department that has investigated the matter has determined that it cannot be resolved informally, it shall inform the Office of General Counsel of the alleged violations, and present the factual information regarding the alleged violations to the Office of General Counsel for review

Revised Effective April 3, 1992

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GENERAL
COUNSEL

4. In its review, the Office of General Counsel may consider, but not be limited to considering, the following when determining how to proceed:
 - a) The severity of the alleged violation,
 - b) Whether immediate action such as injunctive relief, is necessary,
 - c) Whether deferral of the matter to a complaint brought by an individual, a community, or the Office of Public Counsel would be more appropriate.
- 5 The Office of General Counsel shall arrange a meeting with the appropriate Staff members to discuss the filing of a formal complaint. If it is determined that an additional attempt should be made to resolve the matter informally, the Office of General Counsel may send the alleged violator written notification that the Staff shall file a formal complaint unless appropriate corrective action is completed within the time specified by the notice
- 6 If the matter cannot be resolved informally, the Office of General Counsel shall draft a formal complaint with the input of the appropriate Staff for review of the factual matters contained in the complaint. Before the complaint is filed, the Office of General Counsel shall provide copies to the appropriate Division Director(s) for review
- 7 Upon the filing of an Answer and/or Offer of Satisfaction by the respondent, the Office of General Counsel shall meet with the appropriate Staff members as needed to discuss the case. If the appropriate Staff members agree with an offer of satisfaction, or agree to otherwise settle the case, the terms of the settlement agreement shall be presented to the appropriate Division Director and to the Executive Secretary for review and approval.

Revised Effective April 3, 1992

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- 8 If the case is not settled before a procedural schedule is issued and proceeds to hearing, the Staff shall follow the procedures for case filings and proceedings as outlined in the Commission's Rules, Internal Procedures, and applicable statutes.
- 9 If the Commission, after a hearing on the case, orders that the Office of General Counsel shall be authorized to pursue further enforcement action in circuit court, the Office of General Counsel shall proceed to seek enforcement of the Commission's order, discussing the matter as needed with appropriate Staff members, and keeping the Commission and appropriate Staff members advised of the case's progress in compliance with IP-11
- 10 If any settlement negotiations occur between the parties and the appropriate Staff members agree to settle the case, the terms of the settlement agreement shall be presented to the appropriate Division Director, the Executive Secretary, and the Commission for review and approval.

EMERGENCY RESPONSE PROCEDURES TO NATURAL DISASTERS

PURPOSE To establish standardized emergency response procedures that will enable the Missouri Public Service Commission (Commission or PSC) to respond to natural disasters that cause loss or curtailment of utility service. These include but are not limited to earthquakes, explosions, fires, floods, storms or tornadoes. This plan is expected to set out the framework under which the Commission staff can promptly proceed in responding to a disaster.

This document is not intended to replace established departmental procedures for handling localized incidents.

The Commission is not a first response agency, and its employees should not be placed unnecessarily in dangerous situations where emergency personnel are located. During a disaster, early on-site inspections will only be made if so requested by the Commission or its designated representative.

GOAL To obtain factual information as soon as practicable, regarding damage to facilities, expected restoration time, equipment/resources needed, and other information to allow the Commission to keep other state agencies, the media, elected and appointed officials updated on the operational status of utility services, to assure the continued provision of utility services, and, to ensure that the Commission as a state agency continues to function in the above role.

RESPONSIBILITIES

- A Employees have the responsibility to be familiar with this plan, their role in the plan and implementation procedures. Employees must be knowledgeable beforehand what their role will be and what resources and equipment they may need. Upon becoming aware that a disaster has occurred, employees should contact their upline supervisor to advise of their condition and availability for duty and to verify whether and where they should report. If the Harry S Truman (Truman Building) is unavailable, employees should contact their upline supervisor or fellow department employee at home. Employees should listen to the media to stay generally informed on the disaster. Those employees directly involved in the PSC disaster response should contact either the PSC emergency operations center (EOC), at the Truman building or the State EOC at the State Emergency Management Agency (SEMA).
- B The Executive Secretary, upon adoption of this plan, will designate a Disaster Coordinator who will normally also function as the chairman of the Natural Disaster Committee and as the State Emergency Management Agency (SEMA) representative. Ordinarily the Truman building will be the designated Commission staff work site for disaster coordination activities, however, if the Truman building is unavailable, the Executive Secretary is responsible, in coordination with SEMA, for securing an alternate work site.
- C The Disaster Coordinator is the liaison to SEMA, and shall be responsible for updating SEMA on applicable personnel and phone number changes at least annually.
- D The Disaster Coordinator will accumulate information from the various Commission departments and disseminate that information to the Commission, SEMA, affected staff including the Public Information Officer and other governmental agencies.

- E The Public Information Officer is responsible for the release of information to the media This includes notifying the media with information regarding Commission employee work status
- F Department managers (energy, telecommunications, water and sewer) are responsible for directing the investigation of the status of utility services, compiling a status summary and ensuring that the findings in the summary are forwarded to the Disaster Coordinator on a timely basis
- G Upon occurrence of a disaster, the following Commission personnel or their alternates are expected to participate, if at all possible, in an emergency meeting
- (1) Executive Secretary
 - (2) Division Directors
 - (3) Department manager(s) and staff (dependent upon utility affected by disaster)
 - (4) Natural Disaster Committee members
 - (5) Public Information Officer
 - (6) Disaster Coordinator
 - (7) SEMA Representative (if different than Disaster Coordinator)

RESPONSE
ACTIONS

- A EMERGENCY MEETING If a disaster occurs during normal working hours an emergency meeting will be held in the Commission's 5th Floor Conference Room Number 3 in the Truman Building In the event the Truman Building and its facilities are not available the alternate location will be the designated SEMA office in Jefferson City, Mo , where communication facilities will be available

If a disaster occurs outside of normal working hours, available personnel designated in paragraph G should confer by telephone to determine if an emergency meeting is necessary and, if applicable, a meeting location If telephone service is out, the personnel listed in paragraph G should report to an emergency meeting as described in the preceding paragraph

If the Disaster Coordinator and SEMA representative are unavailable for any emergency meeting, the Executive Secretary, or in the absence of the Executive Secretary, the Division Directors present will designate an acting Disaster Coordinator and SEMA representative

The purpose of the emergency meeting will be to secure as much information as possible regarding the disaster as it relates to the utilities regulated by the Commission, determine the extent of damage, number of customers without utility service, anticipated restoration time, and any other relevant information The Disaster Coordinator will make this information available to SEMA, the Commission, affected staff, the Public Information Officer and other governmental agencies Updated information will be obtained on an ongoing basis until the disaster is no longer a major threat to the provision of utility service The responsibility for obtaining updated information will normally be the department(s) whose utility is affected (electric, gas, telecommunications, water and sewer)

B CONTACTS WITH UTILITIES The Operations Division will have the responsibility of obtaining information from utilities on natural disasters Department Managers (electric, telecommunications, gas, water and sewer) within the Operations Division will maintain a list of regulated utilities for which they are responsible, including designated emergency contact personnel A master list of all regulated utilities and emergency contacts will be maintained by the Disaster Coordinator and the Natural Disaster Committee Other divisions of the Commission will be contacted if services from that division are required

C EARTHQUAKES Upon occurrence of an earthquake, the magnitude and location (epicenter) will be verified by SEMA If the emergency requires the Commission to be contacted, the SEMA Duty Officer will contact Commission personnel on the emergency telephone list per SEMA Duty Officer Emergency Response Manual

For the purposes of this plan, response operations will be determined by the magnitude of the seismic event as follows

- 1 Less than 5.0 Richter magnitude - no response
- 2 5.1 but less than 6.0 Richter magnitude - if the State EOC at SEMA is activated, the Executive Secretary, Disaster Coordinator, and Department Managers will conference by telephone to determine appropriate action to be taken and if representation is needed at SEMA
- 3 6.0 or greater Richter magnitude - An emergency meeting will be conducted and when the State EOC is activated, the Executive Secretary will designate a member of the Natural Disaster Committee or another employee to report to the State EOC

D RESPONSE TO COMPANIES The major portion of PSC staff response to companies is routine, involving primarily obtaining information on the status of utility service Most of this is after-the-fact, following a disaster The Commission staff may provide information on the availability of equipment, assist with customer complaints and make damage observations, all on a case-by-case basis.

E INCIDENT INVESTIGATION Depending upon the Commission's or the utility's operational requirements and other relevant considerations, on-site investigation by the Commission may occur Due consideration must be given to employee safety, ability to reach the affected area, benefit to be attained, and the effect on the utility as it is attempting to restore service Investigations will be directed by the appropriate department managers or designated employees

INFORMATION TRANSFER

A Information transfer is a central part of the Commission's function in a disaster Information regarding the operational status of the utilities and their ability to continue to provide safe and adequate service is a primary focus This portion of the plan provides the guidelines to collect and disseminate that information It should be remembered at all times that the Commission is subject to the requirements of Section 386.480 RSMo (Release of Information) and Chapter 610 RSMo (Sunshine Law)

- 1 The Disaster Coordinator will have direct access to the Commission Staff assigned to conducting incident investigations and those who are in contact with the utilities
- 2 The department managers will ensure that the information

obtained in the course of incident investigations or otherwise obtained from the companies is provided to the Disaster Coordinator on a timely and consistent basis

- 3 The Public Information Officer will receive information from the Disaster Coordinator and, in consultation with the Executive Secretary, provide the proper information to the media
- 4 Utility companies will be requested to provide information that is pertinent to the disruption and restoration of safe and adequate service, including any assistance or equipment needed by the utilities and also any equipment available for use by another company
- 5 A sample information reporting form is attached
- 6 When restoration is essentially completed, each affected utility should submit a summary report

ALTERNATE WORK SITE FOR ONGOING AGENCY OPERATIONS
(Truman Building unavailable)

If the Truman Building is unavailable, an alternate work site will be secured. The Executive Secretary is responsible for securing an alternate site and obtaining necessary equipment. The first priority is to secure a work site for the Commissioners, Executive Secretary, Chief Hearing Examiner, Manager of Records and their staff. Work sites will be secured as needed for other Divisions and Departments. The PSC Public Information Officer, in consultation with the Executive Secretary, will contact the media with information regarding the location of the alternate site and which employees should report to work.

EMPLOYEE FAMILY CONTACTS

If the disaster occurs during normal work hours, Commission employees, if unable to contact immediate family, shall have the right to go home to verify the safety of family and home with the understanding that they will return to work as soon as possible. If it is absolutely necessary to keep an employee on the job, a volunteer may be sent to contact the employee's family and verify the safety of both family and home.

PLAN REVIEW

The Natural Disaster Committee will review this plan at least annually. Review of this plan will include changes in personnel and phone numbers, as well as a review with the departments to ensure that utilities have up-to-date emergency plans on file with the Commission. Revisions may be incorporated at any time.

MISSOURI PUBLIC SERVICE COMMISSION
NATURAL DISASTER REPORT

DATE _____ REPORT NO _____

This report is to be faxed to the Missouri Public Service Commission Staff on a daily basis during the disaster unless otherwise advised by the Commission Staff. If questions cannot be answered at this stage of the disaster, enter "unknown". Additional sheets should be used if necessary. This information may be released to the public (attach confidential information separately and appropriately designated)

TO PSC	Name _____	Dept _____
	Telephone _____	FAX _____
FROM COMPANY	Name _____ <small>(person filling out report)</small>	Utility _____ <small>(Name of Company)</small>
	Telephone _____	FAX _____
Type of Utility Service Being Reported (circle one) ELECTRIC – GAS – SEWER – TELCOMMUNICATIONS – WATER		

This report is to contain a description of status of your utility during this natural disaster. Subsequent reports should only contain updated information.

Town or geographic area affected _____

Priority Customers without service (public emergency service institutions such as hospitals, city halls, court houses, water supply stations, sewer treatment stations, fire stations, police stations and other critical outages)

Approximate number of customers without service _____
 Anticipated future disruption of service _____

Extent of physical damage to utility system due to natural disaster _____

Type of equipment, coordination or assistance needed from the Commission or its staff _____

Status Summary (include a narrative report of any other relevant information regarding the natural disaster or the status of your utility as it relates to the natural disaster, including measures to prevent disruption of service, alternate means of providing service, conservation measures taken, public service announcements, etc. Also estimated restoration date and time if known at this time) _____

PROCEDURES FOR HANDLING ANNUAL REPORTS
SOUGHT TO BE KEPT UNDER SEAL

4 CSR 240-10 080 requires all public utilities subject to the jurisdiction of the Commission to file an Annual Report with the Commission on or before April 15 of each year except for private pay telephone providers. Upon receiving a written request by a utility to the Executive Secretary to place information contained in an Annual Report under seal, the following internal procedures shall be followed:

A The Executive Secretary shall submit a copy of the request to the General Counsel and Accounting Department for review. Where the utility has provided adequate information such that the General Counsel and the Accounting Department can render a Staff recommendation, the two shall produce a written Staff recommendation through the General Counsel's Office to the Executive Secretary for review and submission to the Commission.

B Where the utility, in its initial request, has provided insufficient details to the Executive Secretary for the Commission to render a decision, the General Counsel shall submit a letter to the utility directing it to proceed as follows:

- 1 The utility must classify the information as either Highly Confidential or Proprietary as provided in the Commission's standard Protective Order
 - a) Highly Confidential information is information concerning
 - 1) material or documents that contain information relating directly to specific customers,
 - 2) employee sensitive information,
 - 3) marketing analysis or other market specific information relating to services offered in competition with others,
 - 4) reports, work papers or other documentation relating to work produced by internal or external auditors or consultants,
 - 5) strategies employed, to be employed, or considered in contract negotiations,

Effective June 27, 1997

E The Commission decision shall not become effective until ten (10) days after the Order is issued

F The Executive Secretary shall inform the utility in writing by Certified Mail, return receipt requested, within three (3) days of the Commission decision as set forth in 4 CSR 240-10.080(7) where the Commission denies a utility's request to place portions of its Annual Report under seal, the utility, in addition to written notice, shall receive verbal notification through the General Counsel's Office within twenty-four (24) hours of the Commission issuing such Order

Effective June 27, 1997

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MAJOR RATE CASE SETTLEMENT PROCESS

I Staff Prehearing Conference Planning Meeting

- A The prehearing conference planning meeting will be held during the week before Prehearing, if possible, with the Case Coordinator and lead attorney to be in charge of conducting the meeting
- B Prior to the meeting
- 1 The Staff person responsible for each issue shall prepare a brief summary of the issue, its value, its strengths and weaknesses, and its relationship to another issue or issues. This summary will be in memorandum format and will be sent to the lead attorney
- C At the meeting
- 1 The lead attorney shall give a brief discussion of attorney/client privilege at the beginning of the meeting
 - 2 Case Coordinator and lead attorneys shall
 - a Prepare a list of issues to be discussed from Staff's perspective during the Prehearing Conference (Prehearing),
 - b Identify issues that may have significant policy ramifications,
 - c Discuss strengths and weaknesses of each issue,
 - d Determine values for revenue requirement issues based upon preliminary case reconciliation,
 - e Review the process to be used to settle individual issues or the case as a whole, including how settlement offers will be developed/approved,
 - f Emphasize that the Case Coordinator and the lead attorney will present Staff's settlement offers to the other parties, and
 - g Determine availability of witnesses for participation in issue discussion groups during Prehearing

Effective August 19, 1997

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- 3 Determine whether additional information is necessary/available, and whether additional discussions will be fruitful, and
- 4 Determine when additional information will be provided and when additional discussions can be held (to be accomplished during Prehearing, unless settlement is certain)

B Staff Participants

- 1 Witnesses assigned to issues being discussed
- 2 Attorney assigned to issues being discussed or designee
- 3 Lead Accountant or designee
- 4 Case Coordinator or designee
- 5 Participation by management personnel (all levels) is at their option

IV Staff Coordination Meetings

These meetings will be scheduled after the morning and afternoon sessions each day of Prehearing (11 30 a m & 4 15 p m) and will be held as needed, with the Case Coordinator and lead attorney to be in charge of conducting the meetings

- A The participants at the meeting shall
- 1 Review results of issue discussion group sessions,
 - 2 Determine whether additional information is necessary/available and whether additional discussions will be fruitful,
 - 3 Determine whether the dates when additional information will be available and additional discussions can be held is acceptable,
 - 4 Decide whether an offer/counter-offer for settlement (partial/total) is satisfactory, and/or whether discussions should continue or end,
 - 5 Develop settlement offer/counter-offer (partial/total), if appropriate
 - a Delineate issues and related values that will be included
 - b Delineate issues that are "off the table "

Effective August 19, 1997

- 6 Include waivers of effective date waiting periods, if needed,
- 7 Provide for submission of a joint explanatory briefing paper by the parties to the case if the other parties are agreeable,
- 8 Provide for submission of a Staff explanatory memorandum that sets forth Staff's reasons for entering into the settlement, and
- 9 Provide for submission of responses to the Staff's explanatory memorandum by other parties to the case

VII Joint Explanatory Briefing Paper

- A The parties will submit this document in any case involving either total or partial settlements to provide explanatory information regarding the S&A. All of the signatory parties should sponsor the briefing paper, but, if not, it will clearly identify the sponsoring parties. The briefing paper will not be considered confidential, but may contain protected information. At a minimum, this briefing paper will include
- 1 An executive summary of the major provisions of the S&A,
 - 2 An explanation of how the provisions of the S&A compare with the positions taken by the parties in their prefiled testimony,
 - 3 References to where the discussion of issues can be found in testimony or other evidence in the record,
 - 4 Quantification of the settlement value placed by the Staff on revenue requirement issues,
 - 5 Reconciliation of the Staff's prefiled position to the settled revenue requirement, and
 - 6 Quantification of the impact of the S&A on affected customer classes and on "typical" residential customers, as applicable

VIII Staff's Explanatory Memorandum

- A This document will describe the Staff's reasons for entering into the S&A. The Staff's memorandum will not be considered confidential, but may contain protected information. The Staff will not provide its memorandum to the Commission ex parte. This memorandum will include a revised Staff accounting schedule reflecting Staff's settled position. The

Effective August 19, 1997

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Effective August 19, 1997

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Effective August 19, 1997

**THE ROLE OF THE REGULATOR IN THE PROCESS OF
PRIVATIZATION OF THE REGIONAL ELECTRICITY
COMPANIES IN KAZAKHSTAN**

**NIS Institutional Based Services Under the Energy
Efficiency and Market Reform Project
Contract No CCCN-Q-00-93-00192-00**

**Kazakhstan Electricity
Delivery Order No 05**

Prepared for

U S Agency for International Development
Bureau for Europe and NIS
Office of Environment, Energy and Urban Development
Energy and Infrastructure Division

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September 1998

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Attachments

Attachment 4:

Data Information Request form,
used for discovery in cases at the
Missouri Public Service Commission

Attachment 5:

“Order Granting Motion for Protective Order,”

(governing proprietary and confidential information),

issued by the
Missouri Public Service Commission,
September 24, 1998,
in Application docket of
Ameren Corporation
(Missouri PSC Case No. EO-99-108).

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Ameren)
Corporation for Confidential Treatment of)
Certain Reports Filed with the Missouri) Case No. EO-99-108
Public Service Commission Pursuant to)
17 C F R §250 58)

ORDER GRANTING MOTION FOR PROTECTIVE ORDER

On September 15, 1998, Ameren Corporation, a registered public utility holding company, Union Electric Company d/b/a AmerenUE, Ameren Energy, Inc , Ameren ERC, Inc , and Ameren Development Company (Ameren Companies) filed their Motion for Protective Order with the Commission. In their motion, Ameren Companies state that they are filing documents with the Commission pursuant to the requirements of 17 C F R §250 58, and that these documents contain highly confidential information. The Ameren Companies further state that federal regulation of public utility holding companies require the Ameren Companies to submit quarterly reports to the Securities and Exchange Commission and to each state commission with jurisdiction over the retail rates of any of the public utility subsidiaries of the Registered Holding Company. The Ameren Companies ask the Commission to protect this proprietary and highly confidential information by issuing its standard protective order covering this filing and each form in the future submitted through and including June 1, 2004.

The Commission has previously recognized the need to protect confidential information and the use of protective orders has helped minimize disputes in past cases. Ordinarily, the Commission requires the party to explain why the documents need to be protected and what the consequences would be to the party if the information is released. The Ameren Companies do state generally that the reports contain highly confidential and proprietary information not otherwise available to the public which, if made generally known, would harm the Ameren Companies in the conduct of their business and provide unfair advantage to its competitors but they do not specify what kind of information is contained. The Commission finds that a protective order should be granted for all documents filed by the Ameren Companies pursuant to compliance with 17 C S F §250.58 between this date and including June 1, 2004. All future filings should be made in this case file.

IT IS THEREFORE ORDERED

1 That the Motion For Protective Order filed by Ameren Corporation, a registered public utility holding company, Union Electric Company d/b/a AmerenUE, Ameren Energy, Inc, Ameren ERC, Inc, and Ameren Development Company on September 15, 1998, is granted and the protective order attached to this order (Attachment A) adopted.

2 That this order shall become effective on October 5, 1998

BY THE COMMISSION



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Shelly A Register, Regulatory
Law Judge, by delegation of
authority pursuant to 4 CSR
240-2 120(1) (November 30, 1995)
and Section 386 240, RSMo 1994

Dated at Jefferson City, Missouri,
on this 24th day of September, 1998

PROTECTIVE ORDER

A The following definitions shall apply to information which a party claims should not be made public

HIGHLY CONFIDENTIAL Information concerning (1) material or documents that contain information relating directly to specific customers, (2) employee-sensitive information, (3) marketing analyses or other market-specific information relating to services offered in competition with others, (4) reports, work papers or other documentation related to work produced by internal or external auditors or consultants, (5) strategies employed, to be employed, or under consideration in contract negotiations

PROPRIETARY Information concerning trade secrets, as well as confidential or private technical, financial and business information

B During the course of discovery a party may designate information as HIGHLY CONFIDENTIAL or PROPRIETARY (hereinafter, "designated information") and shall make such designated information available to the party seeking discovery, if such information is not objectionable on any other ground, under the restrictions set out in paragraphs C and D The party designating the information as HIGHLY CONFIDENTIAL or PROPRIETARY shall provide to counsel for the requesting party, at the time the designation is made, the ground or grounds for the designation The requesting party may then file a motion challenging the designation The party designating the information confidential shall have five (5) days after the filing of the challenge to file a response No other filings are authorized

C Materials or information designated as HIGHLY CONFIDENTIAL may at the option of the furnishing party, be made available only on the furnishing party's premises and may be reviewed only by attorneys or outside experts

Attachment A

Page 1 of 10 pages

who have been retained for the purpose of this case, unless good cause can be shown for disclosure of the information off-premises and the designated information is delivered to the custody of the requesting party's attorney. Outside expert witnesses shall not be employees, officers or directors of any of the parties in this proceeding. No copies of such material or information shall be made and only limited notes may be taken, and such notes shall be treated as the HIGHLY CONFIDENTIAL information from which notes were taken.

D Disclosure of PROPRIETARY information shall be made only to attorneys, and to such employees who are working as consultants to such attorney or intend to file testimony in these proceedings, or to persons designated by a party as outside experts. Employees to whom such disclosure is to be made must be identified to the other party by name, title and job classification prior to disclosure. Information designated as PROPRIETARY shall be served on the attorney(s) for the requesting party. On-premises inspection shall not be required for PROPRIETARY information, except in the case of voluminous documents (see paragraph K). Any employees of the party who wish to review such PROPRIETARY materials shall first read this order and certify in writing that (s)he has reviewed same and consented to its terms. The acknowledgement so executed shall contain the signatory's full name, permanent address, title or position, date signed, and an affirmation that the signer is acting on behalf of his/her employer. Such acknowledgement shall be delivered to counsel for the party furnishing the information or documents before disclosure is made.

E Attorneys, in-house experts or outside experts who have been provided access to material or information designated HIGHLY CONFIDENTIAL or

PROPRIETARY shall be subject to the nondisclosure requirements set forth in paragraphs C or D, whichever is applicable, and S

F If material or information to be disclosed in response to a data request contains material or information concerning another party which the other party has indicated is confidential, the furnishing party shall notify the other party of the intent to disclose the information. The other party may then choose to designate the material or information as HIGHLY CONFIDENTIAL or PROPRIETARY under the provisions of this Protective Order.

G Any party may use material or information designated as HIGHLY CONFIDENTIAL or PROPRIETARY in prefiled or oral testimony at hearing provided that the same level of confidentiality assigned by the furnishing party is maintained, unless otherwise classified by the Commission. In filing testimony all parties shall designate as HIGHLY CONFIDENTIAL or PROPRIETARY only those portions of their testimony which contain information so designated by the furnishing party. If any party plans to use information and testimony which has been obtained outside this proceeding, it must ascertain from the furnishing party if any of such information is claimed to be HIGHLY CONFIDENTIAL or PROPRIETARY prior to filing.

H A party may designate prefiled or live testimony, or portions thereof, submitted in this case as HIGHLY CONFIDENTIAL or PROPRIETARY (hereinafter, "designated testimony"). Prefiled testimony designated as HIGHLY CONFIDENTIAL or PROPRIETARY shall be filed under seal and served upon all attorneys of record. Only those portions of the prefiled testimony designated as HIGHLY CONFIDENTIAL or PROPRIETARY should be filed under seal, and should be marked in a manner which clearly indicates which materials are considered HIGHLY CONFIDENTIAL and which are considered PROPRIETARY.

- I Within five (5) days of the filing of designated testimony, the party asserting the claim shall file with the Commission the specific ground or grounds for each claim. Such filing shall show the nature of the information sought to be protected and specifically state the alleged harm of disclosure. Such filing shall be filed under seal only if it contains either PROPRIETARY or HIGHLY CONFIDENTIAL information and shall be served upon all attorneys of record.
- J Attorneys upon whom prefiled testimony designated HIGHLY CONFIDENTIAL or PROPRIETARY has been served shall make such testimony available only to those persons authorized to review such testimony under the restrictions in Paragraphs C or D, whichever is applicable.
- K If a response to a discovery request requires the duplication of voluminous material or material not easily copied because of its binding or size, the furnishing party may require the voluminous material be reviewed on its own premises. Voluminous material shall mean a single document, book or paper which consists of more than 150 pages.
- L Attorneys of record in this case shall require that the in-house or outside expert read this Protective Order and certify in a written nondisclosure agreement that the person has reviewed the Protective Order and consented to be bound by its terms. The nondisclosure agreement shall contain the signatory's full name, permanent address, employer and the name of the party with whom the signatory is associated. Such agreement shall be filed with the Commission. Attached hereto as Appendix "A" and incorporated by reference herein is a form for use in complying with the terms of this paragraph.
- M In the event a witness discloses the contents of designated prefiled testimony in his or her own prefiled testimony, such testimony shall also

be designated in the same manner as the designated prefiled testimony and handled in accordance with this order

N Unless good cause is shown, challenges to the confidential nature of prefiled designated testimony shall be filed with the Commission no later than ten (10) days after the grounds supporting the designations are filed or at the hearing, whichever occurs first. The party making the designation shall have five (5) days to respond to the challenge or may respond at the hearing, whichever occurs first.

O The Commission or Regulatory Law Judge may rule on the challenge to the designations prior to the hearing, or at the hearings.

P In the event no party challenges prefiled designated testimony, or in the event the Commission or its Regulatory Law Judge rules that testimony was properly designated, then such testimony shall be received into evidence, subject to any other objections being made and ruled upon, and kept under seal.

Q In addition, all live testimony, including cross-examination and oral argument which reveals the content of prefiled designated testimony or which is otherwise held to be confidential, including any argument as to whether certain testimony is properly designated, shall be made only after the hearing room is cleared of all persons besides the Commission, its Regulatory Law Judges, court reporters, attorneys of record and witnesses to whom the designated information is available pursuant to the terms of this Protective Order. The transcript of such live testimony or oral argument shall be kept under seal and copies shall only be provided to the Commission, its Regulatory Law Judges, and attorneys of record. Such attorneys shall not disclose the contents of such transcripts to anyone other than those who may have access to the designated information under

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the terms of this Protective Order Persons who have access to the designated information under the terms of this Protective Order shall treat the contents of such transcript as any other designated information under the terms of this Protective Order

R References to designated testimony, whether prefiled or live and transcribed, in any pleadings before the Commission, shall be by citation only and not by quotation Subject to the jurisdiction of any reviewing court, references to designated testimony in pleadings or oral arguments made to such reviewing court shall also be by citation only

S All persons who are afforded access to information under the terms of this Protective Order shall neither use nor disclose such information for purposes of business or competition or any other purpose other than the purpose of preparation for and conduct of this proceeding and then solely as contemplated herein, and shall keep the information secure and in accordance with the purposes and intent of this order

T Subject to the jurisdiction of any reviewing court, designated testimony constituting part of the record before the Commission shall be delivered to any reviewing court under seal upon service of the appropriate writ of review

U The Commission may modify this order on motion of a party or on its own motion upon reasonable notice to the parties and opportunity for hearing

V Within ninety (90) days after the completion of this proceeding, including judicial review thereof, all designated information, testimony, exhibits, transcripts or briefs in the possession of any party other than Staff or the Public Counsel shall be returned to the party claiming a confidential interest in such information and any notes pertaining to such information shall be destroyed

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- W The provisions of paragraph C, D, J and L of this Protective Order do not apply to Staff or Public Counsel Staff and Public Counsel are subject to the nondisclosure provisions of Section 386 480, R S Mo 1986 Staff and Public Counsel shall provide a list of the names of their employees who will have access to the designated information
- X Outside experts of Staff or Public Counsel who have been contracted to be witnesses in this proceeding shall have access to designated information and testimony on the same basis as Staff and Public Counsel except the outside expert shall read this order and sign the nondisclosure agreement attached as Appendix "A" hereto
- Y Outside experts of Staff and Public Counsel who have not been contracted to be witnesses in this proceeding are subject to the provisions of this Protective Order
- Z Prefiled testimony and exhibits, whether filed or offered at the hearing, shall be prepared in the manner described in Appendix "B"

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

NONDISCLOSURE AGREEMENT

I, _____, have
been presented a copy of this Protective Order issued in Case No _____ on the
_____ day of _____, 19____

I have requested review of the confidential information produced in Case
No _____ on behalf of _____

I hereby certify that I have read the above-mentioned Protective Order and
agree to abide by its terms and conditions

Dated this _____ day of _____, 19____

Signature and Title

Employer

Party

Address

Telephone

1 If prefiled testimony contains parts which are classified as Proprietary or Highly Confidential, it shall be filed with the Commission's Executive Secretary's Office as follows

A An original plus eight (8) copies of prefiled testimony with the Proprietary or Highly Confidential portions obliterated or removed shall be filed

B One (1) copy of those pages which contain information which has been designated as Proprietary, with any Highly Confidential portions obliterated or removed, shall be filed in a separate envelope The portions which are Proprietary shall be indicated as described in D, below

C One (1) copy of those pages which have been designated as Highly Confidential shall be filed in a separate envelope The portions which are Highly Confidential shall be indicated as described in D, below

D Six (6) copies of the complete prefiled testimony to be filed under seal for the Regulatory Law Judge and Commissioners The Proprietary pages shall be stamped "P" and the Proprietary information indicated by two asterisks before and after the information, ****Proprietary**** The Highly Confidential pages shall be stamped "HC" with the Highly Confidential information indicated by two asterisks and underlining before and after the Highly Confidential information, ****Highly Confidential****

Any deviations from this format must be approved by the Regulatory Law Judge

- 2 Three (3) copies of exhibits, whether testimony or other, shall be filed at the hearing with the information separated as described in 1 A, 1 B and 1 C above with each copy of the Proprietary and Highly Confidential portions placed into separate envelopes to be marked as Exhibit __, Exhibit __P and Exhibit __HC

Attachment 6:

Uniform System of Accounts,

“Accounting and Reporting Requirements
for Public Utilities and Licensees,”

United States Federal Energy Regulatory
Commission (FERC)

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

**ACCOUNTING AND REPORTING
REQUIREMENTS FOR
PUBLIC UTILITIES AND LICENSEES**



In Effect on February 12, 1985

FEDERAL ENERGY REGULATORY COMMISSION
Washington, DC 20426

DATE: July 5, 1992

Transmittal Sheet No. 3

To

**ACCOUNTING AND REPORTING REQUIREMENTS FOR
PUBLIC UTILITIES AND LICENSEES**

The pages accompanying this transmittal sheet reflect revisions to the loose-leaf edition of the Accounting and Reporting Requirements for Public Utilities and Licensees in effect on February 12, 1985 from May 29, 1991, the date of the latest change on Transmittal Sheet No. 2 through July 16, 1992.

INSTRUCTIONS

Remove the following pages: Insert the following pages:

11479 thru 11480	11479
11901 thru 11993	11901 thru 11975
12601	12601
12613 thru 12615	12613 thru 12615
12631 thru 12633	12631 thru 12633
12637 thru 12639	12637 thru 12639
12641 thru 12644	12641 thru 12644
40017 thru 40018	40017 thru 40018

File the transmittal sheet at the front of the publication. It provides a method of determining that all revisions have been received and a check for determining if the volume contains the proper pages.

FEDERAL ENERGY REGULATORY COMMISSION

WASHINGTON D C 20426

DATE. July 24, 1991

Transmittal Sheet No. 2

To

ACCOUNTING AND REPORTING REQUIREMENTS FOR

PUBLIC UTILITIES AND LICENSEES

The pages accompanying this transmittal sheet reflect revisions to the loose-leaf edition of the Accounting and Reporting Requirements for Public Utilities and Licensees in effect on February 12, 1985 from January 17, 1989, the date of the latest change on Transmittal Sheet No. 1 through May 29, 1991.

INSTRUCTIONS

Remove the following pages: Insert the following pages:

11641 thru 11642

11641 thru 11642

11803 thru 11804

11803 thru 11804

12601

12601

12631 thru 12632

12631 thru 12633

File the transmittal sheet at the front of the publication. It provides a method of determining that all revisions have been received and a check for determining if the volume contains the proper pages.

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON D C 20426

DATE February 8, 1989

Transmittal Sheet No. 1

To

ACCOUNTING AND REPORTING REQUIREMENTS FOR
PUBLIC UTILITIES AND LICENSEES

The pages accompanying this transmittal sheet reflect revisions to the loose-leaf edition of the Accounting and Reporting Requirements for Public Utilities and Licensees in effect on February 12, 1985 through January 17, 1989.

INSTRUCTIONS

Remove the following pages

Insert the following pages*

11231	11231
11239 thru 11242	11239 thru 11242
11245 thru 11247	11245 thru 11247
11405 thru 11406	11405 thru 11406
11501 thru 11502	11501 thru 11502
11535 thru 11536	11535 thru 11536
11571 thru 11572	11571 thru 11572
11665 thru 11666	11665 thru 11666
11671	11669 thru 11671
12301 thru 12302	12301 thru 12302
12331	12331 thru 12335
12601	12601
12631 thru 12632	12631 thru 12632
12637 thru 12639	12637 thru 12639

File the transmittal sheet at the front of the publication. It provides a method of determining that all revisions have been received and a check for determining if the volume contains the proper pages.

Publication Number FERC-0114

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

**ACCOUNTING AND REPORTING
REQUIREMENTS FOR
PUBLIC UTILITIES AND LICENSEES**



In Effect on February 12, 1985

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Foreword

This booklet contains the Parts of the Code of Federal Regulations under Title 18, Conservation of Power and Water Resources, Chapter I, Federal Energy Regulatory Commission, in effect February 12, 1985, that are applicable to Major and Nonmajor Public Utilities and Licensees. It is not a formal publication of these regulations, but has been compiled into a single booklet to be used only as a working copy.

Most of the pages in this booklet were taken directly from FERC Statutes & Regulations. Specific instructions covering the use of paragraph numbers and other features taken from Statutes and Regulations may be found in the "How to Use" section of that Reporter.

Users are encouraged to maximize the utility of this booklet by periodically reviewing FERC Statutes and Regulations and the Federal Register for changes that might occur in the Uniform System of Accounts and other applicable regulations.

The following table provides a permanent source of reference to the general orders of the Commission since June 16, 1936, which prescribe, amend, rescind or otherwise affect those portions of the Commission's Uniform System of Accounts prescribed for Public Utilities and Licensees in Part 101 of Title 18 and included in this looseleaf pamphlet edition.

Order No	Docket No	Issuance Date	Effective Date	Federal Register Citation and Date
42		06-16-36	01-01-37	1 F R 691, 07-01-36
43		12-31-36	01-01-38	2 F R 77, 01-16-37
		03-09-37		
		04-13-37		
137	R-101	04-18-47	07-01-47	12 F R 2626, 04-24-47
141		12-19-47	01-01-48	12 F R 8461, 12-19-47
142	R-109	10-19-48		13 F R 6315, 10-28-48
153	R-111	05-25-50	07-01-50	15 F R 3214, 05-26-50
204	R-159	05-29-58	01-01-58	23 F R 4160, 06-12-58
216	R-180	10-22-59	10-22-59	24 F R. 8790, 10-29-59
218	R-173	06-07-60	01-01-61	25 F R 5014, 06-07-60
225	R-184	12-13-60	01-01-61	25 F R 12764, 12-13-60
226	R-185	12-17-60	01-01-61	25 F R 12961, 12-17-60
276	R-226	12-18-63	12-18-63	28 F R 14265, 12-25-63
290	R-232	12-17-64	12-17-64	29 F R. 18214, 12-23-64
	R-231			

Order No	Docket No	Issuance Date	Effective Date	Federal Register Citation and Date
Order amend- ing 290	R-232	01-07-65	12-17-64	30 F R 484, 01-14-65
318	R-288	02-28-66	03-30-66	31 F R 3391, 03-04-66
322	R-256	05-26-66	07-01-66	31 F R 7897, 06-03-66
343	R-305	04-26-67	04-26-67	32 F R 6678, 05-02-67
Errata	R-305	06-01-67		32 F R 8657, 06-16-67
354	R-327	11-07-67	11-07-67	32 F R 15670, 11-14-67
366	R-334	07-08-68	08-07-68	33 F R 10134, 07-16-68
389	R-344	10-09-69	01-01-70	34 F R 17434, 10-29-69
389A	R-344	01-14-70	01-01-70	35 F R 879, 01-22-70
393	R-363	12-18-69	01-01-70	34 F R 20268, 12-25-69
393A	R-363	04-02-70	01-01-70	35 F R 5943, 04-10-70
408	R-381	08-26-70	08-26-70	35 F R 13983, 09-03-70
Errata	R-381	02-18-71		36 F R 4386, 03-05-71
419	R-390	01-06-71	01-01-71	36 F R 518, 01-14-71
420	R-379	01-07-71	01-01-71	36 F R 507, 01-14-71
420A	R-379	02-23-71	01-01-71	36 F R 3960, 03-03-71
421	R-391	02-08-71	01-01-71	36 F R 3046, 02-17-71
432	R-401	04-23-71	04-23-71	36 F R 8240, 05-01-71
434	R-422	06-07-71	06-07-71	36 F R 11431, 06-12-71
436	R-416	08-09-71	08-09-71	36 F R 15528, 08-17-71
439	R-409	10-22-71	10-22-71	36 F R 20868, 10-30-71
454	R-437	07-06-72	01-01-72	37 F R 14225, 07-18-72
457	R-444	08-16-72	01-01-72	37 F R 16797, 08-19-72
460	R-445	11-13-72	01-01-73	37 F R 24658, 11-18-72
469	R-395	02-01-73	01-01-73	38 F R 4246, 02-12-73
Errata	R-395	02-21-73	01-01-73	39 F R 8916, 03-07-74
473	R-412	02-15-73	01-01-73	38 F R 4947, 02-23-73
Errata	R-412	12-27-73	01-01-73	39 F R 2469, 01-22-74
475	R-451	03-01-73	03-01-73	38 F R 6667, 03-12-73
477	R-449	03-12-73	01-01-73	38 F R 7213, 03-19-73
483	R-462	04-30-73	04-30-73	38 F R 12113, 05-09-73
Errata	R-462	05-09-73	04-30-73	
486	R-456	07-03-73	01-01-74	38 F R 18871, 07-16-73
486A	R-456	10-29-73	01-01-74	38 F R 30433, 11-05-73
490	R-430	08-22-73	01-01-74	38 F R 23331, 08-29-73
504	R-424 & R-446	02-11-74	01-01-74	39 F R 6072, 02-19-74
505	R-424	02-11-74	01-01-73	39 F R 6093, 02-19-74
505A	R-424	02-25-74	01-01-74	39 F R 8332, 03-05-74
Errata	R-424	05-20-74	01-01-74	39 F R 22417, 06-24-74

Order No	Docket No	Issuance Date	Effective Date	Federal Register Citation and Date
530	R-424 & R-446	06-18-75	06-18-75	40 F R 26981, 06-26-75
549	RM76-3	06-15-76	01-01-76	41 F R 24992, 06-22-76
561	RM75-27	02-02-77	01-01-77	42 F R 9161, 02-15-77
566	RM76-17	06-03-77	06-03-77	42 F R 30151, 06-13-77
567	RM77-11	06-08-77	06-08-77	42 F R 30612, 06-16-77
1	RM78-1	10-06-77	10-01-77	42 F R 55450, 10-17-77
5	RM77-17	04-05-78	01-01-78	43 F R 15417, 04-13-78
258	RM81-4	09-13-82	10-29-82	47 F R 42720, 09-29-82
Errata	RM81-4	09-22-82	10-29-82	47 F R 42720, 09-29-82
-	RM83-61	03-29-83	03-29-83	48 F R 32567, 07-18-83
Errata	RM83-61	05-13-83	03-29-83	48 F R 32567, 07-18-83
390	RM83-66	08-03-84	01-01-84	49 F R 32496, 08-14-84
Errata	RM83-66	01-17-85	01-01-84	50 F R 5743, 02-12-85

Part 34—Application for Authorization of the Issuance of Securities or the Assumption of Liabilities

[¶ 13,900]

Sec

- 34 1 Applicability, definitions, exemptions in case of certain State regulation, certain short-term issuances and certain qualifying facilities
- 34 2 Competitive bidding requirements, negotiated placements, exemptions
- 34 3 Contents of application for competitive bids or negotiated placements
- 34 4 Required exhibits
- 34 5 Additional information
- 34 6 Form and style
- 34 7 Number of copies to be filed
- 34 8 Verification
- 34 9 Filing fee
- 34 10 Reports
- 34 20 Time of filing [Revoked]

AUTHORITY Department of Energy Organization Act, 42 U S C 7101-7352 (1982), Exec Order No 12,009, 3 CFR 142 (1978), Independent Offices Appropriations Act, 31 U S C 9701 (1982), Federal Power Act, 16 U S C 791a-825r (1982), Public Utility Regulatory Policies Act, 16 U S C 2601-2645 (1982)

CROSS REFERENCES For rules of practice and procedure, see Part I of this chapter For Approved Forms, Federal Power Act, see Part 131 of this chapter

OMB REFERENCE "FERC Filing No 523" is the identification number used by the Commission and the Office of Management and Budget to reference the filing requirements in Part 34

SOURCE The provisions of Part 34 were contained in 12 F R 8497, December 19, 1947, until amended as noted in text

[¶ 13,901]

§ 34.1 Applicability; definitions, exemptions in case of certain State regulation, certain short-term issuances and certain qualifying facilities

(a) *Applicability* This part applies to applications for authorization from the Commission to issue securities or assume an obligation or liability which are filed by

(1) Licensees and other entities pursuant to sections 19 and 20 of the Federal Power Act (41 Stat 1073, 16 U S C 812, 813) and Part 20 of the Commission's regulations, and

(2) Public utilities pursuant to section 204 of the Federal Power Act (49 Stat 850, 16 U S C 824c)

(b) *Definitions* For the purpose of this Part

(1) The term "utility" means a licensee, public utility or other entity seeking authorization under sections 19, 20 or 204 of the Federal Power Act,

(2) The term "securities" includes any note, stock, treasury stock, bond, or debenture or other evidence of interest in or indebtedness of a utility,

(3) The term "issuance or placement of securities" means issuance or placement of securities, or assumption of obligation or liability, and

(4) The term "State" means a State admitted to the Union, the District of Columbia, and any organized Territory of the United States

(c) *Exemptions*—(1) *If State regulates securities prior to issuance* A utility whose security issuances are regulated by a State agency, in a State in which it is organized and operating, shall be exempted from the provisions of sections 19, 20 and 204 of the Federal Power Act, and from the provisions of this part *Provided, however,* That the State agency is required to exercise its regulatory authority with respect to the issuance of such securities prior to issuance, and that the utility must obtain written authorization or approval from the State agency prior to the issuance of such securities

(2) *For short-term notes or drafts* Pursuant to section 204(e) of the Federal Power Act, the issuance, renewal, or assumption of liability on a note or draft

(i) Maturing not more than one year after the date of such issuance, renewal, or assumption of liability, and

(ii) Aggregating (together with all other than outstanding notes and drafts of a maturity of one year or less on which such utility is primarily or secondarily liable) not more than 5 per cent of the total of the other securities of the utility then outstanding, including

(A) In the case of securities having a par value, such par value, and

(B) In the case of securities having no par value, the fair market value of such securities as of the date of issuance, renewal or assumption of such note or draft, is exempt from Commission regulation pursuant to this part *Provided, however,* That within 10 days after any such issuance, renewal, or

§ 34.1 ¶ 13,901

assumption of liability, the utility shall file with the Commission a certificate of notification, in the form set forth in § 131 50 of this chapter

(3) *For certain qualifying facilities* Any cogeneration or small power production facility which is exempt from sections 19, 20 and 204 of the Federal Power Act pursuant to § 292 601 of this chapter shall be exempt from the provisions of this part

01 Subsections (a) and (b), 46 F R 50511 (October 14, 1981), subsection (c), 48 F R 9849 (March 9, 1983)

05 *Historical record*—Section 34 1 read as follows until it was amended in 46 F R 50511 (10/14/81), effective 10/7/81

§ 34 1 *Applicability*

The requirements of this Part will apply to licensees and others seeking authority under sections 19 and 20 of the Federal Power Act (41 Stat 1073, 16 U S C 812, 813) in

accordance with Part 20 of this subchapter and to public utilities seeking authority under section 204 of the Federal Power Act (49 Stat 850; 16 U S C 824c)

Subsection (c)(1), appearing in 46 F R 50511 (10/14/81), effective 10/7/81, was amended in 48 F R 9849 (3/9/83), effective 3/3/83, by inserting the phrase, "in a State in which it is organized and operating," between the words "State agency," and "shall"

[¶ 13,902]

§ 34 2 *Competitive bidding requirements, negotiated placements, exemptions.*

(a) *Competitive Bids*—(1) *General requirement for competitive bidding, exemptions* Every issuance by a utility of a security subject to sections 19, 20 or 204 of the Federal Power Act shall be made only after public invitation for and acceptance of competitive bids for such securities in accordance with the requirements of this part, except when

(i) The securities are to be issued to holders of existing securities on a pro rata basis,

(ii) The securities are to be issued to a commercial bank, insurance company or similar institution and are not for resale to the public *Provided, however,* That no fee or commission is paid to any third party for negotiating the transaction (except an associated service company charging only its costs of service),

(iii) The securities to be issued have a maturity of one year or less, or

(iv) The issuance of the securities, if not otherwise exempt from the competitive bidding requirements under paragraph (a)(1)(i), (ii), or (iii) of this section, is nevertheless exempted by the Commission pursuant to a utility's request, under paragraph (b)(2) of this section, for authority to negotiate for placement of securities, in lieu of seeking competitive bids

Provided, however, That the Commission may deny any such exemption from competitive bidding upon a finding that a non-competitive placement is not consistent with the public interest

(2) *Competitive bid application and Commission action thereon* A utility which proposes to issue securities subject to this part according to competitive bidding procedures shall file an application with the Commission under this part for authority to make such issuances Upon the receipt of authorization, the utility may invite bids and issue the securities *Provided, however,* That

¶ 13,901 § 34.1

(i) The proposed bids as may be received in response to the public invitation shall not be opened at any time or place other than as specified in the invitation,

(ii) The duly authorized representative of any person making any such proposed bid shall be entitled to be present at the opening of the proposed bids and may examine each proposed bid submitted,

(iii) The invitation shall refer to the prohibitions set forth in paragraph (c) of this section,

(iv) At least two of the bids received shall meet the conditions set forth in the invitation for bids, and

(v)(A) The bid which is accepted shall provide the utility with the greatest overall proceeds, or be the least costly of the proposals obtained, or

(B) If the utility intends to accept a bid other than that described in paragraph (a)(2)(v)(A) of this section, the utility shall before accepting the bid

(1) File with the Commission further justification as the Commission may require, in support of the utility's intention to accept the other bid, and

(2) Obtain Commission approval to accept the other bid

(b) *Negotiated placements*—(1) *Negotiated placement application pursuant to paragraph (a)(1)(i), (ii) or (iii), and Commission action thereon* Any utility which is exempt from the competitive bidding requirements under paragraph (a)(1)(i), (ii) or (iii) of this section shall submit an application for negotiated placement of securities pursuant to § 34.3 Upon the Commission's authorization to such utility for negotiated placement of the securities, the utility may make the placement

(2) *Negotiated placement application pursuant to paragraph (a)(1)(iv), and Commission action thereon* (i) A utility which requests authority to issue securities by negotiation pursuant to paragraph (a)(1)(iv) shall

(A) File for and obtain an exemption from the Commission's competitive bidding requirements prescribed in paragraph (a) of this section,

(B) Upon receipt of the exemption, shall negotiate with, and obtain proposals with regard to placement of the securities from at least three prospective dealers, purchasers or underwriters, unless otherwise authorized by the Commission, and each such dealer, purchaser or underwriter shall be notified of the prohibitions set forth in paragraph (c) of this section, and

(C) File an application for authority to issue the securities, pursuant to § 34.3

(ii) Upon the Commission's authorization to a utility to issue the securities, such utility may make the issuances

(c) *Prohibitions respecting competitive bids or negotiated placements* No bid for the placement of any securities shall be invited or accepted from, nor shall negotiations occur with, any person who

(1) Prior to the submission of bids, or beginning of negotiations, has performed any service for any fee or compensation in connection with the proposed issuance of securities, or

(2) Violates section 305(a) of the Federal Power Act with respect to the bid, invitation, or negotiation

01 46 F R 50511 (October 14 1981)

05 *Historical record*—Section 34.2 originated as Section 34.1a and read as follows until it was amended in 46 F R 50511 (10/14/81), effective 10/7/81

§ 34.1a Requirement of public invitation of proposals for the purchase or underwriting of securities

(a) *Scope of this section* This section shall apply to every issuance of a security, or securities, and assumption of obligation or liability as guarantor, endorser surety, or otherwise, in respect to any security, or securities, of another person for which Commission approval must be obtained, under the Federal Power Act, except where

(1) Such securities are to be issued pro rata to existing holders of securities of the applicant or issuer pursuant to any preemptive right or in connection with any liquidation or reorganization, or

(2) Such securities consist of one or more bonds, notes, or other evidence of debt, of a maturity of ten years or less, to a commercial bank, insurance company, or similar institution not for resale to the public *Provided*, No finder's fee or other fee, commission or remuneration is to be paid in connection therewith to any third person (except an associated service company charging only its costs of service) for negotiating the transaction, or

(3) The proceeds, to the issuer, of the securities will be less than \$1,000,000; or

(4) The Commission, on application filed pursuant to § 34.2(f)(2), finds that compliance with the competitive bidding requirements of paragraphs (b) and (c) of this section would not be appropriate to aid the Commission to determine whether any fees, commissions, or other remuneration to be paid, directly or indirectly, in connection with the issue, sale, or distribution of such securities, or whether such issue or sale, or any term or condition of such issue or sale, is not consistent with the public interest. Such findings will be made only where the issuer has not engaged in negotiating for the sale or underwriting of the securities without having been authorized in writing by the Commission prior to such negotiation. Nothing in this section shall be deemed to preclude the Commission from entering any

order which would otherwise be appropriate under applicable provisions of the act

(b) *Public invitation for proposals* The Commission will not grant any application for authorization and approval under section 204(a) of the Federal Power Act unless at least one week, or such other period as the Commission may by order fix, prior to entering into any contract or agreement for the issuance or sale of any security or assumption of obligation or liability as guarantor, endorser surety, or otherwise, in respect of any security of another person sealed, written proposals for the purchase or underwriting of such securities shall have been publicly invited and the requirements of paragraph (c) of this section complied with. Such invitation shall, among other things, describe the arrangements made for independent counsel for bidders. No bid shall be invited, or accepted, from any person who, prior to the submission of bids, has performed any service for compensation in connection with the proposed securities or who has or will receive any fee or compensation in connection with the proposed securities, nor shall any bid be invited or accepted involving a violation of section 305(a) of the Federal Power Act, prohibiting officers and directors benefiting from or sharing in proceeds of securities. Such proposals as may be received in response to the public invitation shall not be opened at any time or place other than as specified in the invitation. The duly authorized representative of any person making any such proposal shall be entitled to be present at the opening of such proposals and to examine each proposal submitted. The invitation shall refer to the limitations prescribed in this section.

(c) *Statement of compliance and of action proposed* As promptly as practicable after the opening of the proposals the applicant shall file an amendment to its application setting forth

(1) The action taken to comply with paragraph (b) of this section, including a statement that the proposed method of complying with the competitive bidding requirements as described in the application pursuant to the requirements of § 34.2(f)(1) has been carried out with no departures except such as shall be fully stated

(2) A summary of the terms of the proposals received, including the name of each bidder or

representative of a bidding group the interest or dividend rate specified (where applicable), the price to be paid the issuer per share or per \$100 principal amount the cost of money to the issuer (except in the case of common stock), the name of the successful bidder and the successful bidder's initial public offering price with the resulting yield to the public (except in the case of common stock), accompanied by a copy of each proposal

received (to be submitted as part of Exhibit L to the application)

(3) A statement of the action proposed to be taken with respect to the issuance and sale of securities, and, in any case in which securities are to be issued by a person other than the applicant, a statement of the action to be taken by the applicant with reference to the assumption of obligation or liability in respect thereto

[¶ 13,903]

§ 34.3 Contents of application for competitive bids or negotiated placements

Each application to the Commission for authority to issue securities shall contain the information specified in this section. In lieu of filing the information required in paragraphs (e), (k) and (l) of this section, a specific reference may be made to the portion of the registration statement filed under § 34.4(f) of this chapter which includes the information required in these paragraphs

(a) The official name of the applicant and address of its principal business office

(b) The State in which the utility is incorporated, the date of incorporation, and each State in which it operates

(c) The name, address and telephone number of a person within the utility authorized to receive notices and communications with respect to the application

(d) The date by which Commission action is requested

(e) A full description of the securities proposed to be issued, including

(1) Type and nature of securities,

(2) Amount of securities (par or stated value and number of units),

(3) Interest or dividend rate, if any,

(4) Dates of issuance and maturity,

(5) Institutional rating of the securities—or if the securities are not rated, an explanation as to why they are not rated, and if the securities will be rated, an estimate of the rating,

(6) Any stock exchange on which the securities will be listed, and

(7) Information in support of an exemption from competitive bidding requirements pursuant to § 34.2(a)(1)(i), (ii) or (iii)

(f) A description as to how such securities are to be issued and sold or the procedure by which the applicant will assume any obligation or liability as guarantor, endorser, surety, or otherwise

(g)(1)(i) The name and address of any person receiving or entitled to receive a fee for services (other than persons who render technical services,

§ 34.3 ¶ 13,903

such as attorneys, or accountants) related to the negotiation, issuance or sale of securities, or, receiving or entitled to receive a fee for services in securing underwriters, sellers, or purchasers of securities, except as related to any competitive bid,

(ii) The amount of each such fee,

(iii) The facts showing that the services are necessary, and that the fee is reasonable for rendering services in an arm's length transaction, and

(iv) Any other relevant factors concerning fees or services that the utility wished to provide

(2) All facts showing or tending to show that the applicant directly or indirectly controls, is controlled by, or is under the same common control as any person named pursuant to the requirements of paragraph (g)(1)(i) of this section, or facts showing or tending to show the contrary For purposes of this clause, "control" has the same meaning as "Control" in Item 5 B of the Definitions at 18 CFR Part 101 Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act

(h) The purpose for which the securities for which application is made are to be issued

(1) If the purpose of such issuance is the construction, completion, extension, or improvement of facilities, describe in reasonable detail the construction program for which the funds were or are to be used

(2) If the purpose for such issuance is for the refunding of obligations, describe in detail the obligations to be refunded, including the character, principal amounts, applicable discount or premium, dates of issuance and maturity, and all other material facts concerning such obligations

(3) If the purpose for such issuance is for other than construction or refunding, explain such other purpose(s) in detail

(i) A statement as to whether or not any application with respect to the transaction or any part thereof is required to be filed with any State regulatory body

(j) A detailed statement of the facts relied upon by the applicant to show that the issuance

(1) Is for some lawful object, within the corporate purposes of the applicant and compatible with the public interest, is necessary or appropriate for or consistent with the proper performances by the applicant of service as a public utility and will not impair its ability to perform that service, and

(2) Is reasonably necessary or appropriate for such purposes

(k) A detailed statement of the bond indenture(s) or other limitations on interest and dividend coverage, and the effects of such limitations on the issuance of additional debt or equity securities

(l) A brief summary of any rate changes which were made effective during the period for which financial statements are submitted or which

became or will become effective after the period for which statements are submitted

(m) A form of notice suitable for publication in the **Federal Register**, setting forth (1) The legal name of the applicant, (2) the securities offered for issuance including the proposed issue date, and (3) the comment procedure

(n) Any applicable exhibits as required under § 34.4

01 46 FR 50511 (October 14, 1981), subsection (g), 49 FR 32496 (August 14, 1984)

05 *Historical record*—Section 34.3 originated as Section 34.2 and read as follows until it was amended in 46 FR 50511 (10/14/81), effective 10/7/81

§ 34.2 Contents of application, filing fee

Every such applicant shall set forth in its application to the Commission, which shall be accompanied by the fee prescribed in Part 36 of this subchapter, in the manner and form and in the order indicated, the following information which, in the case of the assumption of a liability, shall be furnished as to both the issuer and the person assuming liability

(a) The exact name of the applicant and address of its principal business office

(b) The State or other sovereign power under which incorporated, the date of incorporation, and the States in which domesticated

(c) Name and address of person authorized to receive notices and communications in respect to application

(d) A full description of the securities proposed to be issued or the liabilities to be assumed, showing

(1) Kind and nature of securities or liabilities

(2) Amount (face value and number of shares)

(3) Interest or dividend rate, if any

(4) Date of issue and date of maturity

(5) Voting privileges, if any

(e) A description of the method of issuing and selling the securities to be issued by the applicant or in respect of which the applicant is to assume any obligation or liability as guarantor, endorser, surety, or otherwise. Such description shall include a statement of whether

(1) Such securities are to be issued pro rata to existing holders of securities of the applicant or issuer pursuant to any preemptive right or in connection with any liquidation or reorganization

(2) Such securities consist of one or more bonds, notes, or other evidences of debt, of a

maturity of ten years or less, to a commercial bank, insurance company, or similar institution not for resale to the public, and provide that no finder's fee or other fee, commission or remuneration is to be paid in connection therewith to any third person (except an associated service company charging only its costs of service) for negotiating the transaction

(3) The proceeds, to the issuer or vendor of the securities will be less than \$1,000,000

(4) The proposed issuance of securities, or assumption of obligation or liability, by the applicant, has been exempted by the Commission from the competitive bidding requirements of § 34.1a (b) and (c) by findings as referred to in § 34.1a(a)(4), or is the subject of an application for such exemption under paragraph (f)(2) of this section which application has not been denied by the Commission

(f) Except where the issuance of securities or assumption of obligation or liability falls within paragraph (e)(1), (2), or (3) of this section, the application shall either

(1) Set forth the proposed method of complying with the competitive bidding requirements of § 34.1a (b) and (c), including summarization of the principal terms of the proposed invitation for bids and submitting a copy of the proposed invitation as part of Exhibit O to the application, or

(2) Apply for exemption from the competitive bidding requirements of § 34.1a (b) and (c) upon findings as referred to in § 34.1a(a)(4). Such an application may be made only where the issuer has not, prior to the filing of the application, engaged in any negotiation for the sale or underwriting of the securities and engages not to do so prior to Commission action on the application for exemption, and the application so shows *Provided*, That engaging in negotiation may be permitted where the Commission has given its written authorization in advance. Such application for exemption may be filed as part of an application for securities approval, or as a separate application filed at any time prior to the filing of such an application for securities approval (If separately filed, such

separate application shall nevertheless be subject to the provisions of §§ 34.4 to 34.7. Such application for exemption shall show the specific grounds relied on as warranting the findings referred to in § 34.1a(4). If an application for such exemption is denied by the Commission after the application for securities approval has been filed, the requirements of subparagraph (1) of this paragraph shall be complied with by amendment to the application.

(g) Where no application has been filed for exemption from the competitive bidding requirements of § 34.1a (b) and (c), or the Commission has denied such an application, applicant shall set forth by amendment to the application, the data with respect to compliance with the competitive bidding requirements and its proposed action, as required by § 34.1a(c).

(h) There shall also be set forth in the application or amendment thereto

(1) The name and address of any person receiving or entitled to a fee for services (other than attorneys, accountants and similar technical services) in connection with the negotiation or consummation of the issuance or sale of securities, or for services in securing underwriters, sellers, or purchasers of securities, other than fees included in any competitive bid, the amount of each such fee and facts showing the necessity of the services and that the fee does not exceed the customary fee for such services in arm's-length transactions and is reasonable in the light of the cost of rendering the service and any other relevant factors

(2) All facts showing or tending to show that the issuer or applicant directly or indirectly controls, or is controlled by, or is under the same common control as, any person named pursuant to the requirements of paragraph (g) of this section and paragraph (h)(1) of this section or showing or tending to show the opposite. "Control" is used herein as defined in section 5B of the Uniform Systems of Accounts Prescribed for Public Utilities and Licensees

(i) A statement showing both in total amount and per unit the price to the public, underwriting commissions, and net proceeds to the applicant. Supply also the information (estimated if necessary) required in § 131.43 of this chapter. If the securities are to be issued directly for property, then a full description of the property to be acquired, its location, its original cost (if known) and fair value by accounts, and a statement as to who determined the fair value, together with the identification of the person from whom the

property is to be acquired. If original cost is not known, an estimate of original cost based, insofar as possible, upon records or data of the applicant or its predecessors must be furnished, together with a full explanation of the manner in which such estimate has been made, and a description and statement of the present custody of all existing pertinent data and records. A statement showing the cost of all additions and betterments and retirements, from the date as of which the original cost is shown should also be furnished.

(j) Purpose for which securities are to be issued

(1) If the purpose is the construction, completion, extension, or improvement of facilities, describe in reasonable detail the construction program for which the funds were or are to be used, and submit as Exhibit Q, including

(i) The name, location and size (express in kilowatts) of generating stations which are to be constructed or in which are to be installed, major additions such as generators, boilers, etc.,

(ii) The length of transmission lines to be constructed or rebuilt, the geographical termini of such lines, the supporting structure, number of circuits, size and type of conductor, the voltage, frequency, and number of phases,

(iii) Name and location of major substations to be constructed or rebuilt, the kva capacity and voltages of transformers installed,

(iv) Any other major additions or improvements to electric facilities, and

(v) The expenditures to most recent date and the estimated completion date and ultimate cost in place of each of the foregoing items of construction, improvement or extension listed. If the construction program extends over more than one calendar year, the estimated cost for the succeeding calendar year shall be given.

(2) If the purpose is the reimbursement of the treasury of the applicant for expenditures against which securities have not been issued, a statement giving a general description of such expenditures, the amounts and accounts to which charged, the associated credits, if any, and the periods during which the expenditures were made shall be submitted as Exhibit R.

(3) If the purpose is the refunding of obligations, a full description of the obligations to be refunded, including the character, principal amounts, discount or premium applicable thereto, date of issue and date of maturity, and all other material facts concerning such obligations must be given.

(k) A description of the general character of the business done and to be done, together with a designation of the territories served including a brief description of the facilities owned or operated by the applicant for transmission of electric energy in interstate commerce or the sale of electric energy at wholesale in interstate commerce

(l) A brief reference to any license held by the applicant from the Federal Power Commission

(m) Name and address of counsel who have passed upon the legality of the proposed issue or assumption of liability, and names and addresses of any firms of which they, or of any of them, are members

(n) A statement as to whether or not any application, registration statement, etc., with respect to the transaction or any part thereof is required to be filed with any other Federal or State regulatory body

(o) The facts relied upon by the applicant to show that the issue or assumption (1) is for some lawful object within the corporate purposes of the applicant and compatible with the public interest, which is necessary or appropriate for or consistent with the proper performance by the applicant of service as a public utility and which will not impair its

ability to perform that service, and (2) is reasonably necessary or appropriate for such purposes

(p) A brief statement of all rights to be a corporation franchises, permits, and contracts for consolidation, merger, or lease included as assets of the applicant or any predecessor, thereof, the amounts actually paid as consideration therefor, respectively, and the facts relied upon to show that the issuance of the securities for which approval is requested will not result in the capitalization of the right to be a corporation or of any franchise, permit or contract for consolidation, merger, or lease in excess of the amount (exclusive of any tax or annual charge) actually paid as the consideration for such right, franchise permit or contract

(q) A form of notice suitable for publication in the FEDERAL REGISTER, which will briefly summarize the facts contained in the application in such way as to acquaint the public with its scope and purpose

Subsection (g), appearing in 46 F R 50511 (10/14/81), effective 10/7/81, was amended in 49 F R 32496 (8/14/84), effective 1/1/84, in (g)(2), by removing "(Class A and Class B)" from the end of the second sentence

[¶ 13,904]

§ 34.4 Required exhibits

(a) *Exhibit A* A copy of the applicant's charter or articles of incorporation with amendments to date of filing the application, and a copy of the by-laws with amendments to date *Provided, however,* That if the documents required in this exhibit have been filed with the Commission no more than 5 years prior to the current application, a specific reference to, and the date of such previous filings, will be accepted in lieu of separate filings

(b) *Exhibit B* A copy of all resolutions of the applicant's directors authorizing the issuance of securities for which the application is made, and copies of the resolution of the stockholders approving such issuance if approval of the stockholders has been obtained

(c) *Exhibit C* A statement of the measure of control or ownership exercised by or over the applicant as to any utility, bank, trust company, banking association, firm that is authorized by law to underwrite or participate in the marketing of securities of a utility, or any company supplying electric equipment to such applicant If any intercorporate relationships exist among any such entities through holding companies, ownership of securities, or otherwise, a statement is required concerning the ownership of securities or the nature and extent of such relationship If the applicant is not a member of any holding company system, a statement to that effect is required

(d) *Exhibit D* The balance sheet and attached notes for the most recent 12 month period, on both an actual basis and pro forma basis in the form prescribed for Statement A, "Comparative Balance Sheet" of Form No 1, "Annual Report for Major Electric Utilities, Licensees and Others" (see 18 CFR 141.1) Each adjustment made in determining the pro forma basis shall be clearly identified

(e) *Exhibit E* The income statement, with attached notes, for the most recent 12 month period, on both an actual basis and a pro forma basis in the form prescribed for Statement C ("Statement of Income for the Year") of Form No 1 Each adjustment made in determining the pro forma basis shall be clearly identified

(f) *Exhibit F* A copy of registration statement and exhibits which are filed with the Securities and Exchange Commission for the proposed security issuance

(g) *Exhibit G* A copy of the public invitation(s) for proposals to purchase or underwrite the securities offered for issuance

(h) *Exhibit H* (1) A copy of each proposal received by the applicant for a negotiated placement of the securities offered for issuance, and a summary tabulation of all proposals. If actual data concerning such proposals are not available, estimated data may be substituted, if they are identified as estimates. The summary shall include the following information, identified by prospective dealer, purchaser or underwriter

(i) Par or stated value of the securities

(ii) Number of units (shares of stock, number of bonds) to be issued

(iii) Total dollar amount of the issue

(iv) Life of the securities, including maximum life and average life for a sinking fund issue

(v) Dividend or interest rate

(vi) Call provisions

(vii) Sinking fund provisions

(viii) Offering price to public or to other purchaser(s)

(ix) Discount or premium

(x) Commission or underwriting spread

(xi) Net proceeds to company for each unit of security and for the total issue

(xii) Net cost to the company for securities with a stated interest or dividend rate

(xiii) Other pertinent data

(2) A list identifying any person with whom negotiations took place but from whom no proposal was received

(3) A justification in support of the utility's intention to accept a particular offer

¶ 13,904 § 34.4

01 46 FR 50511 (October 14, 1981) subsection (d), 49 FR 32496 (August 14 1984)

05 *Historical record*—Section 34.4 originated as Section 34.3 and read as follows until it was amended in 46 FR 50511 (10/14/81), effective 10/7/81

§ 34.3 Required exhibits

There shall be filed with the application as a part thereof one certified copy of exhibits A and B, and one certified and 5 uncertified copies of exhibits C through P described as follows

Exhibit A A copy of the applicant's chart or articles of incorporation with amendments to date

Exhibit B A copy of the by laws with amendments to date

Exhibit C Copies of mortgage, indenture, or other agreement under which it is proposed to issue the securities, also, a copy of any mortgage, indenture, or other agreement securing other funded obligations of the applicant

NOTE Once the documents called for in Exhibits A, B, and C have previously been filed with the Commission a specific reference and date of previous filing will be accepted in lieu of separate filing in each subsequent application

Exhibit D Copies of all resolutions of directors authorizing the issue or assumption of liability in respect to which the application is made and, if approval of stockholders has been obtained, copies of the resolution of the stockholders should also be furnished

Exhibit E The names, titles and addresses of principal officers of applicant

Exhibit F A signed copy of opinion of counsel in respect to legality of the issue or assumption of liability

Exhibit G A statement of the measure of control or ownership exercised by or over the applicant as to any public utility, or bank, trust company, banking association, or firm that is authorized by law to underwrite or participate in the marketing of securities of a public utility, or any company supplying electric equipment to such applicant Where there are any intercorporate relationships through holding companies, ownership of securities or otherwise, the nature and extent of such relationship If not a member of any holding company system include a statement to that effect

Exhibit H Balance sheets and supporting plant schedules for the most recent 12 month period only, on an actual basis and on a pro

forma basis in the form prescribed for Statements A and B of the FPC Annual Report Form No 1, prescribed by § 141.1 of this Chapter The adjustments necessary to arrive at the pro forma statements should be clearly identified

Exhibit I A statement as of the date of the balance sheet submitted with application showing for each class and series of capital stock

(1) Brief description

(2) The amount authorized (face value and number of shares)

(3) The amount outstanding (exclusive of any amount held in the treasury)

(4) Amount held as reacquired securities

(5) Amounts pledged or optioned by applicant

(6) Amount owned by affiliated corporations

(7) Amount held in any fund

Exhibit J A statement as of the date of the balance sheet submitted with application showing for each class and series of funded debt

(1) Brief description

(2) The amount authorized

(3) The amount outstanding (exclusive of any amount held in the treasury)

(4) Amount held as reacquired securities

(5) Amount pledged by applicant

(6) Amount owned by affiliated corporations

(7) Amount in sinking and other funds

Exhibit K A statement of all known contingent liabilities except minor items such as damage claims and similar items involving relatively small amounts, as of the date of the application

Exhibit L Income statement for the most recent 12 month period only, on an actual basis and on a pro forma basis in the form prescribed for Statement C of the FPC Annual Report Form No 1, prescribed by § 141.1 of this Chapter The adjustments necessary to arrive at the pro forma statements should be clearly identified

Exhibit M An analysis of retained earnings for the period covered by the income statements referred to in exhibit L

Exhibit N (1) A copy of registration statement proper, if any, and financial exhibits made a part thereof, filed with the Securities and Exchange Commission, (2) a copy of each application and exhibit filed with any State regulatory body in connection with the proposed transaction and if action has been

taken thereon a certified copy of each order relating thereto

NOTE The information required by exhibit N shall be filed as soon as available

Exhibit O Copies of the proposed and of the published invitation of proposals for the purchase or underwriting of the securities to be issued, of each proposal received, and of each contract, underwriting, and other arrangements entered into for the sale or marketing of the securities Where a contract or underwriting is not in final form so as to permit filing, a preliminary draft or a summary containing such identification of the parties thereto and such setting forth of the principal terms thereof as may be practicable, may be filed, pending filing of conformed copy in the form executed by final amendment to the application

Exhibit P A map or maps showing not more than 16 miles to the inch showing the territory served by applicant, the location of the principal generating, transmission and substation facilities, and points of connection

with other electric utility systems The maps shall be of sufficient scale as will show clearly the location of the proposed additions and improvements of generating transmission and major substation facilities for which the securities are to be issued

Exhibit Q Information required under § 34 2(j)(1)

Exhibit R Information required under § 34 2(j)(2)

Subsection d, appearing in 46 F R 50511 (10/14/81), effective 10/7/81, read as follows until its amendment in 49 F R 32496 (8/14/84), effective 1/1/84

(d) *Exhibit D* The balance sheet and attached notes for the most recent 12 month period, on both an actual basis and pro forma basis in the form prescribed for Statement A, "Comparative Balance Sheet" of Form No 1, "Annual Report for Electric Utilities Licensees and Others (Class A and Class B)" (see 18 CFR 141 I) Each adjustment made in determining the pro forma basis shall be clearly identified

[¶ 13,905]

§ 34 5 Additional information

The Commission may, in its discretion, require the filing of additional information which appears necessary to reach a determination on any particular application

01 46 F R 50511 (October 14, 1981)

05 *Historical record*—Section 34 5 originated as Section 34 4 and read as follows until it was amended in 46 F R. 50511 (10/14/81), effective 10/7/81

§ 34 4 Additional information

The Commission may require additional information when it appears to be pertinent in a particular case

[¶ 13,906]

§ 34 6 Form and style.

Each application pursuant to this Part 34 shall conform to the requirements of Subpart T of Part 385 of this chapter

01 47 F R 19014 (May 3, 1982)

05 *Historical record*—Section 34 6 originated as Section 34 5 and read as follows until it was amended in 46 F R. 50511 (10/14/81), effective 10/7/81

§ 34 5 Form and Style

Applications under §§ 34 1 to 34 10, inclusive, shall conform to the requirements of § 1 15 of this chapter

Section 34 6, appearing in 46 F R. 50511 (10/14/81), effective 10/7/81, was amended in 47 F R. 19014 (5/3/82), effective 8/26/82, by removing "§ 1 15" and adding in lieu thereof "Subpart T of Part 385"

¶ 13,904 § 34.4

[¶ 13,907]

§ 34 7 Number of copies to be filed

Each applicant shall submit to this Commission an original and four copies of each application pursuant to this Part 34

01 46 F R 50511 (October 14 1981)

05 *Historical record*—Section 34 7 originated as Section 34 6 and read as follows until it was amended in 46 F R 50511 (10/14/81), effective 10/7/81

§ 34 6 Number of copies

An original and five copies plus one copy for each State affected of applications under § § 34 1 to 34 10 inclusive shall be submitted

[¶ 13,908]

§ 34 8 Verification

The original application shall be signed by an authorized representative of the applicant, who has knowledge of the matters set forth therein, and it shall be verified under oath

01 46 F R 50511 (October 14 1981)

05 *Historical record*—Section 34 8 originated as Section 34 7 and read as follows until it was amended in 46 F R 50511 (10/14/81), effective 10/7/81

§ 34 7 Verification

The original application shall be signed by a person having authority with respect thereto and having knowledge of the matters therein set forth and shall be verified under oath

[¶ 13,909]

§ 34 9 Filing fee

Each application shall be accompanied by a fee as prescribed in Part 381 of this chapter

01 50 F R 40347 (October 3 1985)

05 *Historical record*—Prior Section 34 9 "Commission action," read as follows until it was deleted and present Section 34 9, "Filing fee," was issued in its place in 46 F R 50511 (10/14/81), effective 10/7/81

§ 34 9 Commission action

(a) An application for approval under this part will ordinarily require a minimum of 30 days after it is filed to allow for public notice investigation opportunity for hearing consideration by the Commission and issuance of the first order referred to hereinafter To facilitate the completion of registration statements filed with the Securities and Exchange Commission pursuant to the requirements of section 7 of the Securities Act of 1933 and sections 12 and 13 of the Securities and Exchange Act of 1934 so that public invitation for proposals for purchase or underwriting of the securities may be made, conformably to the provisions of those acts this Commission will where appropriate authorize proposed issuance of securities and assumptions of obligation or liability, prior to the filing of the data referred to in § § 34 1a(c) and 34 2(k) (3) and (4) subject to a provision that the securities shall not be issued or the obligation or liability assumed, by the

applicant until such amendment shall have been filed and a further order shall have been entered thereon The Commission will endeavor wherever possible to enter such further order upon receipt of telephone advice and confirmation thereof by telegram from the applicant setting forth the substance of the data specified in § 34 2(k) (3) and (4) and stating that the amendment furnishing such data has actually been mailed to the Commission This two-order procedure will not obtain with respect to security issues exempted by § 34 1a(a) from competitive bidding requirements except upon request or where the first sentence of paragraph (b) of this section is applicable

(b) If pursuant to a public invitation at least two independent proposals for the purchase or underwriting of the securities are received the applicant may without further order of or filing with the Commission issue or sell the securities in accordance with the terms and conditions contained in the application (1) to the bidder or bidders offering to the company the lowest annual cost of money or (2) in the case of common stock sold on a rights offering, to the bidder or bidders specifying the lowest aggregate amount of compensation to be paid by the issuer or (3) in the case of common

stock sold on a straight sale and not on a rights offering, to the bidder or bidders specifying the highest total price to be paid to the company

(c) Within 10 days after the consummation of any transaction pursuant to the provisions of paragraph (b) of this section, the applicant shall certify to the Commission that such transaction has been carried out in accordance with terms and conditions of and for the purposes represented by the applicant in his filing and of any order of the Commission with respect thereto. The applicant shall include as part of the certificate filed, the names of the purchasers or underwriters, the terms of the

several proposals received, and the names of the persons submitting the proposals. Unless requested by the Commission to complete the record as to any other matter as to which jurisdiction has been specifically preserved, no further filing with respect to the issuance or sale of the securities shall be required.

Section 34.9, appearing in 46 F.R. 50511 (10/14/81), effective 10/7/81, was amended in 50 F.R. 40347 (10/3/85), effective 11/4/85, by removing the words "18 CFR 36.2" and inserting, in their place, the words "Part 381 of this chapter"

[¶ 13,910]

§ 34.10 Reports

The applicant shall file a report pursuant to 18 CFR 131.43 no later than 180 days after the sale or placement of equity or long-term debt securities, or entry into other contractual obligations pursuant to authority granted under this Part. This requirement does not apply to debt having a maturity of one year or less (OMB control No. 1902-0043)

01 46 F.R. 50511 (October 14, 1981)

05 *Historical record*—Section 34.10 originated as Section 34.8 and read as follows until it was amended in 46 F.R. 50511 (10/14/81), effective 10/7/81:

§ 34.8 Reports.

Upon the granting of any application under § 34.1 to 34.10, inclusive, by the Commission, the applicant shall report to the Commission under oath, within 10 days after any such issue or assumption of liability, the fact of such issue or assumption of liability, the terms and conditions thereof and any amount realized from such issue. The applicant shall further make reports within 15 days after every June 30 and every December 31 showing for the 6-month period ended on the above dates the proceeds realized from the sale, and the disposition of any money to be realized, until the entire proceeds shall have been accounted for. A report in the form outlined in § 131.43 of

this chapter showing the face value, the proceeds and the expenses (itemized) of the issue shall be made at the earliest practicable date.

Prior Section 34.10, "Publicity," read as follows until it was deleted and present Section 34.10, "Reports," was issued in its place in 46 F.R. 50511 (10/14/81), effective 10/7/81.

§ 34.10 Publicity

In any document, prospectus, or publicity relating to the offering or sale of securities hereunder, any reference to the authorization by the Commission of the issuance of such securities shall include a qualifying statement to the effect that the Commission's authorization was subject to the provision that such authorization shall not be construed to imply any guarantee or obligation on the part of the United States in respect of such securities.

Certification of Notification

[¶ 13,920]

§ 34.20 Time of filing. [Revoked.]

01 46 F.R. 50511 (October 14, 1981)

05 *Historical record*—Section 34.20 read as follows until it was deleted in 46 F.R. 50511 (10/14/81), effective 10/7/81:

§ 34.20 Time of filing

The facts relating to any transaction to which section 204(e) of the act is applicable shall be reported to the Commission within 10 days after the date of such transaction in accordance with § 131.50 of this chapter.

¶ 13,909 § 34.9

[¶ 13,921]

§ 34 21 Additional information [Deleted]

01 46 F R 50511 (October 14 1981)
 05 *Historical record*—Section 34 21 read
 as follows until it was deleted in 46 F R
 50511 (10/14/81), effective 10/7/81

§ 34 21 Additional information
 The Commission may require additional
 information when it appears to be pertinent in
 a particular case

[¶ 13,922]

§ 34.22 Form and style [Deleted]

01 46 F R 50511 (October 14 1981)
 05 *Historical record*—Section 34 22 read
 as follows until it was deleted in 46 F R
 50511 (10/14/81) effective 10/7/81

§ 34 22 Form and style
 Certificates under §§ 34 20 to 34 24
 inclusive shall conform to the requirements of
 § 1 15 of this chapter

[¶ 13,923]

§ 34 23 Number of copies [Deleted]

01 46 F R 50511 (October 14, 1981)
 05 *Historical record*—Section 34 23 read
 as follows until it was deleted in 46 F R
 50511 (10/14/81), effective 10/7/81
 § 34 23 Number of copies

An original and five copies plus one copy for
 each State affected, of certificates under
 §§ 34 20 to 34 24 inclusive, shall be
 submitted

[¶ 13,924]

§ 34 24 Verification [Deleted]

01 46 F R 50511 (October 14, 1981)
 05 *Historical record*—Section 34 24 read
 as follows until it was deleted in 46 F R
 50511 (10/14/81), effective 10/7/81
 § 34 24 Verification

The original certificate shall be signed by a
 person or persons having authority with
 respect thereto and having knowledge of the
 matters therein set forth and shall be verified
 under oath

[The next page is 11,251]

Part 41—Accounts, Records, and Memoranda**[¶ 14,300]****Adjustments of Accounts and Reports****Sec**

- 41 1 Notice of deficiencies
- 41 2 Response to notification
- 41 3 Facts and argument
- 41.4 Form and style
- 41 5 Verification
- 41 6 Determination
- 41.7 Assignment for oral hearing
- 41 8 Burden of proof

Certification of Compliance With Accounting Regulations

- 41 10 Examination of accounts
- 41 11 Report of certification
- 41 12 Qualifications of accountants

AUTHORITY Department of Energy Organization Act, 42 U S C 7102-7352 (1982), Executive Order 12,009, 3 CFR 142 (1978), Federal Power Act, 16 U S C 791a-828c (1982), Public Utility Regulatory Policies Act, 16 U S C 2601-2645 (1982), unless otherwise noted

SOURCE Order 141, 12 FR 8500, Dec 19, 1947, unless otherwise noted

CROSS REFERENCE For rules of practice and procedure, see Part 1 of this chapter

¶ 14,300

Adjustments of Accounts and Reports

[¶ 14,301]

§ 41.1 Notice of deficiencies

If, as the result of an examination by a representative of the Commission of the accounts of a person subject to the act and to the Commission's accounting requirements, or of an examination of any statement or report submitted by such person, it appears that the accounts, or any books or records pertaining to or in support thereof, are not being kept and maintained as required by the Commission, or that the statements or reports prepared and submitted are not in proper form, the failure or deficiency will be called to the attention of such person either formally or informally as the circumstances appear to warrant

[¶ 14,302]

§ 41.2 Response to notification

If, as the result of such formal or informal notice, the matter is not adjusted within the time fixed by said notice, or within a reasonable time in case no date is specified, or if there is a disagreement between such person and the Commission or its representative respecting the application or interpretation of the act or requirements of the Commission with respect to the matter at issue, such person will be requested to advise the Commission in writing within a time to be specified whether it consents to the disposition of the questions involved under the shortened procedure provided in this Part

[¶ 14,303]

§ 41.3 Facts and argument

If the person consents to the matter being handled under such shortened procedure, the person and any other parties interested, including representatives of the Commission, shall submit to the Commission, within 30 days after the receipt of notice from the Commission to do so, a memorandum of the facts and, separately stated, of the argument relied upon, to sustain the position taken respecting the matter at issue together with copies in sufficient number to enable the Commission to retain three copies for its own use and make service in accordance with § 385.2010 of this chapter, upon all parties designated in said notice. Twenty days will be allowed in which to file a reply by any party who filed an original memorandum

01 47 F R 19014 (May 3, 1982)
05 *Historical record*.—Section 41.3 was
amended in 47 F R 19014 (5/3/82),

effective 8/26/82, by removing "§ 1.17" and
adding in lieu thereof "§ 385.2010"

[¶ 14,304]

§ 41.4 Form and style.

Each copy of such memorandum must be complete in itself. All pertinent data should be set forth fully, and each memorandum should set out the facts and argument as prescribed for briefs in § 385.706 of this chapter

§ 41.4 ¶ 14,304

01 47 F R 19014 (May 3, 1982)

05 *Historical record*.—Section 41.3 was amended in 47 F R 19014 (5/3/82), effective 8/26/82. Prior to its amendment, it read as follows:

All memoranda must conform to the requirements of § 1.15 of this chapter, and

each copy must be complete in itself. All pertinent data should be set forth fully, and each memorandum should set out the facts and argument as prescribed for briefs in § 1.29 of this chapter.

[¶ 14,305]

§ 41.5 Verification

The facts stated in the memorandum must be sworn to by persons having knowledge thereof, which latter fact must affirmatively appear in the affidavit. Except under unusual circumstances, such persons should be those who would appear as witnesses if hearing were had to testify as to the facts stated in the memorandum.

[¶ 14,306]

§ 41.6 Determination

If no formal hearing is had the matter in issue will be determined by the Commission on the basis of the facts and arguments submitted.

[¶ 14,307]

§ 41.7 Assignment for oral hearing

In case consent to the shortened procedure is not given, or if at any stage of the proceeding prior to the submission of the case to the Commission any party in interest requests a hearing, the proceeding will be assigned for hearing as provided for by Subpart E of Part 385 of this chapter. The Commission may also in its discretion set the proceeding for hearing on its own motion at any stage thereof.

01 47 F R 19014 (May 3, 1982)

05 *Historical record*.—Section 41.7 was amended in 47 F R 19014 (5/3/81),

effective 8/26/81, by removing “§ 1.20” and adding in lieu thereof “Subpart E of Part 385”

[¶ 14,308]

§ 41.8 Burden of proof.

The burden of proof to justify every accounting entry shall be on the person making, authorizing, or requiring such entry.

Certification of Compliance With Accounting Regulations

[¶ 14,310]

§ 41.10 Examination of accounts.

(a) All Major and Nonmajor public utilities and licensees not classified as Class C or Class D prior to January 1, 1984 shall secure, for the year 1968 and each year thereafter until December 31, 1975, the services of an independent certified public accountant, or independent licensed public accountant, certified or licensed by a regulatory authority of a State or other political subdivision of the United States, to test compliance in all material respects of those schedules as are indicated in the General Instructions set out in the

Annual Report, Form No 1, with the Commission's applicable Uniform System of Accounts and published accounting releases The Commission expects that identification of questionable matters by the independent accountant will facilitate their early resolution and that the independent accountant will seek advisory rulings by the Commission on such items This examination shall be deemed supplementary to periodic Commission examinations of compliance

(b) Beginning January 1, 1976, and each year thereafter, only independent certified public accountants, or independent licensed public accountants who were licensed on or before December 31, 1970, will be authorized to conduct annual audits and to certify to compliance in all material respects, of those schedules as are indicated in the General Instructions set out in the Annual Report, Form No 1, with the Commission's applicable Uniform System of Accounts, published accounting releases and all other regulatory matters

01 Subsection (a) 49 F R 32496 (August 14 1984)

05 *Historical record*—Subsection (a) read as follows until its amendment in 49 F R 32496 (8/14/84), effective 1/1/84

(a) All Class A and Class B public utilities and licensees shall secure, for the year 1968 and each year thereafter until December 31, 1975, the services of an independent certified public accountant, or independent licensed public accountant, certified or licensed by a regulatory authority of a State or other political subdivision of the United States, to

test compliance in all material respects of those schedules as are indicated in the General Instructions set out in the Annual Report Form No 1, with the Commission's applicable Uniform System of Accounts and published accounting releases The Commission expects that identification of questionable matters by the independent accountant will facilitate their early resolution and that the independent accountant will seek advisory rulings by the Commission on such items This examination shall be deemed supplementary to periodic Commission examinations of compliance

[¶ 14,311]

§ 41.11 Report of certification

Each Major or Nonmajor public utility or licensee not classified as Class C or Class D prior to January 1, 1984 shall file with the Commission a letter or report of the independent accountant certifying approval, together with or within 30 days after the filing of the Annual Report, Form No 1, covering the subjects and in the form prescribed in the General Instructions of the Annual Report The letter or report shall also set forth which, if any, of the examined schedules do not conform to the Commission's requirements and shall describe the discrepancies that exist The Commission shall not be bound by a certification of compliance made by an independent accountant pursuant to this paragraph

01 49 F R 32496 (August 14, 1984)

05 *Historical record*—Section 41.11 read as follows until its amendment in 49 F R. 32496 (8/14/84), effective 1/1/84

Each Class A or B public utility or licensee shall file with the Commission a letter or report of the independent accountant certifying approval together with or within 30 days after the filing of the Annual Report,

Form No 1, covering the subjects and in the form prescribed in the General Instructions of the Annual Report The letter or report shall also set forth which if any, of the examined schedules do not conform to the Commission's requirements and shall describe the discrepancies that exist The Commission shall not be bound by a certification of compliance made by an independent accountant pursuant to this paragraph

[¶ 14,312]**§ 41.12 Qualifications of accountants.**

The Commission will not recognize any certified public accountant or public accountant through December 31, 1975, who is not in fact independent. Beginning January 1, 1976, and each year thereafter, the Commission will recognize only independent certified public accountants, or independent licensed public accountants who were licensed on or before December 31, 1970, who are in fact independent. For example, an accountant will not be considered independent with respect to any person or any of its parents or subsidiaries in whom he has, or had during the period of report, any direct financial interest. The Commission will determine the fact of independence by considering all the relevant circumstances including evidence bearing on the relationships between the accountant and that person or any affiliate thereof.

[The next page is 11,429]

Part 50—Filing of Company Procurement Policies and Practices

[¶ 14,800]

§ 50.1 Filing of company procurement policies and practices. [Removed.]

01 57 F.R. 21730 (May 22, 1992)

05 *Historical record.*—Section 50.1, appearing in 34 F.R. 12825 (8/7/69), read as follows until its removal in 57 F.R. 21730 (5/22/92), effective 5/1/92:

§ 50.1 Filing of company procurement policies and practices.

Not later than January 1, 1970, each licensee, permittee, and public utility shall be required to reduce to writing, file with the Commission in triplicate and make available to any member of the public upon request a comprehensive statement of its procurement policies and procedures. Amendments thereto shall likewise be filed and made available to the public, upon specific request, within 30 days of their effective dates. Statements of procurement policies and procedures shall include, but not be limited to, the following:

(a) The objectives of the company in its procurement function.

(b) Policies governing the choice of procurement method (sealed-bid formal advertising, competitive negotiation, noncompetitive contract awards, etc.) with specific reference to the following categories:

- (1) Equipment.
- (2) Materials and supplies.
- (3) Construction
- (4) Repair, maintenance and management services.
- (5) Research and development.

(c) Extent and nature of public notice of proposed procurements, and of direct notice to prospective suppliers.

(d) The extent of the competition required. This should include any limitations to or preferences for suppliers in the utility service areas.

erences for suppliers in the utility service areas

(e) The method of qualifying the suppliers

(f) The policy adopted by the utility of putting names on their bidders list and also under what circumstances names would be removed from the bidders list

(g) The company personnel that vendors should contact.

(h) Procedures governing the opening of sealed bids and proposals, negotiations with bidders or offerors, and criteria for contract award thereunder

(i) Policies and procedures with respect to types of contracts (cost plus, incentive type, fixed price, etc.)

(j) The circumstances under which negotiations are made without competition such as for emergencies, repair parts, accessory and supplemental equipment, matching existing equipment or architectural design

(k) Any special procurement policies or restrictions such as those relating to regional, state or local suppliers, small business suppliers, procurement from corporate affiliates, and union or nonunion suppliers

(l) Any "Buy American" policy that the company may adopt.

(m) Policies and procedures, if any, with respect to approval or control of subcontracts and subcontractors.

(n) Any applicable Federal and state laws and agreements with employee organizations which might affect the procurement policy

Subchapter C—Accounts, Federal Power Act

Part 101—Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act

[¶ 15,000]

AUTHORITY Department of Energy Organization Act, 42 USC 7101-7352 (1982), Exec Order No 12,009, 3 CFR 142 (1978), Independent Offices Appropriations Act, 31 USC 9701 (1982), Federal Power Act, 16 USC 791a-825r (1982), Public Utility Regulatory Policies Act, 16 USC 2601-2645 (1982)

SOURCE Order 218, 25 FR 5014, June 7, 1960, as amended by Order 276, 28 FR 14267, Dec 25, 1963, Order 290, 29 FR 18214, Dec 23, 1964, 30 FR 484, Jan 14, 1965, Order 322, 31 FR 7898, June 3, 1966, Order 343, 32 FR 6678, May 2, 1967, 32 FR 8657, June 16, 1967, Order 354, 32 FR 15671, Nov 14, 1967, Order 866, 33 FR 10135, July 16, 1968, Order 389, 34 FR 17436, Oct 29, 1969, Order 393, 34 FR 20269, Dec 25, 1969, Order 389A, 35 FR 879, Jan 22, 1970, Order 393A, 35 FR 5943, Apr 10, 1970, Order 408, 35 FR 13985, Sept 3, 1970, Order 419, 36 FR 518, Jan 14, 1971, Order 420, 36 FR 507, Jan 14, 1971, Order 421, 36 FR 3047, Feb 17, 1971, 36 FR 4386, Mar 5, 1971, Order 432, 36 FR 8240, May 1, 1971, Order 434, 36 FR 11431, June 12, 1971, Order 436, 36 FR 15529, Aug 17, 1971, Order 439, 36 FR 20869, Oct 30, 1971, Order 454, 37 FR 14226, July 18, 1972, Order 460, 37 FR 24659, Nov 18, 1972, Order 469, 38 FR 4248, Feb 12, 1973, Order 462, 38 FR 4948, Feb 23, 1973, Order 463, 38 FR 7214, Mar 19, 1973, Order 475, 38 FR 6667, Mar 12, 1973, Order 488, 38 FR 12115, May 9, 1973, Order 486, 38 FR 18873, July 16, 1973, Order 490, 38 FR 23332, Aug 29, 1973, Order 486-1, 38 FR 30434, Nov 5, 1973, Order 473, 39 FR 2469, Jan 22, 1974, Order 504, 39 FR 6073, Feb 19, 1974, Order 505, 39 FR 6093, Feb 19, 1974, Order 505, 39 FR 22417, June 24, 1974, Order 530, 40 FR 26983, June 26, 1975, Order 549, 41 FR 24993, June 22, 1976, Order 561, 42 FR 9163, Feb 15, 1977, Order 566, 42 FR 30156, June 13, 1977, Order 567, 42 FR 30613, June 16, 1977, Order 5, 43 FR 15418, Apr 13, 1978, Order 258, 47 FR 42720, Sept 29, 1982, Order 390, 49 FR 32496, August 14, 1984, Order 390, 50 FR 5743, Feb 12, 1985, Order 435, 50 FR 40347, Oct 3, 1985

NOTE Order 141, 12 FR 8503, Dec 19, 1947, provides in part as follows

Prescribing a system of accounts for public utilities and licensees under the Federal Power Act The Federal Power Commission acting pursuant to authority granted by the Federal Power Act, particularly sections 301(a), 304(a), and 309, and paragraph (13) of section 3, section 4(b) thereof, and finding such action necessary and appropriate for carrying out the provisions of said act, hereby adopts the accompanying system of accounts entitled "Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act," and the rules and regulations contained therein, and *It is hereby ordered*

(a) That said system of accounts and said rules and regulations contained therein be and the same are hereby prescribed and promulgated as the system

of accounts and rules and regulations of the Commission to be kept and observed by public utilities subject to the jurisdiction of the Commission and by licensees holding licenses issued by the Commission, to the extent and in the manner set forth therein,

(b) That said system of accounts and rules and regulations therein contained shall, as to all public utilities now subject to the jurisdiction of the Commission and as to all present licensees, become effective on January 1, 1937, and as to public utilities and licensees which may hereafter become subject to the jurisdiction of the Commission, they shall become effective as of the date when such public utility becomes subject to the jurisdiction of the Commission or on the effective date of the license,

(c) That a copy of said system of accounts and rules and regulation contained therein be forthwith served upon each public utility subject to the jurisdiction of the Commission, and each licensee or permittee holding a license or permit from the Commission

This system of accounts supersedes the system of accounts prescribed for licensees under the Federal Water Power Act, and Order No 13 entered November 20, 1922, prescribing said system of accounts, was rescinded effective January 1, 1937

Applicability of system of accounts This system of accounts is applicable in principle to all licensees subject to the Commission's accounting requirements under the Federal Power Act, and to all public utilities subject to the provisions of the Federal Power Act. The Commission reserves the right, however, under the provisions of section 301(a) of the Federal Power Act to classify such licensees and public utilities and to prescribe a system of classification of accounts to be kept by and which will be convenient for and meet the requirements of each class

This system of accounts is applicable to public utilities, as defined in this part, and to licensees engaged in the generation and sale of electric energy for ultimate distribution to the public

This system of accounts shall also apply to agencies of the United States engaged in the generation and sale of electric energy for ultimate distribution to the public, so far as may be practicable, in accordance with applicable statutes

In accordance with the requirements of section 3 of the act (49 Stat 839, 16 U S C 796(13)), the "classification of investment in road and equipment of steam roads, issue of 1914, Interstate Commerce Commission", is published and promulgated as a part of the accounting rules and regulations of the Commission, and a copy thereof appears as § 103 of this chapter. Irrespective of any rules and regulations contained in this system of accounts, the cost of original projects licensed under the act, and also the cost of additions thereto and betterments thereof, shall be determined under the rules and principles as defined and interpreted in said classification of the Interstate Commerce Commission so far as applicable

CROSS REFERENCES For application of uniform system of accounts to Class C and D public utilities and licensees, see Part 104 of this chapter. For statements and reports, see Part 141 of this chapter

¶ 15,000

Part 101—Uniform System of Accounts Prescribed for Public Utilities
and Licensees Subject to the Provisions of the Federal Power Act

[¶ 15,001]

Definitions

When used in this system of accounts

- 1 "Accounts" means the accounts prescribed in this system of accounts
- 2 "Actually issued," as applied to securities issued or assumed by the utility, means those which have been sold to bona fide purchasers for a valuable consideration, those issued as dividends on stock, and those which have been issued in accordance with contractual requirements direct to trustees of sinking funds
- 3 "Actually outstanding," as applied to securities issued or assumed by the utility, means those which have been actually issued and are neither retired nor held by or for the utility, provided, however, that securities held by trustees shall be considered as actually outstanding
- 4 "Amortization" means the gradual extinguishment of an amount in an account by distributing such amount over a fixed period, over the life of the asset or liability to which it applies, or over the period during which it is anticipated the benefit will be realized
- 5 A "Associated (affiliated) 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
- B "Control" (including the terms "controlling," "controlled by," and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether such power is exercised through one or more intermediary companies, or alone, or in conjunction with, or pursuant to an agreement, and whether such power is established through a majority or minority ownership or voting of securities, common directors, officers, or stockholders, voting trusts, holding trusts, associated companies, contract or any other direct or indirect means
- 6 "Book cost" means the amount at which property is recorded in these accounts without deduction of related provisions for accrued depreciation, amortization, or for other purposes
- 7 "Commission," means the Federal Energy Regulatory Commission
- 8 "Continuing Plant Inventory Record" means company plant records for retirement units and mass property that provide, as either a single record, or in separate records readily obtainable by references made in a single record, the following information
 - A For each retirement unit
 - (1) the name or description of the unit, or both,
 - (2) the location of the unit,
 - (3) the date the unit was placed in service,

¶ 15,001

(4) the cost of the unit as set forth in Plant Instructions 2 and 3 of this Part, and

(5) the plant control account to which the cost of the unit is charged, and

B For each category of mass property

(1) a general description of the property and quantity,

(2) the quantity placed in service by vintage year,

(3) the average cost as set forth in Plant Instructions 2 and 3 of this Part, and

(4) the plant control account to which the costs are charged

9 "Cost" means the amount of money actually paid for property or services. When the consideration given is other than cash in a purchase and sale transaction, as distinguished from a transaction involving the issuance of common stock in a merger or a pooling of interest, the value of such consideration shall be determined on a cash basis.

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

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

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

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

14 "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.

15 "Lease, capital" means a lease of property used in utility or non-utility operations, which meets one or more of the criteria stated in General Instruction 19.

¶ 15,001

325

16 "Lease, operating" means a lease of property used in utility or non-utility operations, which does not meet any of the criteria stated in General Instruction 19

17 "Licensee" means any person, or State, licensed under the provisions of the Federal Power Act and subject to the Commission's accounting requirements under the terms of the license

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

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

20 "Nominally issued," as applied to securities issued or assumed by the utility, means those which have been signed, certified, or otherwise executed, and placed with the proper officer for sale and delivery, or pledged, or otherwise placed in some special fund of the utility, but which have not been sold, or issued direct to trustees of sinking funds in accordance with contractual requirements

21 "Nominally outstanding," as applied to securities issued or assumed by the utility, means those which, after being actually issued, have been reacquired by or for the utility under circumstances which require them to be considered as held alive and not retired, provided, however, that securities held by trustees shall be considered as actually outstanding

22 "Nonproject property" means the electric plant of a licensee which is not a part of the project property subject to a license issued by the Commission

23 "Original cost," as applied to electric plant, means the cost of such property to the person first devoting it to public service

24 "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

25 "Premium," as applied to 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

26 "Project" means complete unit of improvement or development, consisting of a power house, all water conduits, all dams and appurtenant works and structures (including navigation structures) which are a part of said unit, and all storage, diverting, or forebay reservoirs directly connected therewith, the primary line or lines transmitting power therefrom to the point of junction with the distribution system or with the interconnected primary transmission system, all miscellaneous structures used and useful in connection with said unit or any part thereof, and all water rights, rights of way, ditches, dams, reservoirs, lands, or interest in lands the use and occupancy of which are necessary or appropriate in the maintenance and operation of such unit

27 "Project property" means the property described in and subject to a license issued by the Commission

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

29 "Public utility" means any person who owns or operates facilities subject to the jurisdiction of the Commission under the Federal Power Act (See section 201(e) of said act)

30 A "Replacing" or "replacement," when not otherwise indicated in the context, means the construction or installation of electric plant in place of property retired, together with the removal of the property retired

B "Research, Development, and Demonstration" (RD&D) in the case of Major utilities means expenditures incurred by public utilities and licensees either directly or through another person or organization (such as research institute, industry association, foundation, university, engineering company or similar contractor) in pursuing research, development, and demonstration activities including experiment, design, installation, construction, or operation This definition includes expenditures for the implementation or development of new and/or existing concepts until technically feasible and commercially feasible operations are verified Such research, development, and demonstration costs should be reasonably related to the existing or future utility business, broadly defined, of the public utility or licensee or in the environment in which it operates or expects to operate The term includes, but is not limited to All such costs incidental to the design, development or implementation of an experimental facility, a plant process, a product, a formula, an invention, a system or similar items, and the improvement of already existing items of a like nature, amounts expended in connection with the proposed development and/or proposed delivery of alternate sources of electricity, and the costs of obtaining its own patent, such as attorney's fees expended in making and perfecting a patent application The term includes preliminary investigations and detailed planning of specific projects for securing for customers non-conventional electric power supplies that rely on technology that has not been verified previously to be feasible The term does not include expenditures for efficiency surveys, studies of management, management techniques and organization, consumer surveys, advertising, promotions, or items of a like nature

31 "Retained Earnings" (formerly earned surplus) means the accumulated net income of the utility less distribution to stockholders and transfers to other capital accounts

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

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

¶ 15,001

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

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

36 "State" means a State admitted to the Union, the District of Columbia, and any organized Territory of the United States.

37 "Subsidiary Company" in the case of Major utilities, means a company which is controlled by the utility through ownership of voting stock. (See "Definitions" item 5B, "Control") A corporate joint venture in which a corporation is owned by a small group of businesses as a separate and specific business or project for the mutual benefit of the members of the group is a subsidiary company for the purposes of this system of accounts.

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

[¶ 15,010]

General Instructions

[¶ 15,011]

1 *Classification of utilities*

A For the purpose of applying the system of accounts prescribed by the Commission, electric utilities and licensees are divided into classes, as follows

(1) *Major* Utilities and licensees that had, in each of the last three consecutive years, sales or transmission service that exceeded any one or more of the following

- (1) One million megawatt-hours of total sales,
- (2) 100 megawatt-hours of sales for resale,
- (3) 500 megawatt-hours of gross interchange out, or
- (4) 500 megawatt-hours of wheeling for others (deliveries plus losses)

(2) *Nonmajor* Utilities and licensees that are not classified as "Major" (as defined above), and had total sales in each of the last three consecutive years of 10,000 megawatt-hours or more

B This system applies to both Major and Nonmajor utilities and licensees Provisions have been incorporated into this system for those entities which, prior to January 1, 1984, were applying the Commission's Uniform System of Accounts Prescribed for Public Utilities and Licensees subject to the Provisions of the Federal Power Act (Class C and Class D) [Part 104 of this chapter, now revoked] The notations "(Nonmajor)" and "(Major)" have been used to indicate those instructions and accounts from previous systems and classifications, which by definition, are not interchangeable without causing a loss of detail for the Major (previously Class A and Class B) or an increase in detail burden on the Nonmajor (previously Class C and Class D)

C The class to which any utility or licensee belongs will originally be determined by its annual megawatt hours in each of the last three consecutive years, or in the case of a newly established entity, the projected data shall be the basis Subsequent changes in classification shall be made as necessary when the megawatt-hours for each of the three immediately preceding years shall exceed the upper limit, or be less than the lower limit of the classification previously applicable to the utility

D Any utility may, at its option, adopt the system of accounts prescribed by the Commission for any larger class of utilities

[¶ 15,012]

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

¶ 15,012

permit 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, etc., 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 Commission

D In addition to prescribed accounts, clearing accounts, temporary or experimental accounts, and subdivisions of any accounts, may be kept, provided the integrity of the prescribed accounts is not impaired

E All amounts included in the accounts prescribed herein for electric plant 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 5, Other 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 Commission

[¶ 15,013]

3 Numbering System

A The account numbering plan used herein consists of a system of three-digit whole numbers as follows

- 100-199 Assets and other debits
- 200-299 Liabilities and other credits
- 300-399 Plant accounts
- 400-432, 434-435 Income accounts
- 433, 436-439 Retained earnings accounts
- 440-459 Revenue accounts
- 500-599 Production, transmission and distribution expenses
- 900-949 Customer accounts, customer service and informational, sales, and general and administrative 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 to be considered as parts of the titles. Each utility, however, may adopt for its own purposes a different system of account numbers (see also general instruction 2D) provided that the numbers herein prescribed shall appear in the descriptive headings of the ledger accounts and in the various sources of original entry, however, if a utility uses a different group of account numbers and it is not practicable to show the prescribed account numbers in the various sources of original entry,

¶ 15,012

such reference to the prescribed account numbers may be omitted from the various sources of original entry. Moreover, each utility using different account numbers for its own purposes shall keep readily available a list of such account numbers which it uses and a reconciliation of such account numbers with the account numbers provided herein. It is intended that the utility's records shall be so kept as to permit ready analysis by prescribed accounts (by direct reference to sources of original entry to the extent practicable) and to permit preparation of financial and operating statements directly from such records at the end of each accounting period according to the prescribed accounts.

[¶ 15,014]

4 Accounting Period

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. Amounts applicable or assignable to specific utility departments shall be so segregated monthly. Each utility shall close its books at the end of each calendar year unless otherwise authorized by the Commission.

[¶ 15,015]

5 Submittal of Questions

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

[¶ 15,016]

6 Item Lists

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

[¶ 15,017]

7 Extraordinary Items

It is the intent that net income shall reflect all items of profit and loss during the period with the exception of prior period adjustments as described in paragraph 7.1 and long-term debt as described in paragraph 17 below. Those items related to the effects of events and transactions which have occurred during the current period and which are of unusual nature and infrequent occurrence shall be considered extraordinary items. Accordingly, they will be events and transactions of significant effect which are abnormal and significantly different from the ordinary and typical activities of the company, and which would not reasonably be expected to recur in the

¶ 15,017

foreseeable future (In determining significance, items should be considered individually and not in the aggregate. However, the effects of a series of related transactions arising from a single specific and identifiable event or plan of action should be considered in the aggregate.) To be considered as extraordinary under the above guidelines, an item should be more than approximately 5 percent of income, computed before extraordinary items. Commission approval must be obtained to treat an item of less than 5 percent, as extraordinary (See accounts 434 and 435.)

[¶ 15,018]

7.1 *Prior Period Items*

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

- (1) Correction of an error in the financial statements of a prior year
- (2) Adjustments that result from realization of income tax benefits of pre-acquisition operating loss carryforwards of purchased subsidiaries

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

[¶ 15,019]

8 *Unaudited Items (Major Utility)*

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

[¶ 15,020]

9 *Distribution of Pay and Expenses of Employees*

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

[¶ 15,021]

10 *Payroll Distribution*

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

¶ 15,017

generation, hydraulic generation, transmission, distribution, etc) and nonutility operations

[¶ 15,022]

11 Accounting to Be on Accrual Basis

A The utility is required to keep its accounts on the accrual basis This requires the inclusion in its accounts of all known transactions of appreciable amount which affect the accounts If bills covering such transactions have not been received or rendered, the amounts shall be estimated and appropriate adjustments made when the bills are received

B When payments are made in advance for items such as insurance, rents, taxes or interest, the amount applicable to future periods shall be charged to account 165, Prepayments, and spread over the periods to which applicable by credits to account 165, and charges to the accounts appropriate for the expenditure

[¶ 15,023]

12 Records for Each Plant (Major Utility)

Separate records shall be maintained by electric plant accounts of the book cost of each plant owned, including additions by the utility to plant leased from others, and of the cost of operating and maintaining each plant owned or operated The term "plant" as here used means each generating station and each transmission line or appropriate group of transmission lines

[¶ 15,024]

13 Accounting for Other Departments

If the utility also operates other utility departments, such as gas, water, etc , 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 such department It is not intended that proprietary and similar accounts which apply to the utility as a whole shall be departmentalized

[¶ 15,025]

14 Transactions with Associated Companies (Major Utility)

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 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 Transactions with associated companies shall be recorded in the appropriate accounts for transactions of the same nature Nothing herein contained, however, shall be construed as restraining the utility from subdividing accounts for the purpose of recording separately transactions with associated companies

¶ 15,025

[¶ 15,026]**15 *Contingent Assets and Liabilities (Major Utility)***

Contingent assets represent a possible source of value to the utility contingent upon the fulfillment of conditions regarded as uncertain. 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. The utility shall be prepared to give a complete statement of significant 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 Commission.

[¶ 15,027]**16 *Separate Accounts or Records for Each Licensed Project***

The accounts or records of each licensee shall be so kept as to show for each project (including pumped storage) under license,

(a) The actual legitimate original cost of the project, including the original cost (or fair value, as determined under sec 23 of the Federal Power Act) of the original project, the original cost of additions thereto and betterments thereof and credits for property retired from service, as determined under the Commission's regulations,

(b) The charges for operation and maintenance of the project property directly assignable to the project,

(c) The credits and debits to the depreciation and amortization accounts, and the balances in such accounts,

(d) The credits and debits to operating revenue, income, and retained earnings accounts that can be identified with and directly assigned to the project.

NOTE The purpose of this instruction is to insure that accounts or records are currently maintained by each licensee from which reports may be made to the Commission for use in determining the net investment in each licensed project. The instruction covers only the debit and credit items appearing in the licensee's accounts which may be identified with and assigned directly to any licensed project. In the determination of the net investment as defined in section 3 of the Federal Power Act, allocations of items affecting the net investment may be required where direct assignment is not practicable.

[¶ 15,028]**17 *Long-Term Debt Premium, Discount and Expense, and Gain or Loss on Reacquisition***

A. *Premium, discount and expense* A separate premium, discount and expense account shall be maintained for each class and series of long-term debt (including receivers' certificates) issued or assumed by the utility. The premium will be recorded in account 225, Unamortized Premium on Long-Term Debt, the discount will be recorded in account 226, Unamortized

¶ 15,026

Discount on Long-Term Debt—Debit, and the expense of issuance shall be recorded in account 181, Unamortized Debt Expense

The premium, discount and expense 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 amounts thereof relating to discount and expense shall be charged to account 428, Amortization of Debt Discount and Expense. The amounts relating to premium shall be credited to account 429, Amortization of Premium on Debt—Credit

B *Reacquisition, without refunding* When 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 (primarily redemptions for sinking fund purposes), the difference between the amount paid upon reacquisition and the face value, plus any unamortized premium less any related unamortized debt expense and reacquisition costs, or less any unamortized discount, related debt expense and reacquisition costs applicable to the debt redeemed, retired and canceled, shall be included in account 189, Unamortized Loss on Reacquired Debt, or account 257, Unamortized Gain on Reacquired Debt, as appropriate. The utility shall amortize the recorded amounts equally on a monthly basis over the remaining life of the respective security issues (old original debt). The amounts so amortized shall be charged to account 428 1, Amortization of Loss on Reacquired Debt, or credited to account 429 1, Amortization of Gain on Reacquired Debt—Credit, as appropriate

C *Reacquisition, with refunding* 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, the difference between the amount paid upon refunding and the face value, plus any unamortized premium less related debt expense or less any unamortized discount and related debt expense, applicable to the debt refunded, shall be included in account 189, Unamortized Loss on Reacquired Debt, or account 257, Unamortized Gain on Reacquired Debt, as appropriate. The utility may elect to account for such amounts as follows

- (1) Write them off immediately when the amounts are insignificant
- (2) Amortize them by equal monthly amounts over the remainder of the original life of the issue retired, or
- (3) Amortize them by equal monthly amounts over the life of the new issue

Once an election is made, it shall be applied on a consistent basis. The amounts in (1), (2) or (3) above shall be charged to account 428 1, Amortization of Loss on Reacquired Debt, or credited to account 429 1, Amortization of Gain on Reacquired Debt—Credit, as appropriate

D Under methods (2) and (3) above, the increase or reduction in current income taxes resulting from the reacquisition should be apportioned over the remainder of the original life of the issue retired or over the life of the new

issue, as appropriate, as directed more specifically in paragraphs E and F below

E When the utility recognizes the loss in the year of reacquisition as a tax deduction, account 410 1, Provision for Deferred Income Taxes, Utility Operating Income, shall be debited and account 283, Accumulated Deferred Income Taxes—Other, shall be credited with the amount of the related tax effect, such amount to be allocated to the periods affected in accordance with the provisions of account 283

F When the utility chooses to recognize the gain in the year of reacquisition as a taxable gain, account 411 1, Provision for Deferred Income Taxes—Credit, Utility Operating Income, shall be credited and account 190, Accumulated Deferred Income Taxes, shall be debited with the amount of the related tax effect, such amount to be allocated to the periods affected in accordance with the provisions of account 190

G When the utility chooses to use the optional privilege of deferring the tax on the gain attributable to the reacquisition of debt by reducing the depreciable basis of utility property for tax purposes, pursuant to section 108 of the Internal Revenue Code, the related tax effects shall be deferred as the income is recognized for accounting purposes, and the deferred amounts shall be amortized over the life of the associated property on a vintage year basis Account 410 1, Provision for Deferred Income Taxes, Utility Operating Income, shall be debited, and Account 282, Accumulated Deferred Income Taxes—Other Property, shall be credited with an amount equal to the estimated income tax effect applicable to the portion of the income, attributable to reacquired debt, recognized for accounting purposes during the period Account 282 shall be debited and account 411 1, Provision for Deferred Income Taxes—Credit, Utility Operating Income, shall be credited with an amount equal to the estimated income tax effects, during the life of the property, attributable to the reduction in the depreciable basis for tax purposes

H The tax effects relating to gain or loss shall be allocated as above to utility operations except in cases where a portion of the debt reacquired is directly applicable to nonutility operations In that event, the related portion of the tax effects shall be allocated to nonutility operations Where it can be established that reacquired debt is generally applicable to both utility and nonutility operations, the tax effects shall be allocated between utility and nonutility operations based on the ratio of net investment in utility plant to net investment in nonutility plant

I Premium, discount, or expense on debt shall not be included as an element in the cost of construction or acquisition of property (tangible or intangible), except under the provisions of account 432, Allowance for Borrowed Funds Used During Construction—Credit

J *Alternate method* Where a regulatory authority or a group of regulatory authorities having prime rate jurisdiction over the utility specifically disallows the rate principle of amortizing gains or losses on reacquisition of long-term debt without refunding, and does not apply the gain

or loss to reduce interest charges in computing the allowed rate of return for rate purposes, then the following alternate method may be used to account for gains or losses relating to reacquisition of long-term debt, with or without refunding

(1) The difference between the amount paid upon reacquisition of any long-term debt and the face value, adjusted for unamortized discount, expenses or premium, as the case may be, applicable to the debt redeemed shall be recognized currently in income and recorded in account 421, Miscellaneous Nonoperating Income, or account 426 5, Other Deductions

(2) When this alternate method of accounting is used, the utility shall include a footnote to each financial statement, prepared for public use, explaining why this method is being used along with the treatment given for ratemaking purposes

[¶ 15,029]

18 *Comprehensive Interperiod Income Tax Allocation*

A Where there are timing differences between the periods in which transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income, the income tax effects of such transactions are to be recognized in the periods in which the differences between book accounting income and taxable income arise and in the periods in which the differences reverse using the deferred tax method. In general, comprehensive interperiod tax allocation should be followed whenever transactions enter into the determination of pretax accounting income for the period even though some transactions may affect the determination of taxes payable in a different period, as further qualified below

B Utilities are not required to utilize comprehensive interperiod income tax allocation until the deferred income taxes are included as an expense in the rate level by the regulatory authority having rate jurisdiction over the utility. Where comprehensive interperiod tax allocation accounting is not practiced the utility shall include as a note to each financial statement, prepared for public use, a footnote explanation setting forth the utility's accounting policies with respect to interperiod tax allocation and describing the treatment for ratemaking purposes of the tax timing differences by regulatory authorities having rate jurisdiction

C Should the utility be subject to more than one agency having rate jurisdiction, its accounts shall appropriately reflect the ratemaking treatment (deferral or flow through) of each jurisdiction

D Once comprehensive interperiod tax allocation has been initiated either in whole or in part it shall be practiced on a consistent basis and shall not be changed or discontinued without prior Commission approval

E Tax effects deferred currently will be recorded as deferred debits or deferred credits in accounts 190, Accumulated Deferred Income Taxes, 281, Accumulated Deferred Income Taxes—Accelerated Amortization Property, 282, Accumulated Deferred Income Taxes—Other Property, and 283, Accumulated Deferred Income Taxes—Other, as appropriate. The resulting

¶ 15,029

amounts recorded in these accounts shall be disposed of as prescribed in this system of accounts or as otherwise authorized by the Commission

[¶ 15,030]

19 *Criteria for Classifying Leases*

A If at its inception a lease meets one or more of the following criteria, the lease shall be classified as a capital lease. Otherwise, it shall be classified as an operating lease.

(1) The lease transfers ownership of the property to the lessee by the end of the lease term.

(2) The lease contains a bargain purchase option.

(3) The lease term is equal to 75 percent or more of the estimated economic life of the leased property. However, if the beginning of the lease term falls within the last 25 percent of the total estimated economic life of the leased property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease.

(4) The present value at the beginning of the lease term of the minimum lease payments, excluding that portion of the payments representing executory costs such as insurance, maintenance, and taxes to be paid by the lessor, including any profit thereon, equals or exceeds 90 percent of the excess of the fair value of the leased property to the lessor at the inception of the lease over any related investment tax credit retained by the lessor and expected to be realized by the lessor. However, if the beginning of the lease term falls within the last 25 percent of the total estimated economic life of the leased property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease. The lessee utility shall compute the present value of the minimum lease payments using its incremental borrowing rate, unless (A) it is practicable for the utility to learn the implicit rate computed by the lessor, and (B) the implicit rate computed by the lessor is less than the lessee's incremental borrowing rate. If both of those conditions are met, the lessee shall use the implicit rate.

B If at any time the lessee and lessor agree to change the provisions of the lease, other than by renewing the lease or extending its term, in a manner that would have resulted in a different classification of the lease under the criteria in paragraph A had the changed terms been in effect at the inception of the lease, the revised agreement shall be considered as a new agreement over its term, and the criteria in paragraph A shall be applied for purposes of classifying the new lease. Likewise, any action that extends the lease beyond the expiration of the existing lease term, such as the exercise of a lease renewal option other than those already included in the lease term, shall be considered as a new agreement and shall be classified according to the above provisions. Changes in estimates (for example, changes in estimates of the economic life or of the residual value of the leased property) or changes in circumstances (for example, default by the lessee) shall not give rise to a new classification of a lease for accounting purposes.

¶ 15,029

[¶ 15,031]

20 Accounting for Leases

A All leases shall be classified as either capital or operating leases. The accounting for capitalized leases is effective January 1, 1984, except for the retroactive classification of certain leases which, in accordance with FASB No 71, will not be required to be capitalized until after a three year transition period. For the purpose of reporting to the FERC, the transition period shall be deemed to end December 31, 1986.

B The utility shall record a capital lease as an asset in account 101 1, Property under Capital Leases, Account 120 6, Nuclear Fuel under Capital Leases, or account 121, Nonutility Property, as appropriate, and an obligation in account 227, Obligations under Capital Leases—Noncurrent, or account 243, Obligations under Capital Leases—Current, at an amount equal to the present value at the beginning of the lease term of minimum lease payments during the lease term, excluding that portion of the payments representing executory costs such as insurance, maintenance, and taxes to be paid by the lessor, together with any profit thereon. However, if the amount so determined exceeds the fair value of the leased property at the inception of the lease, the amount recorded as the asset and obligation shall be the fair value.

C Rental payments on all leases shall be charged to rent expense, fuel expense, construction work in progress, or other appropriate accounts as they become payable.

D For a capital lease, for each period during the lease term, the amounts recorded for the asset and obligation shall be reduced by an amount equal to the portion of each lease payment that would have been allocated to the reduction of the obligation, if the payment had been treated as a payment on an installment obligation (liability) and allocated between interest expense and a reduction of the obligation so as to produce a constant periodic rate of interest on the remaining balance.

[¶ 15,050]

Electric Plant Instructions

[¶ 15,051]

1 Classification of Electric Plant at Effective Date of System of Accounts (Major utilities)

A The electric plant accounts provided herein are the same as those contained in the prior system of accounts except for inclusion of accounts for nuclear production plant and some changes in classification in the general equipment accounts. Except for these changes, the balances in the various plant accounts, as determined under the prior system of accounts, should be carried forward. Any remaining balance of plant which has not yet been classified, pursuant to the requirements of the prior system, shall be classified in accordance with the following instructions:

B The cost to the utility of its unclassified plant shall be ascertained by analysis of the utility's records. Adjustments shall not be made to record in utility plant accounts amounts previously charged to operating expenses or to income deductions in accordance with the uniform system of accounts in effect at the time or in accordance with the discretion of management as exercised under a uniform system of accounts, or under accounting practices previously followed.

C The detailed electric plant accounts (301 to 399, inclusive) shall be stated on the basis of cost to the utility of plant constructed by it and the original cost, estimated if not known, of plant acquired as an operating unit or system. The difference between the original cost, as above, and the cost to the utility of electric plant after giving effect to any accumulated provision for depreciation or amortization shall be recorded in account 114, Electric Plant Acquisition Adjustments. The original cost of electric plant shall be determined by analysis of the utility's records or those of the predecessor or vendor companies with respect to electric plant previously acquired as operating units or systems and the difference between the original cost so determined, less accumulated provisions for depreciation and amortization and the cost to the utility with necessary adjustments for retirements from the date of acquisition, shall be entered in account 114, Electric Plant Acquisition Adjustments. Any difference between the cost of electric plant and its book cost, when not properly includible in other accounts, shall be recorded in account 116, Other Electric Plant Adjustments.

D Plant acquired by lease which qualifies as capital lease property under General Instruction 19 *Criteria for Classifying Leases*, shall be recorded in Account 101 1, Property under Capital Leases, or Account 120 6, Nuclear Fuel under Capital Leases, as appropriate.

[¶ 15,052]

2 Electric Plant To Be Recorded at Cost

A All amounts included in the accounts for electric plant acquired as an operating unit or system, except as otherwise provided in the texts of the

¶ 15,052

intangible plant accounts, shall be stated at the cost incurred by the person who first devoted the property to utility service. All other electric plant shall be included in the accounts at the cost incurred by the utility, except for property acquired by lease which qualifies as capital lease property under General Instruction 19 *Criteria for Classifying Leases*, and is recorded in Account 101 1, Property under Capital Leases, or Account 120 6, Nuclear Fuel under Capital Leases. Where the term "cost" is used in the detailed plant accounts, it shall have the meaning stated in this paragraph.

B When the consideration given for property is other than cash, the value of such consideration shall be determined on a cash basis (see, however, definition 9). In the entry recording such transition, the actual consideration shall be described with sufficient particularity to identify it. The utility shall be prepared to furnish the Commission 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 electric plant accounts for interest, insurance, or other expenditures occasioned solely by such form of payment.

D The electric plant accounts shall not include the cost or other value of electric plant contributed to the company. Contributions in the form of money or its equivalent toward the construction of electric plant shall be credited to accounts charged with the cost of such construction. Plant constructed from contributions of cash or its equivalent shall be shown as a reduction to gross plant constructed when assembling cost data in work orders for posting to plant ledgers of accounts. The accumulated gross costs of plant accumulated in the work order shall be recorded as a debit in the plant ledger of accounts along with the related amount of contributions concurrently be recorded as a credit.

[¶ 15,053]

3 *Components of Construction Cost*

A For Major utilities, the cost of construction properly includible in the electric plant 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, the related stores expenses, and the cost of fabricated materials from the utility's shop. In determining the cost of materials and supplies used for construction, proper allowance shall be made for unused

¶ 15,052

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 (for example, \$500 or less) or of short life, including small portable tools and implements, shall not be charged to utility plant accounts unless the correctness of the accounting therefor 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

(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 item 5 following)

(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) "Shop service" includes the proportion of the expense of the utility's shop department assignable to construction work except that the cost of fabricated materials from the utility's shop shall be included in "materials and supplies"

(7) "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

(8) "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

(9) "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 account 302, Franchises and Consents

(10) "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

(11) "Engineering and supervision" includes the portion of the pay and expenses of engineers, surveyors, draftsmen, inspectors, superintendents and their assistants applicable to construction work

(12) "General administration capitalized" includes the portion of the pay and expenses of the general officers and administrative and general expenses applicable to construction work

(13) "Engineering services" includes amounts paid to other companies, firms, or individuals engaged by the utility to plan, design, prepare estimates, supervise, inspect, or give general advice and assistance in connection with construction work

(14) "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 item 2, above

(15) "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, item 7, and in injuries and damages, item 8

(16) "Taxes" includes taxes on physical property (including land) during the period of construction and other taxes properly includible in construction costs before the facilities become available for service

(17) "Allowance for funds used during construction" (Major and Nonmajor Utilities) 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, not to exceed, without prior approval of the Commission, allowances computed in accordance with the formula prescribed in paragraph (a) of this subparagraph. No allowance for funds used during construction charges shall be included in these accounts upon expenditures for construction projects which have been abandoned

(a) The formula and elements for the computation of the allowance for funds used during construction shall be

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$$A_i = s(S/W) + d(D/D+P+C)(1 - S/W)$$

$$A_e = [1 - S/W][p(P/D+P+C) + c(C/D+P+C)]$$

A_i = Gross allowance for borrowed funds used during construction rate

A_e = Allowance for other funds used during construction rate

S = Average short-term debt

s = Short-term debt interest rate

D = Long-term debt

d = Long-term debt interest rate

P = Preferred stock

p = Preferred stock cost rate

C = Common equity

c = Common equity cost rate

W = Average balance in construction work in progress plus nuclear fuel in process of refinement, conversion enrichment and fabrication

(b) The rates shall be determined annually. The balances for long-term debt, preferred stock and common equity shall be the actual book balances as of the end of the prior year. The cost rates for long-term debt and preferred stock shall be the weighted average cost determined in the manner indicated in § 35.13 of the Commission's Regulations Under the Federal Power Act. The cost rate for common equity shall be the rate granted common equity in the last rate proceeding before the ratemaking body having primary rate jurisdictions. If such cost rate is not available, the average rate actually earned during the preceding three years shall be used. The short-term debt balances and related cost and the average balance for construction work in progress plus nuclear fuel in process of refinement, conversion, enrichment, and fabrication shall be estimated for the current year with appropriate adjustments as actual data becomes available.

NOTE When a part only of a plant 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 "Electric Plant in Service" and allowance for funds used during construction thereon as a charge to construction shall cease. Allowance for funds used during construction on that part of the cost of the plant 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 item 17, above.

(18) "Earnings and expenses during construction." The earnings and expenses during construction shall constitute a component of construction costs.

(a) The earnings shall include revenues received or earned for power produced by generating plants during the construction period and sold or used by the utility. Where such power is sold to an independent purchaser before intermingling with power generated by other plants, the credit shall consist of

the selling price of the energy Where the power generated by a plant under construction is delivered to the utility's electric system for distribution and sale, or is delivered to an associated company, or is delivered to and used by the utility for purposes other than distribution and sale (for manufacturing or industrial use, for example), the credit shall be the fair value of the energy so delivered The revenues shall also include rentals for lands, buildings etc , and miscellaneous receipts not properly includible in other accounts

(b) The expenses shall consist of the cost of operating the power plant, and other costs incident to the production and delivery of the power for which construction is credited under paragraph (a), 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 includible in other accounts

(19) "Training Costs" (Major and Nonmajor Utilities) When it is necessary that employees be trained to operate or maintain plant facilities that are being constructed and such facilities are not conventional in nature, or are new to the company's operations, these costs may be capitalized as a component of construction cost Once plant is placed in service, the capitalization of training costs shall cease and subsequent training costs shall be expensed (See Operating Expense Instruction 4)

(20) "Studies" includes the costs of studies such as nuclear operational, safety, or seismic studies or environmental studies mandated by regulatory bodies relative to plant under construction Studies relative to facilities in service shall be charged to account 183, Preliminary Survey and Investigation Charges.

B For Nonmajor utilities, the cost of construction of property chargeable to the electric plant accounts shall include, where applicable, the cost of labor, material and supplies, transportation, work done by others for the utility, injuries and damages incurred in construction work, privileges and permits, special machine service, allowance for funds used during construction, not to exceed without prior approval of the Commission, amounts computed in accordance with the formula prescribed in paragraph (a) of paragraph (17) of this Instruction, training costs, and such portion of general engineering, administrative salaries and expenses, insurance, taxes, and other analogous items as may be properly includible in construction costs (See Operating Expense Instruction 4) The rates and balances of short- and long-term debt, preferred stock, common equity and construction work in progress shall be determined as prescribed in paragraph (b) of paragraph (17) of this Instruction

[¶ 15,054]

4 *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

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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 pay roll 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 For Major utilities, 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 electric plant account, and the bases of distribution of such costs.

[¶ 15,055]

5 *Electric Plant Purchased or Sold*

A When electric plant constituting an operating unit or system is acquired by purchase, merger, consolidation, liquidation, or otherwise, after the effective date of this system of accounts, the costs of acquisition, including expenses incidental thereto properly includible in electric plant, shall be charged to account 102, Electric Plant Purchased or Sold.

B The accounting for the acquisition shall then be completed as follows:

(1) The original cost of plant, estimated if not known, shall be credited to account 102, Electric Plant Purchased or Sold, and concurrently charged to the appropriate electric plant in service accounts and to account 104, Electric Plant Leased to Others, account 105, Electric Plant Held for Future Use, and account 107, Construction Work in Progress—Electric, as appropriate.

(2) The depreciation and amortization applicable to the original cost of the properties purchased shall be charged to account 102, Electric Plant 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 remaining in account 102, Electric Plant Purchased or Sold, shall then be closed to account 114, Electric Plant 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 a part of the purchase price of the property.

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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 proposed accounting for such property shall be presented to the Commission

E In connection with the acquisition of electric plant 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 electric plant 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 plant accounts, including amounts carried in account 114, Electric Plant Acquisition Adjustments 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, shall be charged to such accounts and contra entries made to account 102, Electric Plant Purchased or Sold Unless otherwise ordered by the Commission, the difference, if any, between (1) the net amount of debits and credits and (2) the consideration received for the property (less commissions and other expenses of making the sale) shall be included in account 421 1 Gain on Disposition of Property, or account 421 2, Loss on Disposition of Property (See account 102, Electric Plant 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 of purchased properties to a new owner, the accounts of the constituent utilities, with the approval of the Commission, may be combined In the event original cost has not been determined, the resulting utility shall proceed to determine such cost as outlined herein

[¶ 15,056]

6 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 electric plant account appropriate for the class of property leased If the service life of the improvements is terminable by action of the lease, 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 Electric Plant However, if the service life is not terminated by action of the lease but by depreciation proper, the cost of the improvements, less net salvage, shall be accounted for as depreciable plant The provisions of

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this paragraph are applicable to property leased under either capital leases or operating leases

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

[¶ 15,057]

7 *Land and Land Rights*

A The accounts for land and land rights shall 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, water and water power rights, diversion rights, submersion rights, rights-of-way, and other like interests in land. Do not include in the accounts for land and land rights and rights-of-way costs incurred in connection with first clearing and grading of land and rights-of-way and the damage costs associated with the construction and installation of plant. Such costs shall be included in the appropriate plant accounts directly benefited.

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, sand, gravel, other resources or other property acquired with the rights-of-way or other lands shall be credited to the appropriate plant account to which related. Where land is held for a considerable period of time and timber and other natural resources on the land at the time of purchase increases in value, the net profit (after giving effect to the cost of the natural resources) from the sales of timber or its products or other natural resources shall be credited to the appropriate utility operating income account when such land has been recorded in account 105, Electric Plant Held for Future Use or classified as plant in service, otherwise 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 (except rights of way for distribution lines), or water right, 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 on 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.

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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 rights, shall be included in account 411 6, Gains from Disposition of Utility Plant, or 411 7, Losses from Disposition of Utility Plant when such property has been recorded in account 105, Electric Plant Held for Future Use, otherwise to account 421 1, Gain on Disposition of Property or 421 2, Loss on Disposition of Property, as appropriate, 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 an 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 electric 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, Electric Plant Held for Future Use, or account 121, Nonutility Property, as appropriate

H Provisions 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 (For Major utilities, see account 111, Accumulated Provision for Amortization of Electric Plant Utility, and account 404, Amortization of Limited-Term Electric Plant For Nonmajor utilities, see account 404)

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 [Reserved]
- 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 [Reserved]

¶ 15,057

- 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, etc , 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 water rights and grants
- 22 Cost of fill to extend bulkhead line over land under water, where riparian rights are held, which is not occasioned by the erection of a structure
- 23 Sidewalks and curbs constructed by the utility on public property
- 24 Labor and expenses in connection with securing rights of way, where performed by company employees and company agents

[¶ 15,058]

8 Structures and Improvements

A The accounts for structures and improvements shall 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 Also include those costs incurred in connection with the first clearing and grading of land and rights-

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of-way and the damage costs associated with construction and installation of plant

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, etc , 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 valve towers, patrolmen's towers, telephone stations, fish and wildlife, and recreation facilities, etc , which are used directly in connection with or form a part of a reservoir, dam, waterway, etc , 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 plant account, and no part to the building account

E Where the structure of a dam forms also the foundation of the power plant building, such foundation shall be considered a part of the dam

F 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 (a) 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, (b) 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. 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

H The items of cost to be included in the accounts for structures and improvements are as follows

- 1 Architects' plans and specifications including supervision
- 2 Ash pits (when located within the building) (Major Utilities)
- 3 Athletic field structures and improvements
- 4 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, etc
- 5 Bulkheads, including dredging, riprap fill, piling, decking, concrete, fenders, etc , when exposed and subject to maintenance and replacement
- 6 Chimneys (Major Utilities)

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- 7 Coal bins and bunkers
- 8 Commissions and fees to brokers, agents, architects, and others
- 9 Conduit (not to be removed) with its contents
- 10 Damages to abutting property during construction
- 11 Docks (Major Utilities)
- 12 Door checks and door stops (Major Utilities)
- 13 Drainage and sewerage systems
- 14 Elevators, cranes, hoists, etc , and the machinery for operating them
- 15 Excavation, including shoring, bracing, bridging, refill and disposal of excess excavated material, cofferdams around foundation, pumping water from cofferdams during construction, and test borings
- 16 Fences and fence curbs (not including protective fences isolating items of equipment, which shall be charged to the appropriate equipment account)
- 17 Fire protection systems when forming a part of a structure
- 18 Flagpole (Major Utilities)
- 19 Floor covering (permanently attached)
- 20 Foundations and piers for machinery, constructed as a permanent part of a building or other item listed herein
- 21 Grading and clearing when directly occasioned by the building of a structure
- 22 Intrasite communication system, poles, pole fixtures, wires, and cables
- 23 Landscaping, lawns, shrubbery, etc
- 24 Leases, voiding upon purchase to secure possession of structures
- 25 Leased property, expenditures on
- 26 Lighting fixtures and outside lighting system
- 27 Mailchutes when part of a building (Major Utilities)
- 28 Marquee, permanently attached to building (Major Utilities)
- 29 Painting, first cost
- 30 Permanent paving, concrete, brick, flagstone, asphalt, etc , within the property lines
- 31 Partitions, including movable (Major Utilities)
- 32 Permits and privileges
- 33 Platforms, railings, and gratings when constructed as a part of a structure
- 34 Power boards for services to a building (Major Utilities)
- 35 Refrigerating systems for general use (Major Utilities)

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- 36 Retaining walls except when identified with land
- 37 Roadways, railroads, bridges, and trestles intrasite except railroads provided for in equipment accounts
- 38 Roofs (Major Utilities)
- 39 Scales, connected to and forming a part of a structure (Major Utilities)
- 40 Screens (Major Utilities)
- 41 Sewer systems, for general use (Major Utilities)
- 42 Sidewalks, culverts, curbs and streets constructed by the utility on its property
- 43 Sprinkling systems (Major Utilities)
- 44 Sump pumps and pits (Major Utilities)
- 45 Stacks—brick, steel, or concrete, when set on foundation forming part of general foundation and steelwork of a building
- 46 Steel inspection during construction (Major Utilities)
- 47 Storage facilities constituting a part of a building
- 48 Storm doors and windows (Major Utilities)
- 49 Subways, areaways, and tunnels, directly connected to and forming part of a structure
- 50 Tanks, constructed as part of a building or as a distinct structural unit
- 51 Temporary heating during construction (net cost) (Major Utilities)
- 52 Temporary water connection during construction (net cost) (Major Utilities)
- 53 Temporary shanties and other facilities used during construction (net cost)
- 54 Topographical maps (Major Utilities)
- 55 Tunnels, intake and discharge, when constructed as part of a structure, including sluice gates, and those constructed to house mains
- 56 Vaults constructed as part of a building
- 57 Watchmen's sheds and clock systems (net cost when used during construction only) (Major Utilities)
- 58 Water basins or reservoirs
- 59 Water front improvements (Major Utilities)
- 60 Water meters and supply system for a building or for general company purposes (Major Utilities)
- 61 Water supply piping, hydrants and wells (Major Utilities)
- 62 Wharves
- 63 Window shades and ventilators (Major Utilities)

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64 Yard drainage system (Major Utilities)

65 Yard lighting system (Major Utilities)

66 Yard surfacing, gravel, concrete, or oil (First cost only) (Major Utilities)

NOTE Structures and Improvements accounts shall be credited with the cost of coal bunkers, stacks, foundations, subways, tunnels, etc, 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

[¶ 15,059]

9 Equipment

A The cost of equipment chargeable to the electric plant 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 Also include those costs incurred in connection with the first clearing and grading of land and rights-of-way and the damage costs associated with construction and installation of plant

B Exclude from equipment accounts hand and other portable tools, which are likely to be lost or stolen or which have relatively small value (for example, \$500 or less) or short life, unless the correctness of the accounting therefor as electric plant is verified by current inventories Special tools acquired and included in the purchase price of equipment shall be included in the appropriate plant account Portable drills and similar tool equipment when used in connection with the operation and maintenance of a particular plant or department, such as production, transmission, distribution, etc, or in "stores," shall be charged to the plant account appropriate for their use

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 building accounts

D The equipment accounts shall include the necessary costs of testing or running a plant or parts thereof during an experimental or test period prior to such plant becoming ready for or placed in service In the case of Nonmajor utilities, the utility shall pay the fee prescribed in Part 381 of this chapter and shall furnish the Commission with full particulars of and justification for any test or experimental run extending beyond a period of 30 days In the case of Major utilities, the utility shall furnish the Commission with full particulars of and justification for any test or experimental run extending beyond a period of 120 days for nuclear plant, and a period of 90 days for all other plant Such

particulars shall include a detailed operational and downtime log showing days of production, gross kilowatts generated by hourly increments, types, and periods of outages by hours with explanation thereof, beginning with the first date the equipment was either tested or synchronized on the line to the end of the test period

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, etc., 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 electric plant account

[¶ 15,060]

10 *Additions and Retirements of Electric Plant*

A For the purpose of avoiding undue refinement in accounting for additions to and retirements and replacements of electric plant, all property shall be considered as consisting of (1) retirement units and (2) 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 Commission, with the option, however, of using smaller units, 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 electric plant, the cost thereof shall be added to the appropriate electric plant account, except that when units are acquired in the acquisition of any electric plant constituting an operating system, they shall be accounted for as provided in electric plant instruction 5

(2) When a retirement unit is retired from electric plant, with or without replacement, the book cost thereof shall be credited to the electric plant account in which it is included, determined in the manner set forth in paragraph D, below. If the retirement unit is of a depreciable class, the book cost of the unit retired and credited to electric plant 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 plant, the cost thereof shall be accounted for in the same manner as for the addition of a retirement unit, as set forth in paragraph B(1), 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 electric plant account in which it is included, and, in the event the minor item is a part of 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 electric plant account.

D The book cost of electric plant retired shall be the amount at which such property is included in the electric 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 therefore which has been authorized and provided) and the sale price of the land (less commissions and other expenses of making the sale) shall be recorded in account 411 6, Gains from Disposition of Utility Plant, or 411 7, Losses from Disposition of Utility Plant when the property has been recorded in account 105, Electric Plant Held for Future Use, otherwise to accounts 421 1, Gain on Disposition of Property or 421 2, Loss on Disposition of Property, as appropriate. If the land is not used in utility service but is retained by the utility, the book cost shall be charged to account 105, Electric Plant Held for Future Use, or account 121, Nonutility Property, as appropriate.

F The book cost less net salvage of depreciable electric plant retired shall be charged in its entirety to account 108 Accumulated Provision for Depreciation of Electric Plant in Service (Account 110, Accumulated Provision for Depreciation and Amortization of Electric Utility Plant, in the case of Nonmajor utilities). Any amounts which, by approval or order of the Commission, are charged to account 182 1, Extraordinary Property Losses, shall be credited to account 108 (Account 110 for Nonmajor Utilities).

G In the case of Major utilities, the accounting for the retirement of amounts included in account 302, Franchises and Consents, and account 303, Miscellaneous Intangible Plant, 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 111 Accumulated Provision for Amortization of Electric

Plant in Service, account 404, Amortization of Limited-Term Electric Plant, and account 405, Amortization of Other Electric Plant

[¶ 15,061]

11 *Work Order and Property Record System Required*

A Each utility shall record all construction and retirements of electric plant by means of work orders or job orders. Separate work orders may be opened for additions to and retirements of electric plant 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 electric plant, the total cost thereof, the source or sources of costs, and the electric plant account or accounts to which charged or credited. Work orders covering jobs of short duration may be cleared monthly

C In the case of Major utilities, each utility shall maintain records in which, for each plant account, the amounts of the annual additions and retirements, subsequent to the effective date of this system of accounts, are classified so as to show the number and cost of the various record units or retirement units

[¶ 15,062]

12 *Transfers of Property*

When property is transferred from one electric plant account to another from one utility department to another, such as from electric to gas, from one operating division or area to another, to or from accounts 101, Electric Plant in Service, 104 Electric Plant Leased to Others, 105 Electric Plant Held for Future Use, and 121, Nonutility Property, the transfer shall be recorded by transferring the original cost thereof from the one account, department, or location to the other. Any related amounts carried in the accounts for accumulated provision for depreciation or amortization shall be transferred in accordance with the segregation of such accounts

[¶ 15,063]

13 *Common Utility Plant*

A If the utility is engaged in more than one utility service, such as electric, gas, and water, and any of its utility plant 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 Commission, may be designated and classified as "common utility plant"

B The book amount of utility plant designated as common plant shall be included in account 118, Other Utility Plant, and if applicable in part to the electric department, shall be segregated and accounted for in subaccounts as

¶ 15,060

electric plant is accounted for in accounts 101 to 107, inclusive, and electric plant adjustments in account 116, any amounts classifiable as common plant acquisition adjustments or common plant adjustments shall be subject to disposition as provided in paragraphs C and B of accounts 114 and 116, respectively, for amounts classified in those accounts. The original cost of common utility plant in service shall be classified according to detailed utility plant accounts appropriate for the property.

C The utility shall be prepared to show at any time and to report to the Commission annually, or more frequently, if required, and by utility plant accounts (301 to 399) the following: (1) The book cost of common utility plant, (2) The allocation of such cost to the respective departments using the common utility plant, 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 plant.

E The expenses of operation, maintenance, rents, depreciation and amortization of common utility plant 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 plant shall be supported in such manner as to reflect readily the basis of allocation used.

[¶ 15,064]

14 *Transmission and Distribution Plant*

For the purpose of this system of accounts

A "Transmission system" means

(1) All land, conversion structures, and equipment employed at a primary source of supply (i.e., generating station, or point of receipt in the case of purchased power) to change the voltage or frequency of electricity for the purpose of its more efficient or convenient transmission,

(2) All land, structures, lines, switching and conversion stations, high tension apparatus, and their control and protective equipment between a generating or receiving point and the entrance to a distribution center or wholesale point, and

(3) All lines and equipment whose primary purpose is to augment, integrate or tie together the sources of power supply.

B "Distribution system" means all land, structures, conversion equipment, lines, line transformers, and other facilities employed between the primary source of supply (i.e., generating station, or point of receipt in the case of purchased power) and of delivery to customers, which are not includible in transmission system, as defined in paragraph A, whether or not such land, structures, and facilities are operated as part of a transmission system or as part of a distribution system.

NOTE Stations which change electricity from transmission to distribution voltage shall be classified as distribution stations.

C Where poles or towers support both transmission and distribution conductors, the poles, towers, anchors, guys, and rights of way shall be classified as transmission system. The conductors, crossarms, braces, grounds, tiewire, insulators, etc., shall be classified as transmission or distribution facilities, according to the purpose for which used.

D Where underground conduit contains both transmission and distribution conductors, the underground conduit and right of way shall be classified as distribution system. The conductors shall be classified as transmission or distribution facilities according to the purpose for which used.

E Land (other than rights of way) and structures used jointly for transmission and distribution purposes shall be classified as transmission or distribution according to the major use thereof.

[¶ 15,065]

15 *Hydraulic Production Plant (Major Utilities)*

For the purpose of this system of accounts hydraulic production plant means all land and land rights, structures and improvements used in connection with hydraulic power generation, reservoirs, dams and waterways, water wheels, turbines, generators, accessory electric equipment, miscellaneous powerplant equipment, roads, railroads, and bridges, and structures and improvements used in connection with fish and wildlife, and recreation.

[¶ 15,066]

16 *Nuclear Fuel Records Required (Major Utilities)*

Each utility shall keep all the necessary records to support the entries to the various nuclear fuel plant accounts classified under "Assets and Other Debits," Utility Plant 120 1 through 120 6, inclusive, account 518, Nuclear Fuel Expense and account 157, Nuclear Materials Held for Sale. These records shall be so kept as to readily furnish the basis of the computation of the net nuclear fuel costs.

Regulations

11,541

[¶ 15,080]

Operating Expense Instructions

[¶ 15,081]

1 *Supervision and Engineering (Major Utilities)*

The supervision and engineering includible in the operating expense accounts shall consist of the pay and expenses of superintendents, engineers, clerks, other employees and consultants engaged in supervising and directing the operation and maintenance of each utility function. Wherever allocations are necessary in order to arrive at the amount to be included in any account, the method and basis of allocation shall be reflected by underlying records.

Items

Labor

- 1 Special tests to determine efficiency of equipment operation
- 2 Preparing or reviewing budgets, estimates, and drawings relating to operation or maintenance for departmental approval
- 3 Preparing instructions for operations and maintenance activities
- 4 Reviewing and analyzing operating results
- 5 Establishing organizational setup of departments and executing changes therein
- 6 Formulating and reviewing routines of departments and executing changes therein
- 7 General training and instruction of employees by supervisors whose pay is chargeable hereto. Specific instruction and training in a particular type of work is chargeable to the appropriate functional account (See Electric Plant Instruction 3(19))
- 8 Secretarial work for supervisory personnel, but not general clerical and stenographic work chargeable to other accounts

Expenses

- 9 Consultants' fees and expenses
- 10 Meals, traveling and incidental expenses

[¶ 15,082]

2 *Maintenance*

A The cost of maintenance chargeable to the various operating expense and clearing accounts includes labor, materials, overheads and other expenses incurred in maintenance work. A list of work operations applicable generally to utility plant is included hereunder. Other work operations applicable to specific classes of plant are listed in functional maintenance expense accounts.

B Materials recovered in connection with the maintenance of property shall be credited to the same account to which the maintenance cost was charged.

¶ 15,082

C If the book cost of any property is carried in account 102, Electric Plant Purchased or Sold, the cost of maintaining such property shall be charged to the accounts for maintenance of property of the same class and use, the book cost of which is carried in other electric plant in service accounts. Maintenance of property leased from others shall be treated as provided in operating expense instruction 3

Items

- 1 Direct field supervision of maintenance
- 2 Inspecting, testing, and reporting on condition of plant specifically to determine the need for repairs, replacements, rearrangements and changes and inspecting and testing the adequacy of repairs which have been made
- 3 Work performed specifically for the purpose of preventing failure, restoring serviceability or maintaining life of plant
- 4 Rearranging and changing the location of plant not retired
- 5 Repairing for reuse materials recovered from plant
- 6 Testing for locating and clearing trouble
- 7 Net cost of installing, maintaining, and removing temporary facilities to prevent interruptions in service
- 8 Replacing or adding minor items of plant which do not constitute a retirement unit (See electric plant instruction 10)

[¶ 15,083]

3 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 and all amounts paid for use of equipment that, if owned, would be includible in plant accounts 391 to 398, inclusive, which shall be treated as an expense item and included in the appropriate functional account and (2) rents which are chargeable to clearing accounts, and distributed therefrom to the appropriate account. If rents cover property used for more than one function, such as production and transmission, 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

¶ 15,082

D The cost incurred by the lessee of additions and replacements to electric plant leased from others shall be accounted for as provided in electric plant instruction 6

[¶ 15,084]

4 *Training Costs*

When it is necessary that employees be trained to specifically operate or maintain plant facilities that are being constructed, the related costs shall be accounted for as a current operating and maintenance expense. These expenses shall be charged to the appropriate functional accounts currently as they are incurred. However, when the training costs involved relate to facilities which are not conventional in nature, or are new to the company's operations, then see Electric Plant Instruction 3(19), for accounting.

[The next page is 11,571]

¶ 15,084

Balance Sheet Chart of Accounts

[¶ 15,090]

ASSETS AND OTHER DEBITS

1 UTILITY PLANT

Electric Plant

- 101 Electric plant in service
- 101 1 Property under capital leases
- 102 Electric plant purchased or sold
- 103 Experimental electric plant unclassified (Major only)
- 103 1 Electric plant in process of reclassification (Nonmajor only)
- 104 Electric plant leased to others
- 105 Electric plant held for future use
- 106 Completed construction not classified—Electric (Major only)
- 107 Construction work in progress—Electric
 - Accumulated Provision for Depreciation and Amortization
- 108 Accumulated provision for depreciation of electric utility plant (Major only)
- 109 [Reserved]
- 110 Accumulated provision for depreciation and amortization of electric utility plant (Nonmajor only)
- 111 Accumulated provision for amortization of electric utility plant (Major only)
- 112 [Reserved]
- 113 [Reserved]
- 114 Electric plant acquisition adjustments
- 115 Accumulated provision for amortization of electric plant acquisition adjustments (Major only)
- 116 Other electric plant adjustments
- 118 Other utility plant
- 119 Accumulated provision for depreciation and amortization of other utility plant
- 120 1 Nuclear fuel in process of refinement, conversion, enrichment and fabrication (Major only)
- 120 2 Nuclear fuel materials and assemblies—Stock account (Major only)
- 120 3 Nuclear fuel assemblies in reactor (Major only)
- 120 4 Spent nuclear fuel (Major only)
- 120 5 Accumulated provision for amortization of nuclear fuel assemblies (Major only)
- 120 6 Nuclear fuel under capital leases (Major only)

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2 OTHER PROPERTY AND INVESTMENTS

- 121 Nonutility property
- 122 Accumulated provision for depreciation and amortization of nonutility property
- 123 Investment in associated companies (Major only)
- 123 1 Investment in subsidiary companies (Major only)
- 124 Other investments

Special Funds

- 125 Sinking funds (Major only)
- 126 Depreciation fund (Major only)
- 127 Amortization fund—Federal (Major only)
- 128 Other special funds (Major only)
- 129 Special funds (Nonmajor only)

3 CURRENT AND ACCRUED ASSETS

- 130 Cash and working funds (Nonmajor only)
- 131 Cash (Major only)

Special Deposits

- 132 Interest special deposits (Major only)
- 133 Dividend special deposits (Major only)
- 134 Other special deposits (Major only)
- 135 Working funds (Major only)
- 136 Temporary cash investments

Notes and Accounts Receivable

- 141 Notes receivable
- 142 Customer accounts receivable
- 143 Other accounts receivable
- 144 Accumulated provision for uncollectible accounts—credit

Receivables from Associated Companies

- 145 Notes receivable from associated companies
- 146 Accounts receivable from associated companies

Material and Supplies

- 151 Fuel stock (Major only)
- 152 Fuel stock expenses undistributed (Major only)
- 153 Residuals (Major only)
- 154 Plant materials and operating supplies

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- 155 Merchandise (Major only)
- 156 Other materials and supplies (Major only)
- 157 Nuclear materials held for sale (Major only)
- 163 Stores expense undistributed (Major only)
- 165 Prepayments

Other Current and Accrued Assets

- 171 Interest and dividends receivable (Major only)
- 172 Rents receivable (Major only)
- 173 Accrued utility revenues (Major only)
- 174 Miscellaneous current and accrued assets

4 DEFERRED DEBITS

- 181 Unamortized debt expense
- 182 1 Extraordinary property losses
- 182 2 Unrecovered plant and regulatory study costs

Other Deferred Debits

- 183 Preliminary survey and investigation charges (Major only)
- 184 Clearing accounts (Major only)
- 185 Temporary facilities (Major only)
- 186 Miscellaneous deferred debits
- 187 Deferred losses from disposition of utility plant
- 188 Research, development, and demonstration expenditures (Major only)
- 189 Unamortized loss on reacquired debt
- 190 Accumulated deferred income taxes

LIABILITIES AND OTHER CREDITS

5 PROPRIETARY CAPITAL

Common Capital Stock

- 201 Common stock issued.
- 202 Common stock subscribed (Major only)
- 203 Common stock liability for conversion (Major only)

Preferred capital stock

- 204 Preferred stock issued
- 205 Preferred stock subscribed (Major only)
- 206 Preferred stock liability for conversion (Major only)

Other Paid-in Capital

- 207 Premium on capital stock (Major only)
- 208 Donations received from stockholders (Major only)

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- 209 Reduction in par or stated value of capital stock (Major only)
- 210 Gain on resale or cancellation of reacquired capital stock (Major only)
- 211 Miscellaneous paid-in capital
- 212 Installments received on capital stock
- 213 Discount on capital stock
- 214 Capital stock expense
- 215 Appropriated retained earnings
- 215 1 Appropriated retained earnings—Amortization reserve, Federal
- 216 Unappropriated retained earnings
- 216 1 Unappropriated undistributed subsidiary earnings (Major only)
- 217 Reacquired capital stock
- 218 Noncorporate proprietorship (Nonmajor only)

6 LONG TERM DEBT

Bonds

- 221 Bonds
- 222 Reacquired bonds (Major only)
- 223 Advances from associated companies
- 224 Other long-term debt
- 225 Unamortized premium on long-term debt
- 226 Unamortized discount on long-term debt—Debit

7 OTHER NONCURRENT LIABILITIES

- 227 Obligations under capital leases—noncurrent
- 228 1 Accumulated provision for property insurance
- 228 2 Accumulated provision for injuries and damages
- 228 3 Accumulated provision for pensions and benefits
- 228 4 Accumulated miscellaneous operating provisions
- 229 Accumulated provision for rate refunds

8 CURRENT AND ACCRUED LIABILITIES

- 231 Notes payable
- 232 Accounts payable

Payables to Associated Companies

- 233 Notes payable to associated companies
- 234 Accounts payable to associated companies
- 235 Customer deposits
- 236 Taxes accrued
- 237 Interest accrued

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Other Current and Accrued Liabilities

- 238 Dividends declared (Major only)
- 239 Matured long-term debt (Major only)
- 240 Matured interest (Major only)
- 241 Tax collections payable (Major only)
- 242 Miscellaneous current and accrued liabilities
- 243 Obligations under capital leases—current

9 DEFERRED CREDITS

- 251 [Reserved]
- 252 Customer advances for construction
- 253 Other deferred credits
- 255 Accumulated deferred investment tax credits
- 256 Deferred gains from disposition of utility plant
- 257 Unamortized gain on reacquired debt
- 281 Accumulated deferred income taxes—Accelerated amortization property
- 282 Accumulated deferred income taxes—Other property
- 283 Accumulated deferred income taxes—Other

¶ 15,090

Balance Sheet Accounts

[¶ 15,101]

101 Electric plant in service

A This account shall include the original cost of electric plant, included in accounts 301 to 399, prescribed herein, owned and used by the utility in its electric 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

(See also account 106 for unclassified construction costs of completed plant actually in service)

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 electric plant instruction 6)

[¶ 15,102]

101.1 Property under capital leases

A This account shall include the amount recorded under capital leases for plant leased from others and used by the utility in its utility operations

B The electric property included in this account shall be classified separately according to the detailed accounts (301 to 399) prescribed for electric plant in service

C Records shall be maintained with respect to each capital lease reflecting (a) name of lessor, (b) basic details of lease, (c) terminal date, (d) original cost or fair market value of property leased, (e) future minimum lease payments, (f) executory costs, (g) present value of minimum lease payments, (h) the amount representing interest and the interest rate used, and (i) expenses paid

[¶ 15,103]

102 Electric plant purchased or sold

A This account shall be charged with the cost of electric plant 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 electric plant instruction 5

B Within six months from the date of acquisition or sale of property recorded herein, the utility shall file with the Commission the proposed journal entries to clear from this account the amounts recorded herein

[¶ 15,104]

103 Experimental electric plant unclassified (Major only).

A This account shall include the cost of electric plant which was constructed as a research, development, and demonstration plant under the

¶ 15,104

provisions of paragraph C, Account 107, Construction Work in Progress—Electric, and due to the nature of the plant it is desirous to operate it for a period of time in an experimental status

B Amounts in this account shall be transferred to Account 101, Electric Plant in Service, or Account 121, Nonutility Property as appropriate when the project is no longer considered as experimental

C The depreciation on property in this account shall be charged to Account 403, Depreciation Expense, and credited to Account 108, Accumulated Provision for Depreciation of Electric Utility Plant The amounts herein shall be depreciated over a period which would correspond to the estimated useful life of the relevant project considering the characteristics involved However, when projects are transferred to Account 101, Electric Plant in Service, a new depreciation rate based on the remaining service life and undepreciated amounts, will be established

D Records shall be maintained with respect to each unit of experiment so that full details may be obtained as to the cost, depreciation and the experimental status

E Should it be determined that experimental plant recorded in this account will fail to satisfactorily perform its function, the costs thereof shall be accounted for as directed or authorized by the Commission

[¶ 15,105]

103 1 Electric plant in process of reclassification (Nonmajor only).

A This account shall include temporarily the balance of electric plant as of the effective date of the prior system of accounts, which has not yet been reclassified as of the effective date of this system of accounts The detail or primary accounts in support of this account employed prior to such date shall be continued pending reclassification into the electric 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 paragraph A, above, shall be made to this account, but retirements of such unclassified electric plant shall be credited hereto and to the supporting (old) fixed capital accounts until the reclassification shall have been accomplished

[¶ 15,106]

104 Electric plant leased to others.

A This account shall include the original cost of electric plant 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 (301 to 399) prescribed for electric plant in service and this account shall be maintained in such detail as though the property were used by the owner in its utility operations

¶ 15,104

[¶ 15,107]

105 Electric plant held for future use

A This account shall include the original cost of electric plant (except land and land rights) owned and held for future use in electric service under a definite plan for such use, to include (1) Property acquired (except land and land rights) but never used by the utility in electric service, but held for such service in the future under a definite plan, and (2) property (except land and land rights) previously used by the utility in service, but retired from such service and held pending its reuse in the future, under a definite plan, in electric service

B This account shall also include the original cost of land and land rights owned and held for future use in electric service under a plan for such use, to include land and land rights (1) Acquired but never used by the utility in electric service, but held for such service in the future under a plan, and (2) previously held by the utility in service, but retired from such service and held pending its reuse in the future under a plan, in electric service (See Electric Plant Instruction 7)

C In the event that property recorded in this account shall no longer be needed or appropriate for future utility operations, the company shall request Commission approval of journal entries to remove such property from this account when the gain realized from the sale or other disposition of the property is \$100,000 or more, prior to their being recorded Such filings shall include the description and original cost of individual properties removed from this account, the accounts charged upon removal, and any associated gains realized upon disposition of such property

D Gains or losses from the sale of land and land rights or other disposition of such property previously recorded in this account and not placed in utility service shall be recorded directly in accounts 411 6 or 411 7, as appropriate, except when determined to be significant by the Commission Upon such a determination, the amounts shall be transferred to account 256, Deferred Gains from Disposition of Utility Plant, or account 187, Deferred Losses from Disposition of Utility Plant, and amortized to accounts 411 6, Gains from Disposition of Utility Plant, or 411 7, Losses from Disposition of Utility Plant, as appropriate

E The property included in this account shall be classified according to the detail accounts (301 to 399) prescribed for electric plant in service and the account shall be maintained in such detail as though the property were in service

NOTE Materials and supplies, meters and transformers held in reserve, and normal spare capacity of plant in service shall not be included in this account

¶ 15,107

[¶ 15,108]

106 Completed construction not classified—Electric (Major only)

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

NOTE For the purpose of reporting to the Commission the classification of electric plant in service by accounts is required, the utility shall also report the balance in this account tentatively classified as accurately as practicable according to prescribed account classifications. The purpose of this provision is to avoid any significant omissions in reported amounts of electric plant in service

[¶ 15,109]

107 Construction work in progress—Electric

A This account shall include the total of the balances of work orders for electric plant in process of construction

B Work orders shall be cleared from this account as soon as practicable after completion of the job. Further, if a project, such as a hydroelectric project, a steam station or a transmission line, is designed to consist of two or more units or circuits 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 electric plant 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

C Expenditures on research, development, and demonstration projects for construction of utility facilities are to be included in a separate subdivision in this account. Records must be maintained to show separately each project along with complete detail of the nature and purpose of the research, development, and demonstration project together with the related costs

[¶ 15,110]

108 Accumulated provision for depreciation of electric utility plant (Major only).

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 for electric plant in service

(2) Amounts charged to account 421, Miscellaneous Nonoperating Income, for depreciation expense on property included in account 105, Electric Plant Held for Future Use. Include, also, the balance of accumulated provision for depreciation on property when transferred to account 105, Electric Plant Held for Future Use, from other property accounts. Normally account 108 will not be used for current depreciation provisions because, as provided herein, the service life during which depreciation is computed

¶ 15,108

commences with the date property is includible in electric plant in service, however, if special circumstances indicate the propriety of current accruals for depreciation, such charges shall be made to account 421, Miscellaneous Nonoperating Income

(3) Amounts charged to account 413, Expenses of Electric Plant Leased to Others, for electric plant included in account 104, Electric Plant Leased to Others

(4) Amounts charged to account 416, Costs and Expenses of Merchandising, Jobbing, and Contract Work, or to clearing accounts for current depreciation expense

(5) Amounts of depreciation applicable to electric properties acquired as operating units or systems (See electric plant instruction 5)

(6) Amounts charged to account 182, Extraordinary Property Losses, when authorized by the Commission

(7) Amounts of depreciation applicable to electric plant donated to the utility

(The utility shall maintain separate subaccounts for depreciation applicable to electric plant in service, electric plant leased to others and electric plant held for future use)

B At the time of retirement of depreciable electric utility plant, 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 retirement, costs 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 following paragraph

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 following functional classification for electric plant: (1) Steam production, (2) Nuclear production, (3) Hydraulic production, (4) Other production, (5) Transmission, (6) Distribution, and (7) General. These subsidiary records shall reflect the current credits and debits to this account in sufficient detail to show separately for each such functional classification: (a) the amount of accrual for depreciation, (b) the book cost of property retired, (c) cost of removal, (d) salvage, and (e) other items, including recoveries from insurance

D When transfers of plant are made from one electric plant account to another, or from or to another utility department, or from or to nonutility property accounts, the accounting for the related accumulated provision for depreciation shall be as provided in electric plant instruction 12

E The utility is restricted in its use of the accumulated provision for depreciation to the purposes set forth above. It shall not transfer any portion

¶ 15,110

of this account to retained earnings or make any other use thereof without authorization by the Commission

[¶ 15,111]

109 [Reserved]

[¶ 15,112]

110 Accumulated provision for depreciation and amortization of electric utility plant (Nonmajor only)

A This account shall be credited with the following

(1) Amounts charged to account 403 Depreciation Expense, to account 404 Amortization of Limited-Term Electric Plant, to account 405, Amortization of Other Electric Plant, to account 413, Expenses of Electric Plant Leased to Others, to account 416, Costs and Expenses of Merchandising, Jobbing and Contract Work, or to clearing accounts for currently accruing depreciation and amortization

(2) Amounts of depreciation applicable to electric properties acquired as operating units or systems (See electric plant instruction 4)

(3) Amounts chargeable to account 182, Extraordinary Property Losses, when authorized by the Commission

(4) Amounts of depreciation applicable to electric plant donated to the utility

B At the time of retirement of electric plant, 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 following paragraph

C For general ledger and balance sheet purposes, this account shall be regarded and treated as a single composite provision for depreciation. This account shall be subdivided to show the amount applicable to Electric Plant in Service, Electric Plant Leased to Others, and Electric Plant Held for Future Use. These subsidiary records shall show the current credits and debits to this account in sufficient detail to show separately for each subdivision, (1) the amount of accrual for depreciation or amortization, (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 electric plant account to another, or from or to nonutility property, the accounting shall be as provided in electric plant instruction 10

E The utility is restricted in its use of the accumulated provision for depreciation to the purposes set forth above. It shall not transfer any portion

¶ 15,110

of this account to retained earnings or make any other use thereof without authorization by the Commission

[¶ 15,113]

**111 Accumulated provision for amortization of electric utility plant
(Major only)**

A This account shall be credited with the following

(1) Amounts charged to account 404, Amortization of Limited-Term Electric Plant, for the current amortization of limited-term electric plant investments

(2) Amounts charged to account 421, Miscellaneous Nonoperating Income, for amortization expense on property included in account 105, Electric Plant Held for Future Use Include also the balance of accumulated provision for amortization on property when transferred to account 105, Electric Plant Held for Future Use, from other property accounts See also paragraph A(2), account 108, Accumulated Provision for Depreciation of Electric Utility Plant

(3) Amounts charged to account 405, Amortization of Other Electric Plant

(4) Amounts charged to account 413, Expenses of Electric Plant Leased to Others, for the current amortization of limited-term or other investments subject to amortization included in account 104, Electric Plant Leased to Others

(5) Amounts charged to account 425, Miscellaneous Amortization, for the amortization of intangible or other electric plant which does not have a definite or terminable life and is not subject to charges for depreciation expense, with Commission approval

(The utility shall maintain subaccounts of this account for the amortization applicable to electric plant in service, electric plant leased to others and electric plant held for future use)

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 421 1, Gain on Disposition of Property, or account 421 2, Loss on Disposition of Property, as appropriate

C For general ledger and balance sheet purposes, this account shall be regarded and treated as a single composite provision for amortization For purposes of analysis, however, each utility shall maintain subsidiary records in which this account is segregated according to the following functional classification for electric plant (1) Steam production, (2) nuclear production, (3) hydraulic production, (4) other production, (5) transmission, (6) distribution, and (7) general These subsidiary records shall reflect the current credits and debits to this account in sufficient detail to show separately for each such functional classification (a) the amount of accrual for amortization,

¶ 15,113

(b) the book cost of property retired, (c) cost of removal, (d) salvage, and (e) other items, including recoveries from insurance

D The utility is restricted in its use of the accumulated provision for amortization to the purposes set forth above. It shall not transfer any portion of this account to retained earnings or make any other use thereof without authorization by the Commission

[¶ 15,114]

112 [Reserved]

[¶ 15,115]

113 [Reserved]

[¶ 15,116]

114 Electric plant acquisition adjustments

A This account shall include the difference between (1) the cost to the accounting utility of electric plant acquired as an operating unit or system by purchase, merger, consolidation, liquidation, or otherwise, and (2) 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 to electric plant in service, electric plant held for future use, and electric plant leased to others (See electric plant instruction 5)

C Debit amounts recorded in this account related to plant and land acquisition may be amortized to account 425, Miscellaneous Amortization, over a period not longer than the estimated remaining life of the properties to which such amounts relate. Amounts related to the acquisition of land only may be amortized to account 425 over a period of not more than 15 years. Should a utility wish to account for debit amounts in this account in any other manner, it shall petition the Commission for authority to do so. Credit amounts recorded in this account shall be accounted for as directed by the Commission

[¶ 15,117]

115 Accumulated provision for amortization of electric plant acquisition adjustments (Major only).

This account shall be credited or debited with amounts which are includible in account 406 Amortization of Electric Plant Acquisition Adjustments or account 425, Miscellaneous Amortization, for the purpose of providing for the extinguishment of amounts in account 114, Electric Plant Acquisition Adjustments, in instances where the amortization of account 114 is not being made by direct write-off of the account

¶ 15,113

[¶ 15,118]

116 Other electric plant adjustments

A This account shall include the difference between the original cost, estimated if not known, and the book cost of electric plant to the extent that such difference is not properly includible in account 114, Electric Plant Acquisition Adjustments (See electric plant instruction IC)

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 electric plant

[¶ 15,119]

118 Other utility plant

This account shall include the balances in accounts for utility plant, other than electric plant, such as gas, railway, etc

[¶ 15,120]

119 Accumulated provision for depreciation and amortization of other utility plant

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

[¶ 15,121]

120.1 Nuclear fuel in process of refinement, conversion, enrichment and fabrication (Major only).

A This account shall include the original cost to the utility of nuclear fuel materials while in process of refinement, conversion, enrichment, and fabrication into nuclear fuel assemblies and components, including processing, fabrication, and necessary shipping costs This account shall also include the salvage value of nuclear materials which are actually being reprocessed for use and were transferred from account 120 5, Accumulated Provision for Amortization of Nuclear Fuel Assemblies (See definition 20)

B This account shall be credited and account 120 2, Nuclear Fuel Materials and Assemblies—Stock Account, shall be debited for the cost of completed fuel assemblies delivered for use in refueling or to be held as spares In the case of the initial core loading, the transfer shall be made directly to account 120 3, Nuclear Fuel Assemblies in Reactor, upon the conclusion of the experimental or test period of the plant prior to its becoming available for service

ITEMS

1 Cost of natural uranium, uranium ores concentrates or other nuclear fuel sources, such as thorium, plutonium, and U-233

2 Value of recovered nuclear materials being reprocessed for use

¶ 15,121

- 3 Milling process costs
- 4 Sampling and weighing, and assaying costs
- 5 Purification and conversion process costs
- 6 Costs of enrichment by gaseous diffusion or other methods
- 7 Costs of fabrication into fuel forms suitable for insertion in the reactor
- 8 All shipping costs of materials and components, including shipping of fabricated fuel assemblies to the reactor site
- 9 Use charges on leased nuclear materials while in process of refinement, conversion, enrichment, and fabrication

[¶ 15,122]

120 2 Nuclear fuel materials and assemblies—Stock account (Major only).

A This account shall be debited and account 120 1, Nuclear Fuel in Process of Refinement, Conversion, Enrichment, and Fabrication, shall be credited with the cost of fabricated fuel assemblies delivered for use in refueling or to be carried in stock as spares. It shall also include the original cost of fabricated fuel assemblies purchased in completed form. This account shall also include the original cost of partially irradiated fuel assemblies being held in stock for reinsertion in a reactor which had been transferred from account 120 3, Nuclear Fuel Assemblies in Reactor.

B When fuel assemblies included in this account are inserted in a reactor, this account shall be credited and account 120 3, Nuclear Fuel Assemblies in Reactor, debited for the cost of such assemblies.

C This account shall also include the cost of nuclear materials and byproduct materials being held for future use and not actually in process in account 120 1, Nuclear Fuel in Process of Refinement, Conversion, Enrichment, and Fabrication.

[¶ 15,123]

120 3 Nuclear fuel assemblies in reactor (Major only)

A This account shall include the cost of nuclear fuel assemblies when inserted in a reactor for the production of electricity. The amounts included herein shall be transferred from account 120 2, Nuclear Fuel Materials and Assemblies—Stock Account, except for the initial core loading which will be transferred directly from account 120 1.

B Upon removal of fuel assemblies from a reactor, the original cost of the assemblies removed shall be transferred to account 120 4, Spent Nuclear Fuel or account 120 2, Nuclear Fuel Materials and Assemblies—Stock Account, as appropriate.

¶ 15,121

[¶ 15,124]

120 4 Spent nuclear fuel (Major only)

A This account shall include the original cost of nuclear fuel assemblies, in the process of cooling, transferred from account 120 3, Nuclear Fuel Assemblies in Reactor, upon removal from a reactor pending reprocessing

B This account shall be credited and account 120 5, Accumulated Provision for Amortization of Nuclear Fuel Assemblies, debited for fuel assemblies, after the cooling period is over, at the cost recorded in this account

[¶ 15,125]

120 5 Accumulated provision for amortization of nuclear fuel assemblies (Major only)

A This account shall be credited and account 518, Nuclear fuel expense shall be debited for the amortization of the net cost of nuclear fuel assemblies used in the production of energy The net cost of nuclear fuel assemblies subject to amortization shall be the original cost of nuclear fuel assemblies, plus or less the expected net salvage value of uranium, plutonium, and other by-products

B This account shall be credited with the net salvage value of uranium, plutonium, and other nuclear by-products when such items are sold, transferred or otherwise disposed of Account 120 1, Nuclear Fuel in Process of Refinement, Conversion, Enrichment, and Fabrication, shall be debited with the net salvage value of nuclear materials to be reprocessed Account 157, Nuclear Materials Held for Sale shall be debited for the net salvage value of nuclear materials not to be reprocessed but to be sold or otherwise disposed of and account 120 2, will be debited with the net salvage value of nuclear materials that will be held for future use and not actually in process, in account 120 1, Nuclear Fuel in Process of Refinement, Conversion, Enrichment, and Fabrication

C This account shall be debited and account 120 4, Spent Nuclear Fuel, shall be credited with the cost of fuel assemblies at the end of the cooling period

[¶ 15,126]

120.6 Nuclear fuel under capital leases (Major only)

A This account shall include the amount recorded under capital leases for nuclear fuel leased from others for use by the utility in its utility operations

B Records shall be maintained with respect to each capital lease reflecting (a) name of lessor, (b) basic details of lease, (c) terminal date, (d) original cost or fair market value of nuclear fuel leased, (e) future minimum lease payments, (f) executory costs, (g) present value of minimum lease payments, (h) the amount representing interest and the interest rate used, and (i) expenses paid

[The next page is 11,601]

[¶ 15,131]**121 Nonutility property**

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, Electric Plant Held for Future Use

B This account shall also include the amount recorded under capital leases for property leased from others and used by the utility in its nonutility operations. Records shall be maintained with respect to each lease reflecting (1) name of lessor, (2) basic details of lease, (3) terminal date, (4) original cost or fair market value of property leased, (5) future minimum lease payments, (6) executory costs, (7) present value of minimum lessee payments, (8) the amount representing interest and the interest rate used, and (9) expenses paid

C 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 (such as operation of an ice department where such activity is not classed as a utility) 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

NOTE The gain from the sale or other disposition of property included in this account which had been previously recorded in account 105, Electric Plant Held for Future Use, shall be accounted for in accordance with paragraph C of account 105

[¶ 15,132]**122 Accumulated provision for depreciation and amortization of nonutility property**

This account shall include the accumulated provision for depreciation and amortization applicable to nonutility property

[¶ 15,133]**123 Investment in associated companies (Major only)**

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, provided that the investment does not relate to a subsidiary company (If the investment relates to a subsidiary company it shall be included in account 123 1, Investment in Subsidiary Companies) Include herein the offsetting entry to the recording of amortization of discount or premium on interest bearing investments (See account 419, Interest and Dividend Income)

B This account shall be maintained in such manner as to show the investment in securities of, and advances to, each associated company

¶ 15,133

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 is 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 426 5, Other Deductions, or to an appropriate account for accumulated provisions for loss in value established as a separate subdivision of this account.

[¶ 15,134]

123.1 Investment in subsidiary companies (Major only)

A This account shall include the cost of investments in securities issued or assumed by subsidiary companies and investment advances to such companies, including interest accrued thereon when such interest is not subject to current settlement plus the equity in undistributed earnings or losses of such subsidiary companies since acquisition. This account shall be credited with any dividends declared by such subsidiaries.

B This account shall be maintained in such a manner as to show separately for each subsidiary the cost of such investments in the securities of the subsidiary at the time of acquisition, the amount of equity in the subsidiary's undistributed net earnings or net losses since acquisition, advances or loans to such subsidiary, and full particulars regarding any such investments that are pledged.

[¶ 15,137]

124 Other investments.

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 account 419, Interest and Dividend Income.)

¶ 15,133

B The cost of capital stock of the utility reacquired by it under a definite plan for resale pursuant to authorization by the Board of Directors may, if permitted by statutes, be included in a separate subdivision of this account (See also account 210, Gain on Resale or Cancellation of Reacquired Capital Stock, and account 217, Reacquired Capital Stock)

C 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 accounts 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 Special funds See Note D of account 123

[¶ 15,138]

125 Sinking funds (Major only)

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 special deposit accounts, 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

[¶ 15,139]

126 Depreciation fund (Major only)

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

[¶ 15,140]

127 Amortization fund—Federal (Major only)

This account shall include the amount of cash and book cost of investments of any fund maintained pursuant to the requirements of a federal regulatory body, and the cash and investments segregated for the purpose of identifying the specific assets associated with account 215 1, Appropriated Retained Earnings—Amortization Reserve, Federal

[¶ 15,141]

128 Other special funds (Major only).

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

¶ 15,141

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

[¶ 15,142]**129 Special funds (Nonmajor only)**

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

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

NOTE B Licensees under the Federal Power Act which are required to establish an amortization fund under terms of the license shall provide a special subdivision of this account for the purpose of accounting for and identifying the cash, investments or other specific assets associated with account 215 1, Appropriated Retained Earnings—Amortization Reserve, Federal

[The next page is 11,611]

[¶ 15,143]

Special Instructions for Current and Accrued Assets 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 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 Items of current character but of doubtful value may be written down and for record purposes carried in these accounts at nominal value

[¶ 15,144]**130 Cash and working funds (Nonmajor only)**

This account shall include the amount of cash on hand and in banks and cash advanced to officers, agents, employees, and others as petty cash or working funds Special cash deposits for payment of interest, dividends or other special purposes shall be included in this account in separate subdivisions which shall specify the purpose for which each such special deposit is made

NOTE Special Deposits for more than one year which are not offset by current liabilities, shall not be charged to this account but to account 125, Special Funds

[¶ 15,145]**131 Cash (Major only)**

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

[¶ 15,146]**132 Interest special deposits (Major only)**

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

[¶ 15,147]**133 Dividend special deposits (Major only)**

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

[¶ 15,148]**134 Other special deposits (Major only).**

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

¶ 15,148

authorities as a guaranty 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, etc. 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

[¶ 15,149]**135 Working funds (Major only)**

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

[¶ 15,150]**136 Temporary cash investments**

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. Records shall be kept of any pledged investments

[¶ 15,151]**141 Notes receivable**

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 account 136, Temporary Cash Investments, and account 145, 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

[¶ 15,152]**142 Customer accounts receivable.**

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

¶ 15,148

B This account shall be maintained so as to permit ready segregation of the amounts due for merchandising, jobbing and contract work

[¶ 15,153]

143 Other accounts receivable

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 account 135, Working Funds)

[¶ 15,154]

144 Accumulated provision for uncollectible accounts—credit

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 904, 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 account receivable for each utility department.

B This account shall be subdivided to show the provision applicable to the following classes of accounts receivable

Utility customers

Merchandising, jobbing and contract work

Officers and employees

Others

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

[¶ 15,155]

145 Notes receivable from associated companies

[¶ 15,156]

146 Accounts receivable from associated companies

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 the date of issue, together with any interest thereon, and debit balances subject to current settlement in open accounts with

¶ 15,156

385

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

[¶ 15,161]

151 Fuel stock (Major only).

This account shall include the book cost of fuel on hand

Items

- 1 Invoice price of fuel less any cash or other discounts
- 2 Freight, switching, demurrage and other transportation charges, not including, however, any charges for unloading from the shipping medium
- 3 Excise taxes, purchasing agents' commissions, insurance and other expenses directly assignable to cost of fuel
- 4 Operating, maintenance and depreciation expenses and ad valorem taxes on utility-owned transportation equipment used to transport fuel from the point of acquisition to the unloading point
- 5 Lease or rental costs of transportation equipment used to transport fuel from the point of acquisition to the unloading point

[¶ 15,162]

152 Fuel stock expenses undistributed (Major only).

A This account may include the cost of labor and of supplies used and expenses incurred in unloading fuel from the shipping medium and in the handling thereof prior to its use, if such expenses are sufficiently significant in amount to warrant being treated as a part of the cost of fuel inventory rather than being charged direct to expense as incurred

B Amounts included herein shall be charged to expense as the fuel is used to the end that the balance herein shall not exceed the expenses attributable to the inventory of fuel on hand

ITEMS

Labor

- 1 Procuring and handling of fuel
- 2 All routine fuel analyses
- 3 Unloading from shipping facility and putting in storage

¶ 15,156

- 4 Moving of fuel in storage and transferring from one station to another
- 5 Handling from storage or shipping facility to first bunker, hopper, bucket, tank or holder of boiler house structure
- 6 Operation of mechanical equipment, such as locomotives, trucks, cars, boats, barges, cranes, etc

Supplies and Expenses

- 7 Tools, lubricants and other supplies
- 8 Operating supplies for mechanical equipment
- 9 Transportation and other expenses in moving fuel
- 10 Stores expenses applicable to fuel

[¶ 15,163]

153 Residuals (Major only)

This account shall include the book cost of any residuals produced in production or manufacturing processes

[¶ 15,164]

154 Plant materials and operating supplies.

A This account shall include the cost of materials purchased primarily for use in the utility business for construction, operation and maintenance purposes For Nonmajor utilities, this account shall include the cost of fuel on hand and unapplied materials and supplies (except meters and house regulators) For both Major and Nonmajor utilities, 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 as follows

(1) Reusable materials consisting of large individual items shall be included in this account at original cost, estimated if not known The cost of repairing such items shall be charged to the maintenance account appropriate for the previous use

(2) Reusable materials consisting of relatively small items, the identity of which (from the date of original installation to the final abandonment or sale thereof) cannot be ascertained without undue refinement in accounting, shall be included in this account at current prices new for such items The cost of repairing such items shall be charged to the appropriate expense account as indicated by previous use

(3) Scrap and nonusable materials included in this account shall be carried at the estimated net amount realizable therefrom The difference between the amounts realized for scrap and nonusable materials sold and the net amount at which the materials were carried in this account, as far as practicable, shall be adjusted to the accounts credited when the materials were charged to this account

¶ 15,164

B Materials and supplies issued shall be credited hereto and charged to the appropriate construction, 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

ITEMS

- 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

C For Nonmajor utilities, inventories of materials, supplies, fuel, etc., 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.

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 (account 163, Stores Expense Undistributed, in the case of Major utilities), 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 plant or expense account.

[¶ 15,165]

155 Merchandise (Major only).

This account shall include the book cost of materials and supplies and appliances and equipment held primarily for merchandising, jobbing and contract work. The principles prescribed in accounting for utility materials and supplies shall be observed in respect to items carried in this account.

[¶ 15,166]

156 Other materials and supplies (Major only).

This account shall include the book cost of materials and supplies held primarily for nonutility purposes. The principles prescribed in accounting for utility materials and supplies shall be observed in respect to items carried in this account.

¶ 15,164

[¶ 15,167]

157 Nuclear materials held for sale (Major only)

This account shall include the net salvage value of uranium, plutonium and other nuclear materials held by the company for sale or other disposition and that are not to be reused by the company in its electric utility operations. This account shall be debited and account 120 5, Accumulated Provision for Amortization of Nuclear Fuel Assemblies, credited for such net salvage value. Any difference between the amount recorded in this account and the actual amount realized from the sale of materials shall be debited or credited, as appropriate, to account 518, Nuclear Fuel Expense at the time of such sale.

[¶ 15,173]

163 Stores expense undistributed (Major only)

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 be included in account 152, Fuel Stock Expenses Undistributed.

ITEMS

Labor

1 Inspecting and testing materials and supplies when not assignable to specific items

2 Unloading from shipping facility and putting in storage

3 Supervision of purchasing and stores department to extent assignable to materials handled through stores

4 Getting materials from stock and in readiness to go out

5 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

6 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 be included in administrative and general expenses)

7 Maintaining stores equipment

8 Cleaning and tidying storerooms and stores offices

9 Keeping stock records, including recording and posting of material receipts and issues and maintaining inventory record of stock

¶ 15,173

10 Collecting and handling scrap materials in stores

Supplies and expenses

11 Adjustments of inventories of materials and supplies but not including large differences which can readily be assigned to important classes of materials and equitably distributed among the accounts to which such classes of materials have been charged since the previous inventory

12 Cash and other discounts not practically assignable to specific materials

13 Freight, express, etc , when not assignable to specific items

14 Heat, light and power for storerooms and store offices

15 Brooms, brushes, sweeping compounds and other supplies used in cleaning and tidying storerooms and stores offices

16 Injuries and damages

17 Insurance on materials and supplies and on stores equipment

18 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

19 Postage, printing, stationery and office supplies

20 Rent of storage space and facilities

21 Communicat - - - -

22 Excise and other similar taxes not assignable to specific materials

23 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

[¶ 15,175]

165 Prepayments.

This account shall include amounts 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

[¶ 15,181]

171 Interest and dividends receivable (Major only).

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

¶ 15,173

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

[¶ 15,182]

172 Rents receivable (Major only)

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

[¶ 15,183]

173 Accrued utility revenues (Major only)

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. In case accruals are made for unbilled revenues, they shall be made likewise for unbilled expenses, such as for the purchase of energy

[¶ 15,184]

174 Miscellaneous current assets.

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

[¶ 15,191]

181 Unamortized debt expense.

This account shall include expenses related to the issuance or assumption of debt securities. Amounts recorded in this account shall be amortized over the life of each respective issue under a plan which will distribute the amount equitably over the life of the security. The amortization shall be on a monthly basis, and the amounts thereof shall be charged to account 428, Amortization of Debt Discount and Expense. Any unamortized amounts outstanding at the time that the related debt is prematurely reacquired shall be accounted for as indicated in General Instruction 17

[¶ 15,193]

182.1 Extraordinary property losses.

A. When authorized or directed by the Commission, this account shall include extraordinary losses, which could not reasonably have been anticipated and which are not covered by insurance or other provisions, such as unforeseen damages to property

¶ 15,193

B Application to the Commission for permission to use this 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

[¶ 15,194]

182 2 Unrecovered plant and regulatory study costs

A This account shall include (1) nonrecurring costs of studies and analyses mandated by regulatory bodies related to plants in service, transferred from account 183, Preliminary Survey and Investigation Charges, and not resulting in construction, and (2) when authorized by the Commission, significant unrecovered costs of plant facilities where construction has been cancelled or which have been prematurely retired

B This account shall be credited and account 407, Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs, shall be debited over the period specified by the Commission

C Any additional costs incurred, relative to the cancellation or premature retirement, may be included in this account and amortized over the remaining period of the original amortization period Should any gains or recoveries be realized relative to the cancelled or prematurely retired plant, such amounts shall be used to reduce the unamortized amount of the costs recorded herein

D In the event that a recovery of costs included herein is disallowed in the rate proceedings, the disallowed costs shall be charged to account 426 5, Other Deductions, or account 435, Extraordinary Deductions, in the year of such disallowance

[¶ 15,195]

183 Preliminary survey and investigation charges (Major only)

A This account shall be charged with all expenditures for preliminary surveys, plans, investigations, etc , made for the purpose of determining the feasibility of utility 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 made to account 426 5, Other Deductions, or to the appropriate operating expense account

B This account shall also include costs of studies and analyses mandated by regulatory bodies related to plant in service If construction results from such studies, this account shall be credited and the appropriate utility plant account charged with an equitable portion of such study costs directly attributable to new construction The portion of such study costs not attributable to new construction or the entire cost if construction does not result shall be charged to account 182 2, Unrecovered Plant and Regulatory Costs, or the appropriate operating expense account The costs of such studies relative to plant under construction shall be included directly in account 107, Construction Work in Progress—Electric

¶ 15,193

C 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

[¶ 15,196]

184 Clearing accounts (Major only).

This caption shall include undistributed balances in clearing accounts at the date of the balance sheet 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

[¶ 15,197]

185 Temporary facilities (Major only)

This account shall include amounts shown by work orders for plant installed for temporary use in utility service for periods of less than one year 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 equipment, and any net salvage realized shall be cleared to account 451, Miscellaneous Service Revenues

[¶ 15,198]

186 Miscellaneous deferred debits.

A. For Major utilities, this account shall include all debits not elsewhere provided for, such as miscellaneous work in progress, and unusual or extraordinary expenses, not included in other accounts, which are in process of amortization and items the proper final disposition of which is uncertain

B For Nonmajor utilities, this account shall include the following classes of items

(1) Expenditures for preliminary surveys, plans, investigations, etc, made for the purpose of determining the feasibility of utility projects under contemplation If construction results, this account shall be credited with the amount applicable thereto and the appropriate plant accounts shall be charged with an amount which does not exceed the expenditures which may reasonably be determined to contribute directly and immediately and without duplication to plant If the work is abandoned, the charge shall be to account 426 5, Other Deductions, or to the appropriate operating expense accounts

(2) Undistributed balances in clearing accounts at the date of the balance sheet 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

¶ 15,198

(3) Balances representing expenditures for work in progress other than on utility plant. This includes jobbing and contract work in progress.

(4) Other debit balances, the proper final disposition of which is uncertain and unusual or extraordinary expenses not included in other accounts, which are in process of being written off.

C For both Major and Nonmajor utilities, the records supporting the entries to this account shall be so kept that the utility can furnish full information as to each deferred debit included herein.

[¶ 15,199]

187 Deferred losses from disposition of utility plant.

This account shall include losses from the sale or other disposition of property previously recorded in account 105, Electric Plant held for Future Use, under the provisions of paragraphs B, C, and D thereof, where such losses are significant and are to be amortized over a period of 5 years, unless otherwise authorized by the Commission. The amortization of the amounts in this account shall be made by debits to account 411 7, Losses from Disposition of Utility Plant (See account 105, Electric Plant Held for Future Use).

[¶ 15,200]

188 Research, development and demonstration expenditures (Major only).

A This account shall be charged with the cost of all expenditures coming within the meaning of Research, Development and Demonstration (RD & D) of this uniform system of accounts (see definition 27 B), except those expenditures properly chargeable to account 107, Construction Work in Progress—Electric.

B Costs that are minor or of a general or recurring nature shall be transferred from this account to the appropriate operating expense function or if such costs are common to the overall operations or cannot be feasibly allocated to the various operating accounts, then such costs shall be recorded in account 930 2, Miscellaneous General Expenses.

C In certain instances a company may incur large and significant research, development, and demonstration expenditures which are nonrecurring and which would distort the annual research, development, and demonstration charges for the period. In such a case the portion of such amounts that cause the distortion may be amortized to the appropriate operating expense account over a period not to exceed 5 years unless otherwise authorized by the Commission.

D The entries in this account must be so maintained as to show separately each project along with complete detail of the nature and purpose of the research, development, and demonstration project together with the related costs.

¶ 15,198

[¶ 15,201]

189 Unamortized loss on reacquired debt.

This account shall include the losses on long-term debt reacquired or redeemed. The amounts in this account shall be amortized in accordance with General Instruction 17.

[¶ 15,202]

190 Accumulated deferred income taxes.

A This account shall be debited and account 411 1, Provision for Deferred Income Taxes—Credit, Utility Operating Income, or account 411 2, Provision for Deferred Income Taxes—Credit, Other Income and Deductions, as appropriate, shall be credited with an amount equal to that by which income taxes payable for the year are higher because of the inclusion of certain items in income for tax purposes, which items for general accounting purposes will not be fully reflected in the utility's determination of annual net income until subsequent years.

B This account shall be credited and account 410 1, Provision for Deferred Income Taxes, Utility Operating Income, or account 410 2, Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, shall be debited with an amount equal to that by which income taxes payable for the year are lower because of prior payment of taxes as provided by paragraph A. Such credit to this account and debit to account 410 1 or 410.2 shall, in general, represent the effect on taxes payable in the current year of the smaller amount of book income recognized for tax purposes as compared to the amount recognized in the utility's current accounts with respect to the item or class of items for which deferred tax accounting by the utility was authorized by the Commission.

C Vintage year records with respect to entries to this account, as described above, and the account balance, shall be so maintained as to show the factor of calculation with respect to each annual amount of the item or class of items for which deferred tax accounting by the utility is utilized.

D The utility is restricted in its use of this account to the purpose set forth above. It shall not make use of the balance in this account or any portion thereof except as provided in the text of this account, without prior approval of the Commission. Any remaining deferred tax account balance with respect to an amount for any prior year's tax deferral, the amortization of which or other recognition in the utility's income accounts has been completed, or other disposition made, shall be debited to account 410 1, Provision for Deferred Income Taxes, Utility Operating Income, or account 410 2, Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, or otherwise disposed of as the Commission may authorize or direct. (See General Instruction 18.)

[The next page is 11,631.]

¶ 15,202

[¶ 15,211]

201 Common stock issued

[¶ 15,212]

204 Preferred stock issued

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 such 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 (for Nonmajor utilities, account 211, Miscellaneous Paid-In Capital), provided, however, that the credit shall be made to account 213 Discount on Capital Stock, to the extent of any remaining balance of discount on the issue of stock

[¶ 15,213]

202 Common stock subscribed (Major only)

[¶ 15,214]

205 Preferred stock subscribed (Major only).

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 of account 143, Other Accounts Receivable, for the agreed price, and any discount or premium shall be debited or credited to the appropriate discount or 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

¶ 15,214

[¶ 15,215]

203 Common stock liability for conversion (Major only)

[¶ 15,216]

206 Preferred stock liability for conversion

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

[¶ 15,217]

207 Premium on capital stock (Major only)

A This account shall include, in a separate subdivision for each class and series of capital stock, the balance of credits for premiums received on the issue 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

[¶ 15,218]

208 Donations received from stockholders (Major only)

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

[¶ 15,219]

209 Reduction in par or stated value of capital stock (Major only)

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

¶ 15,215

[¶ 15,220]**210 Gain on resale or cancellation of reacquired capital stock (Major only)**

This account shall include the balance of credits arising from the resale or cancellation of reacquired capital stock (See account 217 Reacquired Capital Stock)

[¶ 15,221]**211 Miscellaneous paid-in capital.**

This account shall include the balance of all other credits for paid-in capital which are not properly includible in the foregoing accounts This account may include all commissions and expenses incurred in connection with the issuance of capital stock (In the case of Nonmajor companies, this account shall be kept so as to show the source of the credits includible herein)

ITEMS (Nonmajor only)

- 1 Premium received on original issues of capital stock
- 2 Donations received from stockholders or reduction of debt of the utility, and the cash value of other assets received as a donation
- 3 Reduction in part or stated value of capital stock
- 4 Gain on resale or cancellation of reacquired capital stock

NOTE A (Major utilities) 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

NOTE B (Nonmajor utilities) 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 expense of another issue of the same class or series

[¶ 15,222]**212 Installments received on capital stock.**

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

[¶ 15,223]**213 Discount on capital stock.**

A This account shall include in a separate subdivision for each class and series of capital stock all discount on the original issuance and sale of capital

¶ 15,223

stock, including additional capital stock of a particular class or series as well as first issues

B When capital stock which has been actually issued 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

[¶ 15,224]

214 Capital stock expense.

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

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

NOTE B The utility may write off capital stock expense in whole or in part by charges to account 211, Miscellaneous Paid-in Capital

[¶ 15,225]

215 Appropriated retained earnings.

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

[¶ 15,226]

215 1 Appropriated retained earnings—Amortization reserve, Federal.

A This account shall be credited with such amounts as are appropriated by a licensee from account 216, Unappropriated Retained Earnings, for amortization reserve purposes in accordance with the requirements of a hydroelectric project license

B This account shall be debited with only such items or amounts as the Commission may require or approve (see account 127, Amortization Fund—Federal)

¶ 15,223

[¶ 15,227]**216 Unappropriated retained earnings**

This account shall include the balances, either debit or credit, of unappropriated retained earnings arising from earnings of the utility. This account shall not include any amounts representing the undistributed earnings of subsidiary companies.

[¶ 15,228]**216.1 Unappropriated undistributed subsidiary earnings (Major only)**

This account shall include the balances, either debit or credit, of undistributed retained earnings of subsidiary companies since their acquisition. When dividends are received from subsidiary companies relating to amounts included in this account, this account shall be debited and account 216, "Unappropriated Retained Earnings," credited.

[¶ 15,229]**217 Reacquired capital stock**

A This account shall include in a separate subdivision for each class and series of capital stock, the cost 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.

B When reacquired capital stock is retired or canceled, the difference between its cost, including commissions and expenses paid in connection with the reacquisition, and its par or stated value plus any premium and less any discount and expenses applicable to the shares retired, shall be debited or credited, as appropriate, to account 210, Gain on Resale or Cancellation of Reacquired Capital Stock, provided, however, that debits shall be charged to account 439, Adjustments to Retained Earnings, to the extent that they exceed the balance in account 210.

C When reacquired capital stock is resold by the utility, the difference between the amount received on the resale of the stock, less expenses incurred in the resale, and the cost of the stock included in this account shall be accounted for as outlined in paragraph B.

NOTE A See account 124 Other Investments, for permissive accounting treatment of stock reacquired under a definite plan for resale.

NOTE B The accounting for reacquired stock shall be as prescribed herein unless otherwise specifically required by statute.

[¶ 15,230]**218 Noncorporate proprietorship (Nonmajor only)**

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. 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. (See optional accounting procedure provided in Note C, hereunder.)

¶ 15,230

NOTE A Amounts payable to the proprietor as just and reasonable compensation for services performed shall not be charged to this account but to appropriate operating expense or other accounts

NOTE B When the utility is owned by a partnership, a separate account shall be kept to show the net equity of each member therein and the transactions affecting the interest of each such partner

NOTE C 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 withdrawal of portions thereof not representing net income When this option is taken, the retained earnings accounts shall be maintained and entries thereto shall be made in accordance with the texts thereof

[¶ 15,233]

221 Bonds

This account shall include in a separate subdivision for each class and series of bonds the face value of the 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

[¶ 15,234]

222 Reacquired bonds (Major only)

A This account shall include the face value of bonds actually issued or assumed by the utility and reacquired by it and not 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, expenses or premium, and the amount paid upon reacquisition, shall be included in account 189, Unamortized Loss on Reacquired Debt, or account 257, Unamortized Gain on Reacquired Debt, as appropriate (See General Instruction 17)

[¶ 15,235]

223 Advances from associated companies

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

B The records supporting the entries to this account shall be so kept that the utility can furnish complete information concerning each note and open account

[¶ 15,236]

224 Other long-term debt.

A This account shall include, until maturity all long-term 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

B Separate accounts shall be maintained for each class of obligation, and records shall be maintained to show for each class all details as to date of obligation, date of maturity, interest dates and rates, security for the obligation, etc

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

[¶ 15,237]

225 Unamortized premium on long-term debt

A This account shall include the excess of the cash value of consideration received over the face value upon the issuance or assumption of long-term debt securities

B Amounts recorded in this account shall be amortized over the life of each respective issue under a plan which will distribute the amount equitably over the life of the security. The amortization shall be on a monthly basis, with the amounts thereof to be credited to account 429, Amortization of Premium on Debt—Credit (See General Instruction 17)

[¶ 15,238]

226 Unamortized discount on long-term debt—Debit

A This account shall include the excess of the face value of long-term debt securities over the cash value of consideration received therefor, related to the issue or assumption of all types and classes of debt

B Amounts recorded in this account shall be amortized over the life of the respective issues under a plan which will distribute the amount equitably over the life of the securities. The amortization shall be on a monthly basis, with the amounts thereof charged to account 428, Amortization of Debt Discount and Expense (See General Instruction 17)

[ET 15 238]

227 Obligations under capital leases—noncurrent

This account shall include the portion not due within one year, of the obligations recorded for the amounts applicable to leased property recorded as assets in account 101 1, Property under Capital Leases, account 120 6, Nuclear Fuel under Capital Leases, or account 121, Nonutility Property

Special Instructions to Accounts 228 1 Through 228 4.

No amounts shall be credited to these accounts unless authorized by a regulatory authority or authorities to be collected in a utility's rate levels

[¶ 15,240]

228.1 Accumulated provision for property insurance

A This account shall include amounts reserved by the utility for losses through accident, fire, flood, or other hazards to its own property or property leased from others, not covered by insurance. The amounts charged to account 924, Property Insurance, or other appropriate accounts to cover such risks shall be credited to this account. A schedule of risks covered 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, not to exceed the account balance. Details of these charges shall be maintained according to the year the casualty occurred which gave rise to the loss

¶ 15,237

Federal Energy Guidelines

[¶ 15,241]**228 2 Accumulated provision for injuries and damages**

A This account shall be credited with amounts charged to account 925, 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

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 current 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

[¶ 15,242]**228 3 Accumulated provision for pensions and benefits**

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 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 liability is established shall be charged hereto

C A separate account shall be kept for each kind of provision 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

[¶ 15,243]**228.4 Accumulated miscellaneous operating provisions.**

A This account shall include all operating provisions which are not provided for elsewhere

B This account shall be maintained in such manner as to show the amount of each separate provision and the nature and amounts of the debits and credits thereto

NOTE This account includes only provisions 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 Retained Earnings

[¶ 15,244]**229 Accumulated provision for rate refunds.**

A This account shall be credited with amounts charged to Account 449 1, Provision for Rate Refunds, to provide for estimated refunds where the utility is collecting amounts in rates subject to refund

B When refund of any amount recorded in this account is ordered by a regulatory authority, such amount shall be charged hereto and credited to account 242, Miscellaneous Current and Accrued Liabilities

C Records supporting the entries to this account shall be kept so as to identify each amount recorded by the respective rate filing docket number

[The next page is 11,647]

405

[¶ 15,246]

Special Instructions for Current and Accrued Liabilities—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. 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

[¶ 15,247]**231 Notes payable**

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

[¶ 15,248]**232 Accounts payable**

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

[¶ 15,249]**233 Notes payable to associated companies****[¶ 15,250]****234 Accounts payable to associated companies**

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

[¶ 15,251]**235 Customer deposits.**

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

¶ 15,251

[¶ 15,252]

236 Taxes accrued

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.

C Accruals for taxes shall be based upon the net amounts payable after credit for any discounts, and 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.

[¶ 15]

237 Interest accrued

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.

[¶ 15,254]

238 Dividends declared (Major only)

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.

[¶ 15,255]

239 Matured long-term debt (Major only)

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.

¶ 15,252

[¶ 15,256]**240 Matured interest (Major only)**

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

[¶ 15,257]**241 Tax collections payable (Major only)**

This account shall include the amount of taxes collected by the utility through payroll deductions or otherwise pending transmittal of such taxes to the proper taxing authority

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

[¶ 15,258]**242 Miscellaneous current and accrued liabilities**

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

ITEMS (Nonmajor only)

- 1 Dividends declared but not paid
- 2 Matured long-term debt
- 3 Matured interest
- 4 Taxes collected through payroll deductions or otherwise pending transmittal to the proper taxing authority

[¶ 15,259]**243 Obligations under capital leases—current**

This account shall include the portion, due within one year, of the obligations recorded for the amounts applicable to leased property recorded as assets in account 101 1, Property under Capital Leases, account 120 6, Nuclear Fuel under Capital Leases (Major only), or account 121, Nonutility Property

Regulations

11,651

[¶ 15,267]

251 [Reserved]

[¶ 15,268]

252 Customer advances for construction

This account shall include advances by customers for construction which are to be refunded either wholly or in part. When a customer is refunded the entire amount to which he is entitled, according to the agreement or rule under which the advance was made, the balance, if any, remaining in this account shall be credited to the respective plant account.

[¶ 15,269]

253 Other deferred credits

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.

[¶ 15,271]

255 Accumulated deferred investment tax credits

A This account shall be credited with all investment tax credits deferred by companies which have elected to follow deferral accounting, partial or full, rather than recognizing in the income statement the total benefits of the tax credit or credit. Such credits may not transfer from this account, except as authorized herein and in accounts 4114, Investment Tax Credit Adjustments, Utility Operations, 4115, Investment Tax Credit Adjustments, Nonutility Operations, and 420, Investment Tax Credits, or with approval of the Commission.

B Where the company's accounting provides that investment tax credits are to be passed on to customers, this account shall be debited and account 4114 credited with a proportionate amount determined in relation to the average useful life of electric utility property to which the tax credits relate or such lesser period of time as allowed by a regulatory agency having rate jurisdiction. If, however, the deferral procedure provides that investment tax credits are not to be passed on to customers, the proportionate restorations to income shall be credited to account 420.

C Subdivisions of this account by department shall be maintained for deferred investment tax credits that are related to nonelectric utility or other operations. Contra entries affecting such account subdivisions shall be appropriately recorded in account 413, Expenses of Electric Plant Leased to Others, or account 414, Other Utility Operating Income. Use of deferral or nondeferral accounting procedures adopted for nonelectric utility or other operations are to be followed on a consistent basis.

D Separate records for electric and nonelectric utility or other operations shall be maintained identifying the properties giving rise to the investment tax credits for each year with the weighted-average service life of such

¶ 15,271

properties and any unused balances of such credits. Such records are not necessary unless the tax credits are deferred.

[¶ 15,272]

256 Deferred gains from disposition of utility plant.

This account shall include gains from the sale or other disposition of property previously recorded in account 105, Electric Plant Held for Future Use, under the provisions of paragraphs B, C, and D thereof, where such gains are significant and are to be amortized over a period of 5 years, unless otherwise authorized by the Commission. The amortization of the amounts in this account shall be made by credits to account 411 6, Gains from Disposition of Utility Plant (See account 105, Electric Plant Held for Future Use)

[¶ 15,273]

257 Unamortized gain on reacquired debt

This account shall include the amounts of discount realized upon reacquisition or redemption of long-term debt. The amounts in this account shall be amortized in accordance with General Instruction 17.

Special Instructions

[¶ 15,280]

Accumulated Deferred Income Taxes

Before using the deferred tax accounts provided below refer to General Instruction 18 *Comprehensive Interperiod Income Tax Allocation*

The text of these accounts are designed primarily to cover deferrals of Federal income taxes. However, they are also to be used when making deferrals of state and local income taxes. Public utilities and licensees which, in addition to an electric utility department, have another utility department, gas, water, etc., and nonutility property and which have deferred taxes on income with respect thereto shall separately classify such deferrals in the accounts provided below so as to allow ready identification of items relating to each utility. Deductions

[¶ 15,281]

281 Accumulated deferred income taxes—Accelerated amortization property.

A This account shall include tax deferrals resulting from adoption of the principles of comprehensive interperiod tax allocation described in General Instruction 18 of this system of accounts that relate to property for which the utility has availed itself of the use of accelerated (5-year) amortization of (1) certified defense facilities as permitted by Section 168 of the Internal Revenue Code and (2) certified pollution control facilities as permitted by Section 169 of the Internal Revenue Code.

B This account shall be credited and accounts 410 1, Provision for Deferred Income Taxes, Utility Operating Income, or 410 2, Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, shall

¶ 15,271

be debited with tax effects related to property described in paragraph A above where taxable income is lower than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income

C This account shall be debited and accounts 4111, Provision for Deferred Income Taxes—Credit, Utility Operating Income, or 4112, Provision for Deferred Income Taxes—Credit, Other Income and Deductions, as appropriate, shall be credited with tax effects related to property described in paragraph A above where taxable income is higher than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income

D The utility is restricted in its use of this account to the purposes set forth above. It shall not transfer the balance in this account or any portion thereof to retained earnings or make any use thereof except as provided in the text of this account without prior approval of the Commission. Upon the disposition by sale exchange, transfer, abandonment or premature retirement of plant on which there is a related balance herein, this account shall be charged with an amount equal to the related income tax expense, if any, arising from such disposition and account 4111, Provision for Deferred Income Taxes—Credit, Utility Operating Income, or 4112, Provision for Deferred Income Taxes—Credit, Other Income and Deductions, as appropriate, shall be credited. When the remaining balance after consideration of any related income tax expense, is less than \$25,000, this account shall be charged and account 4111 or 4112, as appropriate, credited with such balance. If after consideration of any related income tax expense, there is a remaining amount of \$25,000 or more, the Commission shall authorize or direct how such amount shall be accounted for at the time approval for the disposition of accounting is granted. When plant is disposed of by transfer to a wholly owned subsidiary the related balance in this account shall also be transferred. When the disposition relates to retirement of an item or items under a group method of depreciation where there is no tax effect in the year of retirement, no entries are required in this account if it can be determined that the related balances would be necessary to be retained to offset future group item tax deficiencies.

[¶ 15,282]

282 Accumulated deferred income taxes—Other property

A This account shall include the tax deferrals resulting from adoption of the principle of comprehensive interperiod income tax allocation described in General Instruction 18 of this system of accounts which are related to all property other than accelerated amortization property

B This account shall be credited and accounts 4101, Provision for Deferred Income Taxes, Utility Operating Income, or 4102, Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, shall be debited with tax effects related to property described in paragraph A above

¶ 15,282

where taxable income is lower than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income

C This account shall be debited and accounts 411 1, Provision for Deferred Income Taxes—Credit, Utility Operating Income, or 411 2, Provision for Deferred Income Taxes—Credit, Other Income and Deductions, as appropriate, shall be credited with tax effects related to property described in paragraph A above where taxable income is higher than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income

D The utility is restricted in its use of this account to the purposes set forth above. It shall not transfer the balance in this account or any portion thereof to retained earnings or make any use thereof except as provided in the text of this account without prior approval of the Commission. Upon the disposition by sale, exchange, transfer, abandonment or premature retirement of plant on which there is a related balance herein, this account shall be charged with an amount equal to the related income tax expense, if any, arising from such disposition and account 411 1, Income Taxes Deferred in Prior Years—Credit, Utility Operating Income, or 411 2, Income Taxes Deferred in Prior Years—Credit, Other Income and Deductions, shall be credited. When the remaining balance after consideration of any related tax expenses, is less than \$25,000, this account shall be charged and account 411 1 or 411.2, as appropriate, credited with such balance. If after consideration of any related income tax expense, there is a remaining amount of \$25,000 or more, the Commission shall authorize or direct how such amount shall be accounted for at the time approval for the disposition of accounting is granted. When plant disposed of by transfer to a wholly owned subsidiary, the related balance in this account shall also be transferred. When the disposition relates to retirement of an item or items under a group method of depreciation where there is no tax effect in the year of retirement, no entries are required in this account if it can be determined that the related balance would be necessary to be retained to offset future group item tax deficiencies.

[¶ 15,283]

283 Accumulated deferred income taxes—Other

A This account shall include all credit tax deferrals resulting from the adoption of the principles of comprehensive interperiod income tax allocation described in General Instruction 18 of this system of accounts other than those deferrals which are includible in Accounts 281, Accumulated Deferred Income Taxes—Accelerated Amortization Property and 282, Accumulated Deferred Income Taxes—Other Property

B This account shall be credited and accounts 410 1 Provision for Deferred Income Taxes, Utility Operating Income, or 410 2, Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, shall be debited with tax effects related to items described in paragraph A above

¶ 15,282

where taxable income is lower than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income

C This account shall be debited and accounts 411 1, Provision for Deferred Income Taxes—Credit, Utility Operating Income or 411 2, Provision for Deferred Income Taxes—Credit, Other Income and Deductions, as appropriate, shall be credited with tax effects related to items described in paragraph A above where taxable income is higher than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income

D 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

E The utility is restricted in its use of this account to the purposes set forth above. It shall not transfer the balance in the account or any portion thereof to retained earnings or to any other account or make any use thereof except as provided in the text of this account, without prior approval of the Commission. Upon the disposition by sale, exchange, transfer, abandonment or premature retirement of items on which there is a related balance herein, this account shall be charged with an amount equal to the related income tax effect, if any, arising from such disposition and account 411 1, Provision For Deferred Income Taxes—Credit, Utility Operating Income, or 411 2, Provision for Deferred Income Taxes—Credit, Other Income and Deductions, as appropriate, shall be credited. When the remaining balance, after consideration of any related tax expenses, is less than \$25,000, this account shall be charged and account 411 1 or 411 2, as appropriate, credited with such balance. If after consideration of any related income tax expense, there is a remaining amount of \$25,000 or more, the Commission shall authorize or direct how such amount shall be accounted for at the time approval for the disposition of accounting is granted.

When plant is disposed of by transfer to a wholly owned subsidiary, the related balance in this account shall also be transferred. When the disposition relates to retirement of an item or items under a group method of depreciation where there is no tax effect in the year of retirement, no entries are required in this account if it can be determined that the related balance would be necessary to be retained to offset future group item tax deficiencies.

[The next page is 11,661]

Electric Plant Chart of Accounts

[¶ 15,300]

1 INTANGIBLE PLANT

- 301 Organization
- 302 Franchises and consents
- 303 Miscellaneous intangible plant

2 PRODUCTION PLANT

A STEAM PRODUCTION

- 310 Land and land rights
- 311 Structures and improvements
- 312 Boiler plant equipment
- 313 Engines and engine driven generators
- 314 Turbogenerator units
- 315 Accessory electric equipment
- 316 Miscellaneous power plant equipment

B NUCLEAR PRODUCTION

- 320 Land and land rights (Major only)
- 321 Structures and improvements (Major only)
- 322 Reactor plant equipment (Major only)
- 323 Turbogenerator units (Major only)
- 324 Accessory electric equipment (Major only)
- 325 Miscellaneous power plant equipment (Major only)

C HYDRAULIC PRODUCTION

- 330 Land and land rights
- 331 Structures and improvements
- 332 Reservoirs, dams, and waterways
- 333 Water wheels, turbines and generators
- 334 Accessory electric equipment
- 335 Miscellaneous power plant equipment
- 336 Roads, railroads and bridges

D OTHER PRODUCTION

- 340 Land and land rights
- 341 Structures and improvements
- 342 Fuel holders, producers, and accessories
- 343 Prime movers
- 344 Generators

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Regulations

345 Accessory electric equipment

346 Miscellaneous power plant equipment

3 TRANSMISSION PLANT

350 Land and land rights

351 [Reserved]

352 Structures and improvements

353 Station equipment

354 Towers and fixtures

355 Poles and fixtures

356 Overhead conductors and devices

357 Underground conduit

358 Underground conductors and devices

359 Roads and trails

4 DISTRIBUTION PLANT

360 Land and land rights

361 Structures and improvements

362 Station equipment

363 Storage battery equipment

364 Poles, towers and fixtures

365 Overhead conductors and devices

366 Underground conduit

367 Underground conductors and devices

368 Line transformers

369 Services

370 Meters

371 Installations on customers' premises

372 Leased property on customers' premises

373 Street lighting and signal systems

5 GENERAL PLANT

389 Land and land rights

390 Structures and improvements

391 Office furniture and equipment

392 Transportation equipment

393 Stores equipment

394 Tools, shop and garage equipment

395 Laboratory equipment

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Regulations

11,663

396 Power operated equipment

397 Communication equipment

398 Miscellaneous equipment

399 Other tangible property

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¶ 15,300

Electric Plant Accounts

[¶ 15,301]

301 Organization.

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

ITEMS

- 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 or sale of capital stock

NOTE B Exclude from this account and include in the appropriate expense account the cost of preparing and filing papers in connection with the extension of the term of incorporation unless the first organization costs have been written off When 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

[¶ 15,302]

302 Franchises and consents

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, water power licenses, 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, water power licenses, 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, water power license 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 426 5, Other Deductions

C When any franchise has expired, the book cost thereof shall be credited hereto and charged to account 426 5, Other Deductions, or to account 111, Accumulated Provision for Amortization of Electric Utility Plant (for Nonmajor utilities, account 110, Accumulated Provision for Depreciation and Amortization of Electric Plant), as appropriate

D Records supporting this account shall be kept so 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

[¶ 15,303]

303 Miscellaneous intangible plant.

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 426 5, Other Deductions, or account 111, Accumulated Provision for Amortization of Electric Utility Plant (for Nonmajor utilities, account 110, Accumulated Provision for Depreciation and Amortization of Electric Plant), 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

[The next page is 11,669]

[¶ 15,310]

310 Land and land rights

This account shall include the cost of land and land rights used in connection with steam-power generation (See electric plant instruction 7)

[¶ 15,311]

311 Structures and improvements.

This account shall include the cost in place of structures and improvements used in connection with steam-power generation (See electric plant instruction 8)

NOTE Include steam production roads and railroads in this account

[¶ 15,312]

312 Boiler plant equipment.

This account shall include the cost installed of furnaces, boilers, coal and ash handling and coal preparing equipment, steam and feed water piping, boiler apparatus and accessories used in the production of steam, mercury, or other vapor, to be used primarily for generating electricity

ITEMS

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, etc , except sluices which are a part of a building

2 Boiler feed system, including feed water heaters, evaporator 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 Breeching and accessories, including breeching, dampers, soot spouts, hoppers and gates, cinder eliminators, breeching 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, etc

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, etc

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, etc

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, etc , for station piping system, including all steam, condensate, boiler feed and water supply piping, etc , but not condensing water, plumbing, building heating, oil, gas, air piping or piping specifically provided for in account 313

15 Stoker or equivalent feeding equipment, including stokers and accessory motors, clinker grinders, fans and motors, etc

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, etc

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

NOTE When the system for supplying boiler or condenser water is elaborate, as when it includes a dam, reservoir, canal, pipe line, cooling ponds, or where gas or oil is used as a fuel for producing steam and is supplied through a pipe line system owned by the utility, the cost of such special facilities shall be charged to a subdivision of account 311, Structures and Improvements

[¶ 15,313]

313 Engines and engine-driven generators

This account shall include the cost installed of steam engines, reciprocating or rotary, and their associated auxiliaries, and engine-driven main generators, except turbogenerator units

ITEMS

- 1 Air cleaning and cooling apparatus, including blowers, drive equipment, air ducts not a part of building, louvers, pumps, hoods, etc
- 2 Belting, shafting, pulleys, reduction gearing, etc
- 3 Circulating pumps, including connections between condensers and intake and discharge tunnels
- 4 Cooling system, including towers, pumps, tank, and piping
- 5 Condensers, including condensate pumps, air and vacuum pumps, ejectors, unloading valves and vacuum breakers, expansion devices, screens, etc
- 6 Cranes, hoists, etc , including items wholly identified with items listed herein
- 7 Engines, reciprocating or rotary
- 8 Fire-extinguishing systems
- 9 Foundations and settings, especially constructed for and not expected to outlast the apparatus for which provided
- 10 Generators—Main, a c or d c , including field rheostats and connections for self-excited units, and excitation systems when identified with the generating unit
- 11 Governors
- 12 Lighting systems

- 13 Lubricating systems including gauges, filters, tanks, pumps, piping, motors, etc
- 14 Mechanical meters, including gauges, recording instruments, sampling and testing equipment
- 15 Piping—main exhaust, including connections between generator and condenser and between condenser and hotwell
- 16 Piping—main steam, including connections from main throttle valve to turbine inlet
- 17 Platforms, railings, steps, gratings, etc , appurtenant to apparatus listed herein
- 18 Pressure oil system, including accumulators, pumps, piping, motors, etc
- 19 Throttle and inlet valve
- 20 Tunnels, intake and discharge, for condenser system, when not a part of a structure
- 21 Water screens, motors, etc

[¶ 15,314]

314 Turbogenerator units

This account shall include the cost installed of main turbine-driven units and accessory equipment used in generating electricity by steam

ITEMS

- 1 Air cleaning and cooling apparatus, including blowers, drive equipment, air ducts not a part of building, louvers, pumps, hoods, etc
- 2 Circulating pumps, including connections between condensers and intake and discharge tunnels
- 3 Condensers, including condensate pumps, air and vacuum pumps, ejectors, unloading valves and vacuum breakers, expansion devices, screens, etc
- 4 Generator hydrogen, gas piping and detrainment equipment
- 5 Cooling system, including towers, pumps, tanks, and piping
- 6 Cranes, hoists, etc , including items wholly identified with items listed herein
- 7 Excitation system, when identified with main generating units
- 8 Fire-extinguishing systems
- 9 Foundations and settings, especially constructed for and not expected to outlast the apparatus for which provided
- 10 Governors
- 11 Lighting systems
- 12 Lubricating systems, including gauges, filters, water separators, tanks, pumps, piping, motors, etc

¶ 15,314

13 Mechanical meters, including gauges, recording instruments, sampling and testing equipment

14 Piping—main exhaust, including connections between turbogenerator and condenser and between condenser and hotwell

15 Piping—main steam, including connections from main throttle valve to turbine inlet

16 Platforms, railings, steps, gratings, etc , appurtenant to apparatus listed herein

17 Pressure oil systems, including accumulators, pumps, piping, motors, etc

18 Steelwork, specially constructed for apparatus listed herein

19 Throttle and inlet valve

20 Tunnels, intake and discharge, for condenser system, when not a part of structure, water screens, etc

21 Turbogenerators—main, including turbine and generator, field rheostats and electric connections for self-excited units

22 Water screens, motors, etc

23 Moisture separator for turbine steam

24 Turbine lubricating oil (initial charge)

[¶ 15,315]

315 Accessory electric equipment

This account shall include the cost installed of auxiliary generating apparatus, conversion equipment, and equipment used primarily in connection with the control and switching of electric energy produced by steam power, and the protection of electric circuits and equipment, except electric motors used to drive equipment included in other accounts. Such motors shall be included in the account in which the equipment with which they are associated is included.

ITEMS

1 Auxiliary generators, including boards, compartments, switching equipment, control equipment, and connections to auxiliary power bus

2 Excitation system, including motor, turbine and dual-drive exciter sets and rheostats, storage batteries and charging equipment, circuit breakers, panels and accessories, knife switches and accessories, surge arresters, instrument shunts, conductors and conduit, special supports for conduit, generator field and exciter switch panels, exciter bus tie panels, generator and exciter rheostats, etc , special housing, protective screens, etc

3 Generator main connections, including oil circuit breakers and accessories, disconnecting switches and accessories, operating mechanisms and interlocks, current transformers, potential transformers, protective relays, isolated panels and equipment, conductors and conduit, special supports for

¶ 15,314

generator main leads grounding switch, etc , special housings, protective screens, etc

4 Station buses including main, auxiliary, transfer, synchronizing and fault ground buses, including oil circuit breakers and accessories, disconnecting switches and accessories, operating mechanisms and interlocks, reactors and accessories, voltage regulators and accessories, compensators, resistors, starting transformers, current transformers, potential transformers, protective relays, storage batteries and charging equipment, isolated panels and equipment, conductors and conduit, special supports, special housings, concrete pads, general station grounding system, special fire-extinguishing system, and test equipment

5 Station control system, including station switchboards with panel wiring, panels with instruments and control equipment only, panels with switching equipment mounted or mechanically connected, truck-type boards complete, cubicles, station supervisory control boards, generator and exciter signal stands, temperature recording devices, frequency-control equipment, master clocks, watt-hour meters and synchronoscope in the turbine room, station totalizing wattmeter, boiler-room load indicator equipment, storage batteries, panels and charging sets, instrument transformers for supervisory metering, conductors and conduit, special supports for conduit, switchboards, batteries, special housing for batteries, protective screens, doors, etc

NOTE A Do not include in this account transformers and other equipment used for changing the voltage or frequency of electricity for the purposes of transmission or distribution

NOTE B When any item of equipment listed herein is used wholly to furnish power to equipment included in another account, its cost shall be included in such other account

[¶ 15,316]

316 Miscellaneous power plant equipment.

This account shall include the cost installed of miscellaneous equipment in and about the steam generating plant devoted to general station use, and which is not properly includible in any of the foregoing steam-power production accounts

ITEMS

1 Compressed air and vacuum cleaning systems, including tanks, compressors, exhausters, air filters, piping, etc

2 Cranes and hoisting equipment, including cranes, cars, crane rails, monorails, hoists, etc , with electric and mechanical connections

3 Fire-extinguishing equipment for general station use

4 Foundations and settings specially constructed for and not expected to outlast the apparatus for which provided

5 Locomotive cranes not includible elsewhere

6 Locomotives not includible elsewhere

¶ 15,316

7 Marine equipment, including boats, barges, etc

8 Miscellaneous belts, pulleys, countershafts, etc

9 Miscellaneous equipment, including atmospheric and weather indicating devices, intrasite communication equipment, laboratory equipment, signal systems, callophones emergency whistles and sirens, fire alarms, insect-control equipment, and other similar equipment

10 Railway cars not includible elsewhere

11 Refrigerating systems, including compressors, pumps, cooling coils, etc

12 Station maintenance equipment, including lathes, shapers, planers, drill presses, hydraulic presses, grinders, etc , with motors, shafting, hangers, pulleys, etc

13 Ventilating equipment, including items wholly identified with apparatus listed herein

NOTE When any item of equipment listed herein is wholly used in connection with equipment included in another account, its cost shall be included in such other account

[¶ 15,320]

320 Land and land rights (Major only)

This account shall include the cost of land and land rights used in connection with nuclear power generation (See electric plant instruction 7)

[¶ 15,321]

321 Structures and improvements (Major only)

This account shall include the cost in place of structures and improvements used and useful in connection with nuclear power generation (See electric plant instruction 8)

NOTE Include vapor containers and nuclear production roads and railroads in this account

[¶ 15,322]

322 Reactor plant equipment (Major only).

This account shall include the installed cost of reactors, reactor fuel handling and storage equipment, pressurizing equipment, coolant charging equipment, purification and discharging equipment, radioactive waste treatment and disposal equipment, boilers, steam and feed water piping, reactor and boiler apparatus and accessories and other reactor plant equipment used in the production of steam to be used primarily for generating electricity, including auxiliary superheat boilers and associated equipment in systems which change temperatures or pressure of steam from the reactor system

¶ 15,316

Items

1 Auxiliary superheat boilers and associated fuel storage handling preparation and burning equipment, etc (See account 312 Boiler Plant Equipment, for items, but exclude water supply, water flow lines, and steam lines, as well as other equipment not strictly within the superheat function)

2 Boiler feed system, including feed water heaters, evaporator 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 drivers

3 Boilers and heat exchangers

4 Instruments and devices, including all measuring, indicating, and recording equipment for reactor and boiler plant service together with mountings and supports

5 Lighting systems

6 Moderators, such as heavy water, graphite, etc , initial charge

7 Reactor coolant, primary and secondary systems (initial charge)

8 Radioactive waste treatment and disposal equipment, including tanks, ion exchangers, incinerators, condensers, chimneys, and diluting fans and pumps

9 Foundations and settings, especially constructed for and not expected to outlast the apparatus for which provided

10 Reactor including shielding, control rods and ns

11 Reactor fuel handling equipment, including manipulating and extraction tools, underwater viewing equipment, seal cutting and welding equipment, fuel transfer equipment and fuel disassembly machinery

12 Reactor fuel element failure detection system

13 Reactor emergency poison container and injection system

14 Reactor pressurizing and pressure relief equipment, including pressurizing tanks and immersion heaters

15 Reactor coolant or moderator circulation charging, purification, and discharging equipment, including tanks, pumps, heat exchangers, demineralizers, and storage

16 Station piping, including pipes, valves, fittings, separators, traps, desuperheaters, hangers, excavation, covering, etc , for station piping system, including all-reactor coolant, steam, condensate, boiler feed and water supply piping, etc , but not condensing water, plumbing, building heating, oil, gas, or air piping

17 Ventilating equipment

18 Water purification equipment, including softeners, demineralizers, and accessories, evaporators and accessories, heat exchangers, filters, tanks for filtered or softened water, pumps, motors, etc

¶ 15,322

19 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

20 Reactor plant cranes and hoists, and associated drives

NOTE When the system for supplying boiler or condenser water is elaborate, as when it includes a dam, reservoir, canal, pipe lines, or cooling ponds, the cost of such special facilities shall be charged to a subdivision of account 321, Structures and Improvements

[¶ 15,323]

323 Turbogenerator units (Major only).

This account shall include the cost installed of main turbine-driven units and accessory equipment used in generating electricity by steam

ITEMS

1 Air cleaning and cooling apparatus, including blowers, drive equipment, air ducts not a part of building, louvers, pumps, hoods, etc

2 Circulating pumps, including connections between condensers, and intake and discharge tunnels

3 Condensers, including condensate pumps, air and vacuum pumps ejectors, unloading valves and vacuum breakers, expansion devices, screens, etc

4 Generator hydrogen gas piping system and hydrogen detrainment equipment, and bulk hydrogen gas storage equipment

5 Cooling system, including towers, pumps, tanks and piping

6 Cranes, hoists, etc , including items wholly identified with items listed herein

7 Excitation system, when identified with main generating units

8 Fire extinguishing systems

9 Foundations and settings, especially constructed for and not expected to outlast the apparatus for which provided

10 Governors

11 Lighting systems

12 Lubricating systems, including gauges filters, water separators, tanks, pumps, piping motors, etc

13 Mechanical meters, including gauges recording instruments, sampling and testing equipment

14 Piping—main exhaust, including connections between turbogenerator and condenser and between condenser and hotwell

15 Piping—main steam, including connections from main throttle valve to turbine inlet

¶ 15,322

16 Platforms, railings, steps, gratings, etc appurtenant to apparatus listed herein

17 Pressure oil systems, including accumulators, pumps, piping, motors, etc

18 Steelwork, specially constructed for apparatus listed herein

19 Throttle and inlet valve

20 Tunnels, intake and discharge, for condenser system, when not a part of structure water screens, etc

21 Turbogenerators—main, including turbine and generator, field rheostats and electric connections for self-excited units

22 Water screens, motors, etc

23 Moisture separators for turbine steam

24 Turbine lubricating oil (initial charge)

[¶ 15,324]

324 Accessory electric equipment (Major only)

This account shall include the cost installed of auxiliary generating apparatus, conversion equipment, and equipment used primarily in connection with the control and switching of electric energy produced by nuclear power, and the protection of electric circuits and equipment, except electric motors used to drive equipment included in other accounts. Such motors shall be included in the account in which the equipment with which they are associated is included.

NOTE Do not include in this account transformers and other equipment used for changing the voltage or frequency of electric energy for the purpose of transmission or distribution.

ITEMS

1 Auxiliary generators, including boards, compartments, switching equipment, control equipment, and connections to auxiliary power bus

2 Excitation system, including motor, turbine and dual-drive exciter sets and rheostats, storage batteries and charging equipment, circuit breakers, panels and accessories, knife switches and accessories, surge arresters, instrument shunts, conductors and conduit, special supports for conduit, generator field and exciter switch panels, exciter bus tie panels, generator and exciter rheostats, etc, special housing, protective screens, etc

3 Generator main connections, including oil circuit breakers and accessories, disconnecting switches and accessories, operating mechanisms and interlocks, current transformers, potential transformers, protective relays, isolated panels and equipment, conductors and conduit, special supports for generator main leads, grounding switch, etc, special housings, protective screens, etc

4 Station buses, including main, auxiliary, transfer, synchronizing and fault ground buses, including oil circuit breakers and accessories,

¶ 15,324

disconnecting switches and accessories, operating mechanisms and interlocks, reactors and accessories, voltage regulators and accessories, compensators, resistors, starting transformers, current transformers, potential transformers, protective relays, storage batteries and charging equipment, isolated panels and equipment, conductors and conduit, special supports, special housings, concrete pads, general station grounding system, fire-extinguishing system, and test equipment

5 Station control system, including station switchboards with panel wiring, panels with instruments and control equipment only, panels with switching equipment mounted or mechanically connected, truck-type boards complete, cubicles, station supervisory control boards, generator and exciter signal stands, temperature recording devices, frequency-control equipment, master clocks, watt-hour meters and synchroscope in the turbine room, station totalizing wattmeter, boiler-room load indicator equipment, storage batteries, panels and charging sets, instrument transformers for supervisory metering, conductors and conduit, special supports for conduit, switchboards, batteries, special housing for batteries, protective screens, doors, etc

NOTE When any item of equipment listed herein is used wholly to furnish power to equipment included in another account, its cost shall be included in such other account

[¶ 15,325]

325 Miscellaneous power plant equipment (Major only).

This account shall include the cost installed of miscellaneous equipment in and about the nuclear generating plant devoted to general station use, and which is not properly includible in any of the foregoing nuclear-power production accounts

ITEMS

1 Compressed air and vacuum cleaning systems, including tanks, compressors, exhausters, air filters, piping, etc

2 Cranes and hoisting equipment, including cranes, cars, crane rails, monorails, hoists, etc, with electric and mechanical connections

3 Fire-extinguishing equipment for general station and site use

4 Foundations and settings specially constructed for and not expected to outlast the apparatus for which provided

5 Locomotive cranes not includible elsewhere

6 Locomotives not included elsewhere

7 Marine equipment, including boats, barges, etc

8 Miscellaneous belts, pulleys, countershafts, etc

9 Miscellaneous equipment, including atmospheric and weather recording devices, intrasite communication equipment, laboratory equipment, signal systems, callophones emergency whistles and sirens, fire alarms, insect-control equipment, and other similar equipment

¶ 15,324

- 10 Railway cars or special shipping containers not includible elsewhere
- 11 Refrigerating systems, including compressors, pumps, cooling coils, etc
- 12 Station maintenance equipment, including lathes, shapers, planers, drill presses, hydraulic presses, grinders, etc , with motors, shafting, hangers, pulleys, etc
- 13 Ventilating equipment, including items wholly identified with apparatus listed herein
- 14 Station and area radiation monitoring equipment

NOTE When any item of equipment listed herein is wholly used in connection with equipment included in another account, its cost shall be included in such other account

[¶ 15,330]

330 Land and land rights

This account shall include the cost of land and land rights used in connection with hydraulic power generation (See electric plant instruction 7) For Major utilities, it shall also include the cost of land and land rights used in connection with (1) the conservation of fish and wildlife, and (2) recreation Separate subaccounts shall be maintained for each of the above

[¶ 15,331]

331 Structures and improvements

This account shall include the cost in place of structures and improvements used in connection with hydraulic power generation (See electric plant instruction 8) For Major utilities, it shall also include the cost in place of structures and improvements used in connection with (1) the conservation of fish and wildlife, and (2) recreation Separate subaccounts shall be maintained for each of the above

[¶ 15,332]

332 Reservoirs, dams, and waterways.

This account shall include the cost in place of facilities used for impounding, collecting, storage, diversion, regulation, and delivery of water used primarily for generating electricity For Major utilities, it shall also include the cost in place of facilities used in connection with (a) the conservation of fish and wildlife, and (b) recreation Separate subaccounts shall be maintained for each of the above (See electric plant instruction 8C)

ITEMS

- 1 Bridges and culverts (when not a part of roads or railroads)
- 2 Clearing and preparing land
- 3 Dams, including wasteways, spillways, flash boards, spillway gates with operating and control mechanisms, tunnels, gate houses, and fish ladders
- 4 Dikes and embankments

¶ 15,332

5 Electric system, including conductors control system, transformers, lighting fixtures, etc

6 Excavation, including shoring, bracing, bridging, refill, and disposal of excess excavated material

7 Foundations and settings specially constructed for and not expected to outlast the apparatus for which provided

8 Intakes, including trash racks, rack cleaners, control gates and valves with operating mechanisms, and intake house when not a part of station structure

9 Platforms, railings, steps, gratings, etc , appurtenant to structures listed herein

10 Power line wholly identified with items included herein

11 Retaining walls

12 Water conductors and accessories, including canals, tunnels, flumes, penstocks pipe conductors, forebays, tailraces, navigation locks and operating mechanisms, waterhammer and surge tanks, and supporting trestles and structures

13 Water storage reservoirs, including dams, flashboards, spillway gates and operating mechanisms, inlet and outlet tunnels, regulating valves and valve towers, silt and mud sluicing tunnels with valve or gate towers, and all other structures wholly identified with any of the foregoing items

[¶ 15,333]

333 Water wheels, turbines and generators

This account shall include the cost installed of water wheels and hydraulic turbines (from connection with penstock or flume to tailrace) and generators driven thereby devoted to the production of electricity by water power or for the production of power for industrial or other purposes, if the equipment used for such purposes is a part of the hydraulic power plant works

ITEMS

1 Exciter water wheels and turbines, including runners, gates, governors, pressure regulators, oil pumps, operating mechanisms, scroll cases, draft tubes, and draft-tube supports

2 Fire-extinguishing equipment

3 Foundations and settings, specially constructed for and not expected to outlast the apparatus for which provided

4 Generator cooling system, including air cooling and washing apparatus, air fans and accessories, air ducts, etc

5 Generators—main, a c or d c, including field rheostats and connections for self-excited units and excitation system when identified with the generating unit

6 Lighting systems

¶ 15,332

- 7 Lubricating systems, including gauges, filters, tanks, pumps, piping, etc
- 8 Main penstock valves and appurtenances, including main valves, control equipment, bypass valves and fittings, and other accessories
- 9 Main turbines and water wheels, including runners, gates, governors, pressure regulators, oil pumps, operating mechanisms, scroll cases, draft tubes, and draft-tube supports
- 10 Mechanical meters and recording instruments
- 11 Miscellaneous water-wheel equipment, including gauges, thermometers, meters, and other instruments
- 12 Platforms, railings, steps, gratings, etc , appurtenant to apparatus listed herein
- 13 Scroll case filling and drain system, including gates, pipe, valves, fittings, etc
- 14 Water-actuated pressure-regulator system, including tanks and housings, pipes, valves, fittings and insulations, piers and anchorage, and excavation and backfill

[¶ 15,334]

334 Accessory electric equipment.

This account shall include the cost installed of auxiliary generating apparatus, conversion equipment, and equipment used primarily in connection with the control and switching of electric energy produced by hydraulic power and the protection of electric circuits and equipment, except electric motors used to drive equipment included in other accounts, such motors being included in the account in which the equipment with which they are associated is included

ITEMS

- 1 Auxiliary generators, including boards, compartments, switching equipment, control equipment, and connections to auxiliary power bus
- 2 Excitation system, including motor, turbine, and dual-drive exciter sets and rheostats, storage batteries and charging equipment, circuit breakers, panels and accessories, knife switches and accessories, surge arresters, instrument shunts, conductors and conduit, special supports for conduit, generator field and exciter switch panels, exciter bus tie panels, generator and exciter rheostats, etc , special housings, protective screens, etc
- 3 Generator main connections, including oil circuit breakers and accessories, disconnecting switches and accessories, operating mechanisms and interlocks, current transformers, potential transformers, protective relays, isolated panels and equipment, conductors and conduit, special supports for generator main leads, grounding switch, etc , special housings, protective screens, etc
- 4 Station buses, including main, auxiliary, transfer, synchronizing, and fault ground buses, including oil circuit breakers and accessories,

¶ 15,334

disconnecting switches and accessories, operating mechanisms and interlocks, reactors and accessories, voltage regulators and accessories, compensators, resistors starting transformers, current transformers, potential transformers, protective relays, storage batteries, and charging equipment, isolated panels and equipment, conductors and conduit, special supports, special fire-extinguishing system, and test equipment

5 Station control system, including station switchboards with panel wiring panels with instruments and control equipment only, panels with switching equipment mounted or mechanically connected, trucktype boards complete, cubicles, station supervisory control devices, frequency control equipment, master clocks, watt-hour meter, station totalizing watt-meter, storage batteries, panels and charging sets, instrument transformers for supervisory metering, conductors and conduit, special supports for conduit, switchboards, batteries, special housings for batteries, protective screens, doors, etc

NOTE A Do not include in this account transformers and other equipment used for changing the voltage or frequency of electricity for the purpose of transmission or distribution

NOTE B When any item of equipment listed herein is used wholly to furnish power to equipment, it shall be included in such equipment account

[¶ 15,335]

335 Miscellaneous power plant equipment

This account shall include the cost installed of miscellaneous equipment in and about the hydroelectric generating plant which is devoted to general station use and is not properly includible in other hydraulic production accounts For Major utilities, it shall also include the cost of equipment used in connection with (a) the conservation of fish and wildlife, and (b) recreation Separate subaccounts shall be maintained for each of the above

ITEMS

1 Compressed air and vacuum cleaning systems, including tanks, compressors, exhausters, air filters, piping, etc

2 Cranes and hoisting equipment, including cranes, cars, crane rails, monorails, hoists, etc , with electric and mechanical connections

3 Fire-extinguishing equipment for general station use

4 Foundations and settings, specially constructed for and not expected to outlast the apparatus for which provided

5 Locomotive cranes not includible elsewhere

6 Locomotives not includible elsewhere

7 Marine equipment, including boats, barges, etc

8 Miscellaneous belts, pulleys, countershafts, etc

9 Miscellaneous equipment, including atmospheric and weather indicating devices, intrasite communication equipment, laboratory

¶ 15,334

equipment, insect control equipment, signal systems, callophones, emergency whistles and sirens, fire alarms, and other similar equipment

- 10 Railway cars, not includible elsewhere
- 11 Refrigerating system, including compressors, pumps, cooling coils, etc
- 12 Station maintenance equipment, including lathes, shapers, planers, drill presses, hydraulic presses, grinders, etc , with motors, shafting, hangers, pulleys, etc
- 13 Ventilating equipment, including items wholly identified with apparatus listed herein

NOTE When any item of equipment, listed herein is used wholly in connection with equipment included in another account, its cost shall be included in such other account

[¶ 15,336]

336 Roads, railroads and bridges

This account shall include the cost of roads, railroads, trails, bridges, and trestles used primarily as production facilities It includes also those roads, etc , necessary to connect the plant with highway transportation systems, except when such roads are dedicated to public use and maintained by public authorities

ITEMS

- 1 Bridges, including foundations, piers, girders, trusses, flooring, etc
- 2 Clearing land
- 3 Railroads, including grading, ballast, ties, rails, culverts, hoists, etc
- 4 Roads, including grading, surfacing, culverts, etc
- 5 Structures, constructed and maintained in connection with items listed herein
- 6 Trails, including grading, surfacing, culverts, etc
- 7 Trestles, including foundations, piers, girders, trusses, flooring, etc

NOTE A Roads intended primarily for connecting employees' houses with the powerplant, and roads used primarily in connection with fish and wildlife, and recreation activities, shall not be included herein but in account 331, Structures and Improvements

NOTE B The cost of temporary roads, bridges, etc necessary during the period of construction but abandoned or dedicated to public use upon completion of the plant, shall not be included herein but shall be charged to the accounts appropriate for the construction

¶ 15,336

11,686

Regulations

139 9-4-84

[¶ 15,340]

340 Land and land rights

This account shall include the cost of land and land rights used in connection with other power generation (See electric plant instruction 7)

[¶ 15,341]

341 Structures and improvements

This account shall include the cost in place of structures and improvements used in connection with other power generation (See electric plant instruction 8)

[¶ 15,342]

342 Fuel holders, producers, and accessories

This account shall include the cost installed of fuel handling and storage equipment used between the point of fuel delivery to the station and the intake pipe through which fuel is directly drawn to the engine, also the cost of gas producers and accessories devoted to the production of gas for use in prime movers driving main electric generators

ITEMS

- 1 Blower and fans
- 2 Boilers and pumps
- 3 Economizers
- 4 Exhauster outfits
- 5 Flues and piping
- 6 Pipe system
- 7 Producers
- 8 Regenerators
- 9 Scrubbers
- 10 Steam injectors
- 11 Tanks for storage of oil, gasoline, etc
- 12 Vaporizers

[¶ 15,343]

343 Prime movers.

This account shall include the cost installed of Diesel or other prime movers devoted to the generation of electric energy, together with their auxiliaries

ITEMS

- 1 Air-filtering system
- 2 Belting, shafting, pulleys, reduction gearing, etc
- 3 Cooling system, including towers, pumps, tanks, and piping

¶ 15,340

435

- 4 Cranes, hoists, etc , including items wholly identified with apparatus listed herein
- 5 Engines, Diesel, gasoline, gas, or other internal combustion
- 6 Foundations and settings specially constructed for and not expected to outlast the apparatus for which provided
- 7 Governors
- 8 Ignition system
- 9 Inlet valve
- 10 Lighting systems
- 11 Lubricating systems, including filters, tanks, pumps, and piping
- 12 Mechanical meters, including gauges, recording instruments, sampling, and testing equipment
- 13 Mufflers
- 14 Piping
- 15 Starting systems, compressed air, or other, including compressors and drives, tanks, piping, motors, boards and connections, storage tanks, etc
- 16 Steelwork, specially constructed for apparatus listed herein
- 17 Waste heat boilers, antifructuators, etc

[¶ 15,344]

344 Generators.

This account shall include the cost installed of Diesel or other power driven main generators

ITEMS

- 1 Cranes, hoists, etc , including items wholly identified with such apparatus
- 2 Fire-extinguishing equipment
- 3 Foundations and settings, specially constructed for and not expected to outlast the apparatus for which provided
- 4 Generator cooling system, including air cooling and washing apparatus, air fans and accessories, air ducts, etc
- 5 Generators—main, a c or d c , including field rheostats and connections for self-excited units and excitation system when identified with the generating unit
- 6 Lighting systems
- 7 Lubricating system, including tanks, filters, strainers, pumps, piping, coolers, etc
- 8 Mechanical meters, and recording instruments
- 9 Platforms, railings, steps, gratings, etc , appurtenant to apparatus listed herein

¶ 15,344

NOTE If prime movers and generators are so integrated that it is not practical to classify them separately, the entire unit may be included in account 344, Generators

[¶ 15,345]**345 Accessory electric equipment**

This account shall include the cost installed of auxiliary generating apparatus, conversion equipment, and equipment used primarily in connection with the control and switching of electric energy produced in other power generating stations, and the protection of electric circuits and equipment, except electric motors used to drive equipment included in other accounts. Such motors shall be included in the account in which the equipment with which it is associated is included.

ITEMS

1 Auxiliary generators, including boards, compartments, switching equipment, control equipment, and connections to auxiliary power bus

2 Excitation system, including motor, turbine and dual-drive exciter sets and rheostats, storage batteries and charging equipment, circuit breakers, panels and accessories, knife switches and accessories, surge arresters, instrument shunts, conductors and conduit, special supports for conduit, generator field and exciter switch panels, exciter bus tie panels, generator and exciter rheostats, etc., special housings, protective screens, etc

3 Generator main connections, including oil circuit breakers and accessories, disconnecting switches and accessories, operating mechanisms and interlocks, current transformers, potential transformers, protective relays, isolated panels and equipment, conductors and conduit, special supports for generator main leads, grounding switch, etc., special housing, protective screens, etc

4 Station control system, including station switchboards with panel wiring, panels with instruments and control equipment only, panels with switching equipment mounted or mechanically connected, trunktype boards complete, cubicles, station supervisory control boards, generator and exciter signal stands, temperature-recording devices, frequency control equipment, master clocks, watt-hour meter, station totalizing wattmeter, storage batteries, panels and charging sets, instrument transformers for supervisory metering, conductors and conduit, special supports for conduit, switchboards, batteries, special housing for batteries, protective screens, doors, etc

5 Station buses, including main, auxiliary transfer, synchronizing and fault ground buses, including oil circuit breakers and accessories, disconnecting switches and accessories, operating mechanisms and interlocks, reactors and accessories, voltage regulators and accessories, compensators, resistors, starting transformers, current transformers, potential transformers, protective relays, storage batteries and charging equipment, isolated panels and equipment, conductors and conduit, special supports, special housings, concrete pads, general station ground system, special fire-extinguishing system, and test equipment

¶ 15,344

NOTE A Do not include in this account transformers and other equipment used for changing the voltage or frequency of electric energy for the purpose of transmission or distribution

NOTE B When any item of equipment listed herein is used wholly to furnish power to equipment included in another account, its cost shall be included in such other account

[¶ 15,346]

346 Miscellaneous power plant equipment.

This account shall include the cost installed of miscellaneous equipment in and about the other power generating plant, devoted to general station use, and not properly includible in any of the foregoing other power production accounts

ITEMS

1 Compressed air and vacuum cleaning systems, including tanks, compressors, exhausters, air filters, piping, etc

2 Cranes and hoisting equipment, including cranes, cars, crane rails, monorails, hoists, etc , with electric and mechanical connections

3 Fire-extinguishing equipment for general station use

4 Foundations and settings, specially constructed for and not expected to outlast the apparatus for which provided

5 Miscellaneous equipment, including atmospheric and weather indicating devices, intrasite communication equipment, laboratory equipment, signal systems, callophones, emergency whistles and sirens, fire alarms, and other similar equipment

6 Miscellaneous belts, pulleys, countershafts, etc

7 Refrigerating system including compressors, pumps, cooling coils, etc

8 Station maintenance equipment, including lathes, shapers, planers, drill presses, hydraulic presses, grinders, etc , with motors, shafting, hangers, pulleys, etc

9 Ventilating equipment, including items wholly identified with apparatus listed herein

NOTE When any item of equipment, listed herein is used wholly in connection with equipment included in another account, its cost shall be included in such other account

[The next page is 11,701]

¶ 15,346

[¶ 15,350]

350 Land and land rights

This account shall include the cost of land and land rights used in connection with transmission operations (See electric plant instruction 7)

[¶ 15,351]

351 [Reserved]

[¶ 15,352]

352 Structures and improvements

This account shall include the cost in place of structures and improvements used in connection with transmission operations (See electric plant instruction 8)

[¶ 15,353]

353 Station equipment

This account shall include the cost installed of transforming, conversion, and switching equipment used for the purpose of changing the characteristics of electricity in connection with its transmission or for controlling transmission circuits

ITEMS

1 Bus compartments, concrete, brick, and sectional steel, including items permanently attached thereto

2 Conduit, including concrete and iron duct runs not a part of a building

3 Control equipment, including batteries battery charging equipment, transformers, remote relay boards, and connections

4 Conversion equipment, including transformers, indoor and outdoor, frequency changers, motor generator sets, rectifiers, synchronous converters, motors, cooling equipment, and associated connections

5 Fences

6 Fixed and synchronous condensers, including transformers, switching equipment blowers, motors and connections

7 Foundations and settings, specially constructed for and not expected to outlast the apparatus for which provided

8 General station equipment, including air compressors, motors, hoists, cranes, test equipment, ventilating equipment, etc

9 Platforms, railings, steps, gratings, etc appurtenant to apparatus listed herein

10 Primary and secondary voltage connections, including bus runs and supports, insulators, potheads, lightning arresters, cable and wire runs from and to outdoor connections or to manholes and the associated regulators, reactors, resistors, surge arresters, and accessory equipment

11 Switchboards, including meters, relays, control wiring, etc

¶ 15,353

12 Switching equipment, indoor and outdoor, including oil circuit breakers and operating mechanisms, truck switches, and disconnect switches

13 Tools and appliances

[¶ 15,354]

354 Towers and fixtures

This account shall include the cost installed of towers and appurtenant fixtures used for supporting overhead transmission conductors

ITEMS

- 1 Anchors, guys, braces
- 2 Brackets
- 3 Crossarms, including braces
- 4 Excavation, backfill, and disposal of excess excavated material
- 5 Foundations
- 6 Guards
- 7 Insulator pins and suspension bolts
- 8 Ladders and steps
- 9 Railings, etc
- 10 Towers

[¶ 15,355]

355 Poles and fixtures

This account shall include the cost installed of transmission line poles, wood, steel, concrete, or other material, together with appurtenant fixtures used for supporting overhead transmission conductors

ITEMS

- 1 Anchors, head arm and other guys, including guy guards, guy clamps, strain insulators, pole plates, etc
- 2 Brackets
- 3 Crossarms and braces
- 4 Excavation and backfill, including disposal of excess excavated material
- 5 Extension arms
- 6 Gaining, roofing stenciling, and tagging
- 7 Insulator pins and suspension bolts
- 8 Paving
- 9 Pole steps
- 10 Poles, wood, steel, concrete, or other material
- 11 Racks complete with insulators

¶ 15,353

- 12 Reinforcing and stubbing
- 13 Settings
- 14 Shaving and painting

[¶ 15,356]

356 Overhead conductors and devices

This account shall include the cost installed of overhead conductors and devices used for transmission purposes

ITEMS

- 1 Circuit breakers
- 2 Conductors, including insulated and bare wires and cables
- 3 Ground wires and ground clamps
- 4 Insulators, including pin, suspension, and other types
- 5 Lightning arresters
- 6 Switches
- 7 Other line devices

[¶ 15,357]

357 Underground conduit

This account shall include the cost installed of underground conduit and tunnels used for housing transmission cables or wires (See electric plant instruction 14)

ITEMS

- 1 Conduit, concrete, brick or tile, including iron pipe, fiber pipe, Murray duct, and standpipe on pole or tower
- 2 Excavation, including shoring, bracing, bridging, backfill, and disposal of excess excavated material
- 3 Foundations and settings specially constructed for and not expected to outlast the apparatus for which provided
- 4 Lighting systems
- 5 Manholes, concrete or brick, including iron or steel, frames and covers, hatchways, gratings, ladders, cable racks and hangers, etc , permanently attached to manholes
- 6 Municipal inspection
- 7 Pavement disturbed, including cutting and replacing pavement, pavement base and sidewalks
- 8 Permits
- 9 Protection of street openings
- 10 Removal and relocation of subsurface obstructions

¶ 15,357

- 11 Sewer connections, including drains, traps, tide valves, check valves, etc
- 12 Sumps, including pumps
- 13 Ventilating equipment

[¶ 15,358]

358 Underground conductors and devices

This account shall include the cost installed of underground conductors and devices used for transmission purposes

ITEMS

- 1 Armored conductors, buried, including insulators, insulating materials, splices, potheads, trenching, etc
- 2 Armored conductors, submarine, including insulators, insulating materials, splices in terminal chambers, potheads, etc
- 3 Cables in standpipe, including pothead and connection from terminal chamber of manhole to insulators on pole
- 4 Circuit breakers
- 5 Fireproofing, in connection with any items listed herein
- 6 Hollow-core oil-filled cable, including straight or stop joints pressure tanks, auxiliary air tanks, feeding tanks, terminals, potheads and connections, ventilating equipment, etc
- 7 Lead and fabric covered conductors, including insulators, compound filled, oil filled, or vacuum splices, potheads, etc
- 8 Lightning arresters
- 9 Municipal inspection
- 10 Permits
- 11 Protection of street openings
- 12 Racking of cables
- 13 Switches
- 14 Other line devices

[¶ 15,359]

359 Roads and trails

This account shall include the cost of roads, trails, and bridges used primarily as transmission facilities

ITEMS

- 1 Bridges, including foundation piers, girders, trusses, flooring, etc
- 2 Clearing land
- 3 Roads, including grading, surfacing, culverts, etc

¶ 15,357

Regulations

11,705

4 Structures, constructed and maintained in connection with items included herein

5 Trails, including grading, surfacing, culverts, etc

NOTE The cost of temporary roads, bridges, etc , necessary during the period of construction but abandoned or dedicated to public use upon completion of the plant, shall be charged to the accounts appropriate for the construction

[The next page is 11,711]

¶ 15,359

[¶ 15,360]

360 Land and land rights

This account shall include the cost of land and land rights used in connection with distribution operations (See electric plant instruction 7)

NOTE Do not include in this account the cost of permits to erect poles, towers, etc , or to trim trees (See account 364, Poles, Towers and Fixtures, and account 365, Overhead Conductors and Devices)

[¶ 15,361]

361 Structures and improvements

This account shall include the cost in place of structures and improvements used in connection with distribution operations (See electric plant instruction 8)

[¶ 15,362]

362 Station equipment

This account shall include the cost installed of station equipment, including transformer banks, etc , which are used for the purpose of changing the characteristics of electricity in connection with its distribution

ITEMS

- 1 Bus compartments, concrete, brick and sectional steel, including items permanently attached thereto
- 2 Conduit, including concrete and iron duct runs not part of building
- 3 Control equipment, including batteries, battery charging equipment, transformers, remote relay boards, and connections
- 4 Conversion equipment, indoor and outdoor, frequency changers, motor generator sets, rectifiers, synchronous converters, motors, cooling equipment, and associated connections
- 5 Fences
- 6 Fixed and synchronous condensers, including transformers, switching equipment, blowers, motors, and connections
- 7 Foundations and settings, specially constructed for and not expected to outlast the apparatus for which provided
- 8 General station equipment, including air compressors, motors, hoists, cranes, test equipment, ventilating equipment, etc
- 9 Platforms, railings, steps, gratings, etc , appurtenant to apparatus listed herein
- 10 Primary and secondary voltage connections, including bus runs and supports, insulators, potheads, lightning arresters, cable and wire runs from and to outdoor connections or to manholes and the associated regulators, reactors, resistors, surge arresters, and accessory equipment
- 11 Switchboards, including meters, relays, control wiring, etc

¶ 15,362

12 Switching equipment, indoor and outdoor, including oil circuit breakers and operating mechanisms, truck switches, disconnect switches

NOTE The cost of rectifiers, series transformers, and other special station equipment devoted exclusively to street lighting service shall not be included in this account, but in account 373, Street Lighting and Signal Systems

[¶ 15,363]

363 Storage battery equipment

This account shall include the cost installed of storage battery equipment used for the purpose of supplying electricity to meet emergency or peak demands

ITEMS

- 1 Batteries, including elements, tanks, tank insulators, etc
- 2 Battery room connections, including cable or bus runs and connections
- 3 Battery room flooring, when specially laid for supporting batteries
- 4 Charging equipment, including motor generator sets and other charging equipment and connections, and cable runs from generator or station bus to battery room connections
- 5 Miscellaneous equipment, including instruments, water stills, etc
- 6 Switching equipment, including endcell switches and connections, boards and panels, used exclusively for battery control, not part of general station switchboard
- 7 Ventilating equipment, including fans and motors, louvers, and ducts not part of building

NOTE Storage batteries used for control and general station purposes shall not be included in this account but in the account appropriate for their use

[¶ 15,364]

364 Poles, towers and fixtures.

This account shall include the cost installed of poles, towers, and appurtenant fixtures used for supporting overhead distribution conductors and service wires

ITEMS

- 1 Anchors, head arm, and other guys, including guy guards, guy clamps, strain insulators, pole plates, etc
- 2 Brackets
- 3 Crossarms and braces
- 4 Excavation and backfill, including disposal of excess excavated material
- 5 Extension arms

¶ 15,362

- 6 Foundations
- 7 Guards
- 8 Insulator pins and suspension bolts
- 9 Paving
- 10 Permits for construction
- 11 Pole steps and ladders
- 12 Poles, wood, steel, concrete, or other material
- 13 Racks complete with insulators
- 14 Railings
- 15 Reinforcing and stubbing
- 16 Settings
- 17 Shaving, painting, gaining, roofing, stenciling, and tagging
- 18 Towers
- 19 Transformer racks and platforms

[¶ 15,365]

365 Overhead conductors and devices.

This account shall include the cost installed of overhead conductors and devices used for distribution purposes

ITEMS

- 1 Circuit breakers
- 2 Conductors, including insulated and bare wires and cables
- 3 Ground wires, clamps, etc
- 4 Insulators, including pin, suspension, and other types, and tie wire or clamps
- 5 Lightning arresters
- 6 Railroad and highway crossing guards
- 7 Splices
- 8 Switches
- 9 Tree trimming, initial cost including the cost of permits therefor
- 10 Other line devices

NOTE The cost of conductors used solely for street lighting or signal systems shall not be included in this account but in account 373, Street Lighting and Signal Systems

¶ 15,365

[¶ 15,366]

366 Underground conduit

This account shall include the cost installed of underground conduit and tunnels used for housing distribution cables or wires

ITEMS

- 1 Conduit, concrete, brick and tile, including iron pipe, fiber pipe, Murray duct, and standpipe on pole or tower
- 2 Excavation, including shoring, bracing, bridging, backfill, and disposal of excess excavated material
- 3 Foundations and settings specially constructed for and not expected to outlast the apparatus for which constructed
- 4 Lighting systems
- 5 Manholes, concrete or brick, including iron or steel frames and covers, hatchways, gratings, ladders, cable racks and hangers, etc, permanently attached to manholes
- 6 Municipal inspection
- 7 Pavement disturbed, including cutting and replacing pavement, pavement base, and sidewalks
- 8 Permits
- 9 Protection of street openings
- 10 Removal and relocation of subsurface obstructions
- 11 Sewer connections, including drains, traps, tide valves, check valves, etc
- 12 Sumps, including pumps
- 13 Ventilating equipment

NOTE The cost of underground conduit used solely for street lighting or signal systems shall be included in account 373, Street Lighting and Signal Systems

[¶ 15,367]

367 Underground conductors and devices

This account shall include the cost installed of underground conductors and devices used for distribution purposes

ITEMS

- 1 Armored conductors, buried, including insulators, insulating materials, splices, potheads, trenching, etc
- 2 Armored conductors, submarine, including insulators, insulating materials, splices in terminal chamber, potheads, etc
- 3 Cables in standpipe, including pothead and connection from terminal chamber or manhole to insulators on pole

¶ 15,366

- 4 Circuit breakers
- 5 Fireproofing, in connection with any items listed herein
- 6 Hollow-core oil-filled cable, including straight or stop joints, pressure tanks, auxiliary air tanks, feeding tanks, terminals, potheads and connections, etc
- 7 Lead and fabric covered conductors, including insulators, compound-filled, oil-filled or vacuum splices, potheads, etc
- 8 Lightning arresters
- 9 Municipal inspection
- 10 Permits
- 11 Protection of street openings
- 12 Racking of cables
- 13 Switches
- 14 Other line devices

NOTE The cost of underground conductors and devices used solely for street lighting or signal systems shall be included in account 373, Street Lighting and Signal Systems

[¶ 15,368]

368 Line transformers

A This account shall include the cost installed of overhead and underground distribution line transformers and pole-type and underground voltage regulators owned by the utility, for use in transforming electricity to the voltage at which it is to be used by the customer, whether actually in service or held in reserve

B When a transformer is permanently retired from service, the original installed cost thereof shall be credited to this account

C The records covering line transformers shall be so kept that the utility can furnish the number of transformers of various capacities in service and those in reserve, and the location and the use of each transformer

ITEMS

- 1 Installation, labor of (first installation only)
- 2 Transformer cut-out boxes
- 3 Transformer lightning arresters
- 4 Transformers, line and network
- 5 Capacitors
- 6 Network protectors

NOTE The cost of removing and resetting line transformers shall not be charged to this account but to account 583, Overhead Line Expenses, or account 584, Underground Line Expenses (for Nonmajor utilities, account

¶ 15,368

561, Line and Station Labor, or account 562, Line and Station Supplies and Expenses), as appropriate. The cost of line transformers used solely for street lighting or signal systems shall be included in account 373, Street Lighting and Signal Systems

[¶ 15,369]

369 Services

This account shall include the cost installed of overhead and underground conductors leading from a point where wires leave the last pole of the overhead system or the distribution box or manhole, or the top of the pole of the distribution line, to the point of connection with the customer's outlet or wiring. Conduit used for underground service conductors shall be included herein

ITEMS

- 1 Brackets
- 2 Cables and wires
- 3 Conduit
- 4 Insulators
- 5 Municipal inspection
- 6 Overhead to underground, including conduit or standpipe and conductor from last splice on pole to connection with customer's wiring
- 7 Pavement disturbed, including cutting and replacing pavement, pavement base, and sidewalks
- 8 Permits
- 9 Protection of street openings
- 10 Service switch
- 11 Suspension wire

[¶ 15,370]

370 Meters.

A This account shall include the cost installed of meters or devices and appurtenances thereto, for use in measuring the electricity delivered to its users, whether actually in service or held in reserve

B When a meter is permanently retired from service, the installed cost included herein shall be credited to this account

C The records covering meters shall be so kept that the utility can furnish information as to the number of meters of various capacities in service and in reserve as well as the location of each meter owned

ITEMS

- 1 Alternating current, watt-hour meters
- 2 Current limiting devices

¶ 15,368

- 3 Demand indicators
- 4 Demand meters
- 5 Direct current watt-hour meters
- 6 Graphic demand meters
- 7 Installation, labor of (first installation only)
- 8 Instrument transformers
- 9 Maximum demand meters
- 10 Meter badges and their attachments
- 11 Meter boards and boxes
- 12 Meter fittings, connections, and shelves (first set)
- 13 Meter switches and cut-outs
- 14 Prepayment meters
- 15 Protective devices
- 16 Testing new meters

NOTE A This account shall not include meters for recording output of a generating station, substation meters, etc It includes only those meters used to record energy delivered to customers

NOTE B The cost of removing and resetting meters shall be charged to account 586, Meter Expenses (for Nonmajor utilities, account 556, Meter Expenses)

[¶ 15,371]

371 Installations on customers' premises

This account shall include the cost installed of equipment on the customer's side of a meter when the utility incurs such cost and when the utility retains title to and assumes full responsibility for maintenance and replacement of such property This account shall not include leased equipment, for which see account 372, Leased Property on Customers' Premises

ITEMS

- 1 Cable vaults
- 2 Commercial lamp equipment
- 3 Foundations and settings specially provided for equipment included herein
- 4 Frequency changer sets
- 5 Motor generator sets
- 6 Motors
- 7 Switchboard panels, high or low tension

¶ 15,371

8 Wire and cable connections to incoming cables

NOTE Do not include in this account any costs incurred in connection with merchandising, jobbing, or contract work activities

[¶ 15,372]

372 Leased property on customers' premises

This account shall include the cost of electric motors, transformers, and other equipment on customers' premises (including municipal corporations), leased or loaned to customers, but not including property held for sale

NOTE A The cost of setting and connecting such appliances or equipment on the premises of customers and the cost of resetting or removal shall not be charged to this account but to operating expenses, account 587, Customer Installations Expenses (for Nonmajor utilities, account 567, Customer Installations Expenses)

NOTE B Do not include in this account any costs incurred in connection with merchandising, jobbing, or contract work activities

[¶ 15,373]

373 Street lighting and signal systems

This account shall include the cost installed of equipment used wholly for public street and highway lighting or traffic, fire alarm, police, and other signal systems

ITEMS

1 Armored conductors, buried or submarine, including insulators, insulating materials, splices, trenching, etc

2 Automatic control equipment

3 Conductors, overhead or underground, including lead or fabric covered, parkway cables, etc , including splices, insulators, etc

4 Lamps, are, incandescent, or other types, including glassware, suspension fixtures, brackets, etc

5 Municipal inspection

6 Ornamental lamp posts

7 Pavement disturbed, including cutting and replacing pavement, pavement base, and sidewalks

8 Permits

9 Posts and standards

10 Protection of street openings

11 Relays or time clocks

12 Series contactors

13 Switches

14 Transformers, pole or underground

¶ 15,371

[The next page is 11,721]

[¶ 15,389]

389 Land and land rights

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 electric plant instruction 7)

[¶ 15,390]

390 Structures and improvements

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 electric plant instruction 8)

[¶ 15,391]

391 Office furniture and equipment

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 plant accounts on a functional basis

ITEMS

- 1 Bookcases and shelves
- 2 Desks, chairs, and desk equipment
- 3 Drafting-room equipment
- 4 Filing, storage, and other cabinets
- 5 Floor covering
- 6 Library and library equipment
- 7 Mechanical office equipment, such as accounting machines, typewriters, etc
- 8 Safes
- 9 Tables

[¶ 15,392]

392 Transportation equipment.

This account shall include the cost of transportation vehicles used for utility purposes

ITEMS

- 1 Airplanes
- 2 Automobiles
- 3 Bicycles
- 4 Electrical vehicles
- 5 Motor trucks

¶ 15,392

11,722

Regulations

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- 6 Motorcycles
- 7 Repair cars or trucks
- 8 Tractors and trailers
- 9 Other transportation vehicles

[¶ 15,393]

393 Stores equipment

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

ITEMS

- 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

[¶ 15,394]

394 Tools, shop and garage equipment

This account shall include the cost of tools, implements, and equipment used in construction, repair work, general shops and garages and not specifically provided for or includible in other accounts

ITEMS

- 1 Air compressors
- 2 Anvils
- 3 Automobile repair shop equipment
- 4 Battery charging equipment
- 5 Belts, shafts and countershafts
- 6 Boilers
- 7 Cable pulling equipment
- 8 Concrete mixers
- 9 Drill presses
- 10 Derricks

¶ 15,392

- 11 Electric equipment
- 12 Engines
- 13 Forges
- 14 Furnaces
- 15 Foundations and settings specially constructed for and not expected to outlast the equipment for which provided
- 16 Gas producers
- 17 Gasoline pumps, oil pumps and storage tanks
- 18 Greasing tools and equipment
- 19 Hoists
- 20 Ladders
- 21 Lathes
- 22 Machine tools
- 23 Motor-driven tools
- 24 Motors
- 25 Pipe threading and cutting tools
- 26 Pneumatic tools
- 27 Pumps
- 28 Riveters
- 29 Smithing equipment
- 30 Tool racks
- 31 Vises
- 32 Welding apparatus
- 33 Work benches

[¶ 15,395]

395 Laboratory equipment.

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 plant accounts

ITEMS

- 1 Ammeters
- 2 Current batteries
- 3 Frequency changers
- 4 Galvanometers
- 5 Inductometers
- 6 Laboratory standard millivolt meters

¶ 15,395

- 7 Laboratory standard volt meters
- 8 Meter-testing equipment
- 9 Millivolt meters
- 10 Motor generator sets
- 11 Panels
- 12 Phantom loads
- 13 Portable graphic ammeters, voltmeters, and wattmeters
- 14 Portable loading devices
- 15 Potential batteries
- 16 Potentiometers
- 17 Rotating standards
- 18 Standard cell, reactance, resistor, and shunt
- 19 Switchboards
- 20 Synchronous timers
- 21 Testing panels
- 22 Testing resistors
- 23 Transformers
- 24 Voltmeters
- 25 Other testing, laboratory, or research equipment not provided for elsewhere

[¶ 15,396]

396 Power operated equipment

This account shall include the cost of power operated equipment used in construction or repair work exclusive of equipment includible in other accounts. Include, also, the tools and accessories acquired for use with such equipment and the vehicle on which such equipment is mounted.

ITEMS

- 1 Air compressors, including driving unit and vehicle
- 2 Back filling machines
- 3 Boring machines
- 4 Bulldozers
- 5 Cranes and hoists
- 6 Diggers
- 7 Engines
- 8 Pile drivers
- 9 Pipe cleaning machines
- 10 Pipe coating or wrapping machines

¶ 15,395

- 11 Tractors—Crawler type
- 12 Trenchers
- 13 Other power operated equipment

NOTE It is intended that this account include only such large units as are generally self-propelled or mounted on movable equipment

[¶ 15,397]

397 Communication equipment

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

ITEMS

- 1 Antennae
- 2 Booths
- 3 Cables
- 4 Distributing boards
- 5 Extension cords
- 6 Gongs
- 7 Hand sets, manual and dial
- 8 Insulators
- 9 Intercommunicating sets
- 10 Loading coils
- 11 Operators' desks
- 12 Poles and fixtures used wholly for telephone or telegraph wire
- 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

¶ 15,397

[¶ 15,398]

398 Miscellaneous equipment.

This account shall include the cost of equipment, apparatus, etc., used in the utility operations, which is not includible in any other account of this system of accounts

ITEMS

- 1 Hospital and infirmary equipment
- 2 Kitchen equipment
- 3 Employees' recreation equipment
- 4 Radios
- 5 Restaurant equipment
- 6 Soda fountains
- 7 Operators' cottage furnishings
- 8 Other miscellaneous equipment

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

[¶ 15,399]

399 Other tangible property.

This account shall include the cost of tangible utility plant not provided for elsewhere

[The next page is 11,731]

Income Chart of Accounts

[¶ 15,400]

1 UTILITY OPERATING INCOME

- 400 Operating revenues
 - Operating expenses
- 401 Operation expense
- 402 Maintenance expense
- 403 Depreciation expense
- 404 Amortization of limited-term electric plant
- 405 Amortization of other electric plant
- 406 Amortization of electric plant acquisition adjustments
- 407 Amortization of property losses, unrecovered plant and regulatory study costs
- 408 [Reserved]
- 408 1 Taxes other than income taxes, utility operating income
- 409 [Reserved]
- 409 1 Income taxes, utility operating income
- 410 [Reserved]
- 410 1 Provisions for deferred income taxes, utility operating income
- 411 [Reserved]
- 411 1 Provision for deferred income taxes—Credit, utility operating income
- 411 3 [Reserved]
- 411 4 Investment tax credit adjustments, utility operations
- 411 6 Gains from disposition of utility plant
- 411 7 Losses from disposition of utility plant
 - Total utility operating expenses
 - Other Operating Income
- 412 Revenues from electric plant leased to others
- 413 Expenses of electric plant leased to others
- 414 Other utility operating income
 - Net utility operating income

2 OTHER INCOME AND DEDUCTIONS

A OTHER INCOME

- 415 Revenues from merchandising, jobbing, and contract work
- 416 Costs and expenses of merchandising, jobbing, and contract work
- 417 Revenues from nonutility operations

¶ 15,400

- 417 1 Expenses of nonutility operations
- 418 Nonoperating rental income
- 418 1 Equity in earnings of subsidiary companies (Major only)
- 419 Interest and dividend income
- 419 1 Allowance for other funds used during construction
- 421 Miscellaneous nonoperating income
- 421 1 Gain on disposition of property

Total Other Income

B OTHER INCOME DEDUCTIONS

- 421 2 Loss on disposition of property
- 425 Miscellaneous amortization
- 426 [Reserved]
- 426 1 Donations
- 426 2 Life insurance
- 426 3 Penalties
- 426 4 Expenditures for certain civic, political, and related activities
- 426 5 Other deductions

Total other income deductions

Total Other Income and Deductions

C TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS

- 408 2 Taxes other than income taxes, other income and deductions
- 409 2 Income tax, other income and deductions
- 410 2 Provision for deferred income taxes, other income and deductions
- 411 2 Provision for deferred income taxes—Credit, other income and deductions
- 411 5 Investment tax credit adjustments, nonutility operations
- 420 Investment tax credits

Total taxes on other income and deductions

Net other income and deductions

3 INTEREST CHARGES

- 427 Interest on long-term debt
- 428 Amortization of debt discount and expense
- 428 1 Amortization of loss on reacquired debt
- 429 Amortization of premium on debt—Cr
- 429 1 Amortization of gain on reacquired debt—Credit
- 430 Interest on debt to associated companies

¶ 15,400

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Regulations

11,733

431 Other interest expense

Net interest charges

432 Allowance for borrowed funds used during construction—Credit

Net interest charges

EXTRAORDINARY ITEMS

434 Extraordinary income

435 Extraordinary deductions

409 3 Income taxes, extraordinary items

Net income

¶ 15,400

460

Regulations

11,735

Income Accounts

[¶ 15,401]

400 Operating revenues

There shall be shown under this caption the total amount included in the electric operating revenue accounts provided herein

[¶ 15,402]

401 Operation expense

There shall be shown under this caption the total amount included in the electric operation expense accounts provided herein (See note to operating expense instruction 3)

[¶ 15,403]

402 Maintenance expense

There shall be shown under this caption the total amount included in the electric maintenance expense accounts provided herein

[¶ 15,404]

403 Depreciation expense

A This account shall include the amount of depreciation expense for all classes of depreciable electric plant in service except such depreciation expense as is chargeable to clearing accounts or to account 416, Costs and Expenses of Merchandising, Jobbing and Contract Work

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 costs of removal for property retired from each account, or subdivision thereof, for depreciable electric plant

NOTE 1 Depreciation expense applicable to property included in account 104, Electric Plant Leased to Others, shall be charged to account 413, Expenses of Electric Plant Leased to Others

NOTE 2 Depreciation expenses applicable to transportation equipment, shop equipment, tools, work equipment, power operated equipment and other general equipment may be charged to clearing accounts as necessary in order to obtain a proper distribution of expenses between construction and operation

NOTE C Depreciation expense applicable to transportation equipment used for transportation of fuel from the point of acquisition to the unloading point shall be charged to Account 151, Fuel Stock

¶ 15,404

[¶ 15,405]**404 Amortization of limited-term electric plant**

This account shall include amortization charges applicable to amounts included in the electric plant accounts for limited-term franchises, licenses, patent rights, limited-term interests in land, and expenditures on leased property where the service life of the improvements is terminable by action of the lease. 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 account 111, Accumulated Provision for Amortization of Electric Utility Plant)

[¶ 15,406]**405 Amortization of other electric plant**

A When authorized by the Commission, this account shall include charges for amortization of intangible or other electric utility plant 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.

[¶ 15,407]**406 Amortization of electric plant acquisition adjustments.**

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 Commission, for the purpose of providing for the extinguishment of the amount in account 114, Electric Plant Acquisition Adjustments.

[¶ 15,408]**407 Amortization of property losses, unrecovered plant and regulatory study costs.**

This account shall be charged with amounts credited to account 182 1, Extraordinary Property Losses, and account 182 2, Unrecovered Plant and Regulatory Study Costs, when the Commission has authorized the amount in the latter account to be amortized by charges to electric operations.

[¶ 15,409]**408 [Reserved]**

Special Instructions, Accounts 408 1 and 408 2 A These accounts shall include the amounts 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, except income taxes.

¶ 15,405

B These accounts shall be charged in each accounting period with the amounts of taxes which are 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 amounts shall be estimated and adjustments made in current accruals as the actual tax levies become known.

C The charges to these accounts 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 more than one utility service, taxes of the kind includible in these accounts 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 after appropriate study to determine such basis.

NOTE 1 Special assessments for street and similar improvements shall be included in the appropriate utility plant or nonutility property account.

NOTE 2 Taxes specifically applicable to construction shall be included in the cost of construction.

NOTE 3 Gasoline and other sales taxes shall be charged as far as practicable to the same account as the materials on which the tax is levied.

NOTE 4 Social security and other forms of so-called payroll taxes shall be distributed to utility departments and to nonutility functions on a basis related to payroll. Amounts applicable to construction shall be charged to the appropriate plant account.

NOTE 5 Interest on tax refunds or deficiencies shall not be included in these accounts but in account 419, Interest and Dividend Income, or 431, Other Interest Expense, as appropriate.

[¶ 15,410]

408.1 Taxes other than income taxes, utility operating income

This account shall include those taxes other than income taxes which relate to utility operating income. This account shall be maintained so as to allow ready identification of the various classes of taxes relating to Utility Operating Income (by department), Utility Plant Leased to Others and Other Utility Operating Income.

[¶ 15,411]

408.2 Taxes other than income taxes, other income and deductions

This account shall include those taxes other than income taxes which relate to Other Income and Deductions.

[¶ 15,412]

409 [Reserved]

Special Instructions, Accounts 409 1, 409 2, and 409 3 A These accounts shall include the amounts of local, state and federal income taxes on income.

¶ 15,412

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 amounts of taxes become known, the current tax accruals shall be adjusted by charges or credits to these accounts so that these accounts as nearly as can be ascertained shall include the actual taxes payable by the utility.

B The accruals for income taxes shall be apportioned among utility departments and to Other Income and Deductions so that, as nearly as practicable, each tax shall be included in the expenses of the utility department or Other Income and Deductions, the income from which gave rise to the tax. The tax effects relating to Interest Charges shall be allocated between utility and nonutility operations. The basis for this allocation shall be the ratio of net investment in utility plant to net investment in nonutility plant.

NOTE 1 Taxes assumed by the utility on interest shall be charged to account 431, Other Interest Expense.

NOTE 2 Interest on tax refunds or deficiencies shall not be included in these accounts but in account 419, Interest and Dividend Income, or account 431, Other Interest Expense, as appropriate.

[¶ 15,413]

409 1 Income taxes, utility operating income

This account shall include the amount of those local, state and federal income taxes which relate to utility operating income. 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.

[¶ 15,414]

409 2 Income taxes, other income and deductions

This account shall include the amount of those local, state and federal income taxes (both positive and negative), which relate to Other Income and Deductions.

[¶ 15,415]

409 3 Income taxes, extraordinary items.

This account shall include the amount of those local, state and federal income taxes (both positive and negative), which relate to Extraordinary Items.

[¶ 15,416]

410 [Reserved]

Special Instructions, Accounts 4101, 4102, 4111, and 4112 A Accounts 410 1 and 410 2 shall be debited, and Accumulated Deferred Income Taxes shall be credited, with amounts equal to any current deferrals of taxes on income or any allocations of deferred taxes originating in prior periods, as

¶ 15,412

provided by the texts of accounts 190, 281, 282, and 283 There shall not be netted against entries required to be made to these accounts any credit amounts appropriately includible in account 411 1 or 411 2

B Accounts 411 1 and 411 2 shall be credited, and Accumulated Deferred Income Taxes shall be debited, with amounts equal to any allocations of deferred taxes originating in prior periods or any current deferrals of taxes on income, as provided by the texts of accounts 190, 281, 282, and 283 There shall not be netted against entries required to be made to these accounts any debit amounts appropriately includible in account 410 1 or 410 2

[¶ 15,417]

410 1 Provision for deferred income taxes, utility operating income.

This account shall include the amounts of those deferrals of taxes and allocations of deferred taxes which relate to Utility Operating Income (by department)

[¶ 15,418]

410 2 Provision for deferred income taxes, other income and deductions

This account shall include the amounts of those deferrals of taxes and allocations of deferred taxes which relate to Other Income and Deductions

[¶ 15,419]

411 [Reserved]

[¶ 15,420]

411.1 Provision for deferred income taxes—Credit, utility operating income.

This account shall include the amounts of those allocations of deferred taxes and deferrals of taxes, credit, which relate to Utility Operating Income (by department)

[¶ 15,421]

411.2 Provision for deferred income taxes—Credit, other income and deductions.

This account shall include the amounts of those allocations of deferred taxes and deferrals of taxes, credit, which relate to Other Income and Deductions

[¶ 15,422]

411 3 [Reserved]

SPECIAL INSTRUCTIONS—ACCOUNTS 411 4 AND 411 5

A Account 411 4 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

¶ 15,422

465

of the overall income tax expense in the year in which such credit is realized (see account 255)

B Account 411 4 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 Account 411 5 shall also be debited and credited as directed in paragraphs A and B, for investment tax credits related to nonutility property

[¶ 15,423]

411 4 Investment tax credit adjustments, utility operations

This account shall include the amount of those investment tax credit adjustments related to property used in Utility Operations (by department)

[¶ 15,424]

411 5 Investment tax credit adjustments, nonutility operations

This account shall include the amount of those investment tax credit adjustments related to property used in Nonutility Operations

[¶ 15,425]

411 6 Gains from disposition of utility plant

This account shall include, as approved by the Commission, amounts relating to gains from the disposition of future use utility plant including amounts which were previously recorded in and transferred from account 105, Electric Plant Held for Future Use, under the provisions of paragraphs B, C, and D thereof Income taxes relating to gains recorded in this account shall be recorded in account 409 1, Income Taxes, Utility Operating Income

[¶ 15,426]

411 7 Losses from disposition of utility plant

This account shall include, as approved by the Commission, amounts relating to losses from the disposition of future use utility plant including amounts which were previously recorded in and transferred from account 105, Electric Plant Held for Future Use, under the provisions of paragraphs B, C, and D thereof Income taxes relating to losses, recorded in this account shall be recorded in account 409 1, Income Taxes, Utility Operating Income

[¶ 15,427]

412 Revenues from electric plant leased to others.

[¶ 15,428]

413 Expenses of electric plant leased to others

A These accounts shall include respectively, revenues from electric property constituting a distinct operating unit or system leased by the utility

¶ 15,422

to others, and which property is properly includible in account 104, Electric Plant 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

Operation

Maintenance

Depreciation

Amortization

NOTE Related taxes shall be recorded in account 408 1, Taxes Other Than Income Taxes, Utility Operating Income, or account 409 1, Income Taxes, Utility Operating Income, as appropriate

[¶ 15,429]

414 Other utility operating income

A This account shall include the revenues received and expenses incurred in connection with the operations of utility plant, the book cost of which is included in account 118, Other Utility Plant

B The expenses shall include every element of cost incurred in such operations, including depreciation, rents, and insurance

NOTE Related taxes shall be recorded in account 408 1, Taxes Other Than Income Taxes, Utility Operating Income, or account 409 1, Income Taxes, Utility Operating Income, as appropriate

[The next page is 11,751]

¶ 15,429

8 Maintaining display counters and other equipment used in merchandising

9 Arranging merchandise in sales rooms and decorating display windows

10 Reconditioning repossessed appliances

11 Bookkeeping and other clerical work in connection with merchandise and jobbing activities

12 Supervising merchandise and jobbing operations

Materials and expenses—

13 Advertising in newspapers, periodicals, radio, television, etc

14 Cost of merchandise sold and of materials used in jobbing work

15 Stores expenses on merchandise and jobbing stocks

16 Fees and expenses of advertising and commercial artists' agencies

17 Printing booklets, dodgers, and other advertising data

18 Premiums given as inducement to buy appliances

19 Light, heat and power

20 Depreciation on equipment used primarily for merchandise and jobbing operations

21 Rent of sales rooms or of equipment

22 Transportation expense in delivery and pick-up of appliances by utility's facilities or by others

23 Stationery and office supplies and expenses

24 Losses from uncollectible merchandise and jobbing accounts

[¶ 15,432]

417 Revenues from nonutility operations

[¶ 15,433]

417 1 Expenses of nonutility operations

A These accounts 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 an ice department where applicable statutes do not define such operation as a utility, or 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

Operation

Maintenance

Rents

¶ 15,431

Depreciation

Amortization

NOTE Related taxes shall be recorded in account 408 2, Taxes Other Than Income Taxes, Other Income and Deductions, or account 409 2, Income Taxes, Other Income and Deductions, as appropriate

[¶ 15,434]

418 Nonoperating rental income

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 or 417 1

B The expenses shall include all elements of costs incurred in the ownership and rental of property and the accounts shall be maintained so as to permit ready summarization as follows

Operation

Maintenance

Rents

Depreciation

Amortization

NOTE Related taxes shall be recorded in account 408 2 Taxes Other Than Income Taxes, Other Income and Deductions, or account 409 2, Income Taxes, Other Income and Deductions, as appropriate

[¶ 15,435]

418 1 Equity in earnings of subsidiary companies (Major only)

This account shall include the utility's equity in the earnings or losses of subsidiary companies for the year

[¶ 15,436]

419 Interest and dividend income.

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 This account may include 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

¶ 15,436

C Where significant in amount, expenses, excluding operating taxes and income taxes, applicable to security investments and to interest and dividend revenues thereon shall be charged hereto

NOTE 1 Related taxes shall be recorded in account 408 2, Taxes Other Than Income Taxes, Other Income and Deductions, or account 409 2, Income Taxes, Other Income and Deductions, as appropriate

NOTE 2 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

[¶ 15,437]

419 1 Allowance for other funds used during construction

This account shall include concurrent credits for allowance for other funds used during construction, not to exceed amounts computed in accordance with the formula prescribed in Electric Plant Instruction 3(17)

[¶ 15,438]

420 Investment tax credits

This account shall be credited as follows with investment tax credit amounts not passed on to customers

A By amounts equal to debits to accounts 411 4, Investment Tax Credit Adjustments, Utility Operations, and 411 5, Investment Tax Credit Adjustments, Nonutility Operations, for investment tax credits used in calculating income taxes for the year when the company's accounting provides for nondeferral of all or a portion of such credits, and,

B By amounts equal to debits to account 255, Accumulated deferred investment tax credits, for proportionate amounts of tax credit deferrals allocated over the average useful life of the property to which the tax credits relate, or such lesser period of time as may be adopted and consistently used by the company

[¶ 15,439]

421 Miscellaneous nonoperating income

This account shall include all revenue and expense items except taxes properly includible in the income account and not provided for elsewhere Related taxes shall be recorded in account 408 2, Taxes Other Than Income Taxes, Other Income and Deductions, or account 409 2, Income Taxes, Other Income and Deductions, as appropriate

ITEMS

1 Profit on sale of timber (See electric plant instruction 7C)

2 Profits from operations of others realized by the utility under contracts

¶ 15,436

3 Gains on disposition of investments Also, gains on reacquisition and resale or retirement of utilities debt securities when the gain is not amortized and used by a jurisdictional regulatory agency to reduce embedded debt cost in establishing rates See General Instruction 17

[¶ 15,440]

421 1 Gain on disposition of property.

This account shall be credited with the gain on the sale, conveyance, exchange, or transfer of utility or other property to another Amounts relating to gains on land and land rights held for future use recorded in account 105, Electric Plant Held for Future Use will be accounted for as prescribed in paragraphs B, C, and D thereof (See electric plant instructions 5F, 7E, and 10E) Income taxes on gains recorded in this account shall be recorded in account 409 2, Income Taxes, Other Income and Deductions

[¶ 15,441]

421 2 Loss on disposition of property

This account shall be charged with the loss on the sale, conveyance, exchange or transfer of utility or other property to another Amounts relating to losses on land and land rights held for future use recorded in account 105, Electric Plant Held for Future Use will be accounted for as prescribed in paragraphs B, C, and D thereof (See electric plant instructions 5F, 7E, and 10E) The reduction in income taxes relating to losses recorded in this account shall be recorded in account 409 2, Income Taxes, Other Income and Deductions

[¶ 15,442]

425 Miscellaneous amortization.

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

ITEMS

1 Amortization of utility plant acquisition adjustments, or of intangibles included in utility plant in service when not authorized to be included in utility operating expenses by the Commission

2 Other miscellaneous amortization charges allowed to be included in this account by the Commission

[¶ 15,443]

426 [Reserved]

SPECIAL INSTRUCTIONS—ACCOUNTS 426 1, 426 2, 426 3 426 4 AND 426 5

These accounts shall include miscellaneous expense items which are nonoperating in nature but which are properly deductible before determining total income before interest charges

¶ 15,443

NOTE The classification of expenses as nonoperating and their inclusion in these accounts is for accounting purposes. It does not preclude Commission consideration of proof to the contrary for ratemaking or other purposes.

[¶ 15,444]

426 1 Donations

This account shall include all payments or donations for charitable, social or community welfare purposes.

[¶ 15,445]

426 2 Life insurance

This account shall include all payments for life insurance of officers and employees where company is beneficiary (net premiums less increase in cash surrender value of policies).

[¶ 15,446]

426 3 Penalties

This account shall include payments by the company for penalties or fines for violation of any regulatory statutes by the company or its officials.

[¶ 15,447]

426 4 Expenditures for certain civic, political and related activities

This account shall include expenditures for the purpose of influencing public opinion with respect to the election or appointment of public officials, referenda, legislation, or ordinances (either with respect to the possible adoption of new referenda, legislation or ordinances or repeal or modification of existing referenda, legislation or ordinances) or approval, modification, or revocation of franchises, or for the purpose of influencing the decisions of public officials, but shall not include such expenditures which are directly related to appearances before regulatory or other governmental bodies in connection with the reporting utility's existing or proposed operations.

[¶ 15,448]

426 5 Other deductions.

This account shall include other miscellaneous expenses which are nonoperating in nature, but which are properly deductible before determining total income before interest charges.

ITEMS

- 1 Loss relating to investments in securities written-off or written-down
- 2 Loss on sale of investments
- 3 Loss on reacquisition, resale or retirement of utility's debt securities, when the loss is not amortized and used by a jurisdictional regulatory agency to increase embedded debt cost in establishing rates. See General Instruction 17.

¶ 15,443

Regulations

11,757

4 Preliminary survey and investigation expenses related to abandoned projects, when not written-off to the appropriate operating expense account

5 Costs of preliminary abandonment costs recorded in accounts 182 1, Extraordinary Property Losses, and 182 2, Unrecovered Plant and Regulatory Study Costs, not allowed to be amortized to account 407, Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs

[The next page is 11,761]

¶ 15,448

[¶ 15,449]**427 Interest on long-term debt**

A This account shall include the amount of interest 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

[¶ 15,450]**428 Amortization of debt discount and expense**

A This account shall include the amortization of unamortized debt discount and expense on outstanding long-term debt. Amounts charged to this account shall be credited concurrently to accounts 181, Unamortized Debt Expense, and 226, Unamortized Discount on Long-Term Debt—Debit

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

[¶ 15,451]**428 1 Amortization of loss on reacquired debt**

A This account shall include the amortization of the losses on reacquisition of debt. Amounts charged to this account shall be credited concurrently to account 189, Unamortized Loss on Reacquired Debt

B This account shall be maintained so as to allow ready identification of the loss amortized applicable to each class and series of long-term debt reacquired. See General Instruction 17

[¶ 15,452]**429 Amortization of premium on debt—Cr.**

A This account shall include the amortization of unamortized net premium on outstanding long-term debt. Amounts credited to this account shall be charged concurrently to account 225, Unamortized Premium on Long-Term Debt

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

[¶ 15,453]**429 1 Amortization of gain on reacquired debt—Credit**

A This account shall include the amortization of the gains realized from reacquisition of debt. Amounts credited to this account shall be charged concurrently to account 257, Unamortized Gain on Reacquired Debt

¶ 15,453

B This account shall be maintained so as to allow ready identification of the gains amortized applicable to each class and series of long-term debt reacquired See General Instruction 17

[¶ 15,454]

430 Interest on debt to associated companies

A This account shall include the 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

[¶ 15,455]

431 Other interest expense

This account shall include all interest charges not provided for elsewhere

ITEMS

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 judgments, tax assessments, and assessments for public improvements past due

4 Income and other taxes levied upon bondholders of utility and assumed by it

[¶ 15,456]

432 Allowance for borrowed funds used during construction—Credit

This account shall include concurrent credits for allowance for borrowed funds used during construction, not to exceed amounts computed in accordance with the formula prescribed in Electric Plant Instruction 3(17)

[¶ 15,457]**434 Extraordinary income**

This account shall be credited with gains of unusual nature and infrequent occurrence, which would significantly distort the current year's income computed before Extraordinary Items, if reported other than as extraordinary items. Income tax relating to the amounts recorded in this account shall be recorded in account 4093, Income Taxes, Extraordinary Items (See General Instruction 7)

[¶ 15,458]**435 Extraordinary deductions**

This account shall be debited with losses of unusual nature and infrequent occurrence, which would significantly distort the current year's income computed before Extraordinary Items, if reported other than as extraordinary items. Income tax relating to the amounts recorded in this account shall be recorded in account 4093, Income Taxes, Extraordinary Items (See General Instruction 7)

¶ 15,458

Retained Earnings Chart of Accounts

[¶ 15,459]

- 216 Unappropriated retained earnings (at beginning of period)
- 433 Balance transferred from income
- 436 Appropriations of retained earnings
- 437 Dividends declared—preferred stock
- 438 Dividends declared—common stock
- 439 Adjustments to retained earnings
- 216 Unappropriated retained earnings (at end of period)

Retained Earnings Accounts

[¶ 15,460]

433 Balance transferred from income

This account shall include the net credit or debit transferred from income for the year

[¶ 15,461]

436 Appropriations of retained earnings

This account shall include appropriations of retained earnings

ITEMS

- 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

[¶ 15,462]

437 Dividends declared—preferred stock

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 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

[¶ 15,463]

438 Dividends declared—common stock

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

¶ 15,463

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.

[¶ 15,464]

439 Adjustments to retained earnings

A This account shall, with prior Commission approval, include significant nonrecurring transactions accounted for as prior period adjustments, as follows:

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

(2) Adjustments that result from realization of income tax benefits of pre-acquisition operating loss carryforwards of purchased subsidiaries

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

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 account 210, Gain on Resale or Cancellation of Reacquired Capital Stock, for the treatment of gains.)

Operating Revenue Chart of Accounts

[¶ 15,465]

1 SALES OF ELECTRICITY

- 440 Residential sales
- 442 Commercial and industrial sales
- 444 Public street and highway lighting
- 445 Other sales to public authorities (Major only)
- 446 Sales to railroads and railways (Major only)
- 447 Sales for resale
- 448 Interdepartmental sales
- 449 Other sales (Nonmajor only)
- 449 1 Provision for rate refunds

2 OTHER OPERATING REVENUES

- 450 Forfeited discounts
- 451 Miscellaneous service revenues
- 453 Sales of water and water power
- 454 Rent from electric property
- 455 Interdepartmental rents
- 456 Other electric revenues

¶ 15,465

Operating Revenue Accounts

[¶ 15,466]

440 Residential sales

A This account shall include the net billing for electricity supplied for residential or domestic purposes

B Records shall be maintained so that the quantity of electricity sold and the revenue received under each rate schedule shall be readily available

NOTE When electricity supplied through a single meter is used for both residential and commercial purposes, the total revenue shall be included in this account, or account 442, Commercial and Industrial Sales, according to the rate schedule which is applied. If the same rate schedules apply to residential as to commercial and industrial service, classification shall be made according to principal use

[¶ 15,467]

442 Commercial and industrial sales

A This account shall include the net billing for electricity supplied to customers for commercial and industrial purposes

B Records shall be maintained so that the quantity of electricity sold and the revenue received under each rate schedule shall be readily available. Records shall be maintained also so as to show separately the revenues from commercial and industrial customers (1) which have demands generally of 1000 kw or more, and (2) those which have demands generally less than 1000 kw. Reasonable deviations above or below the 1000 kw demand are permissible in order that transfers of customers between the two classes during the year may be minimized

NOTE A If the utility classifies large commercial and industrial customers and related revenues on a lesser basis than 1000 kilowatts of demand, or segregates industrial customers and related revenues according to a recognized definition of an industrial customer, such classifications are acceptable in lieu of those otherwise required by the text of this account on the basis of 1000 kilowatts of demand

NOTE B When electricity supplied through a single meter is used for both commercial and residential purposes, the total revenue shall be included in this account, or in account 440, Residential Sales, according to the rate schedule which is applied. If the same rate schedules apply to residential as to commercial and industrial service, classification shall be made according to the principal use

[¶ 15,468]

444 Public street and highway lighting

A This account shall include the net billing for electricity supplied and services rendered for the purposes of lighting streets, highways, parks and

¶ 15,468

[¶ 15,475]

450 Forfeited discounts

This account shall include the amount of discounts forfeited or additional charges imposed because of the failure of customers to pay their electric bills on or before a specified date

[¶ 15,476]

451 Miscellaneous service revenues.

This account shall include revenues for all miscellaneous services and charges billed to customers which are not specifically provided for in other accounts

ITEMS

- 1 Fees for changing, connecting or disconnecting service
- 2 Profit on maintenance of appliances, wiring, piping or other installations on customers' premises
- 3 Net credit or debit (cost less net salvage and less payment from customers) on closing of work orders for plant installed for temporary service of less than one year (See account 185, Temporary Facilities)
- 4 Recovery of expenses in connection with current diversion cases (billing for the electricity consumed shall be included in the appropriate electric revenue account)

[¶ 15,477]

453 Sales of water and water power

A This account shall include revenues derived from the sale of water for irrigation, domestic, industrial or other uses, or for the development by others of water power, or for headwater benefits, also, revenues derived from furnishing water power for mechanical purposes when the investment in the property used in supplying such water or water power is carried as electric plant in service

B The records for this account shall be kept in such manner as to permit an analysis of the rates charged and the purposes for which the water was used

[¶ 15,478]

454 Rent from electric property.

A This account shall include rents received for the use by others of land, buildings, and other property devoted to electric operations by the utility

B When property owned by the utility is operated jointly with others under a definite arrangement for apportioning the actual expenses among the parties to the arrangement, any amount received by the utility for interest or return or in reimbursement of taxes or depreciation on the property shall be credited to this account

¶ 15,478

11,774

Regulations

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NOTE Do not include in this account rents from property constituting an operating unit or system (See account 412, Revenues from Electric Plant Leased to Others)

[¶ 15,479]

455 Interdepartmental rents

This account shall include rents credited to the electric department on account of rental charges made against other departments (gas, water, etc) of the utility In the case of property operated under a definite arrangement to allocate the costs among the departments using the property, any reimbursement to the electric department for interest or return and depreciation and taxes shall be credited to this account

[¶ 15,480]

456 Other electric revenues

This account shall include revenues derived from electric operations not includible in any of the foregoing accounts It shall also include in a separate subaccount revenues received from operation of fish and wildlife, and recreation facilities whether operated by the company or by contract concessionaires, such as revenues from leases, or rentals of land for cottage, homes, or campsites

ITEMS

1 Commission on sale or distribution of electricity of others when sold under rates filed by such others

2 Compensation for minor or incidental services provided for others such as customer billing, engineering, etc

3 Profit or loss on sale of material and supplies not ordinarily purchased for resale and not handled through merchandising and jobbing accounts

4 Sale of steam, but not including sales made by a steamheating department or transfers of steam under joint facility operations

5 Revenues from transmission of electricity of others over transmission facilities of the utility

6 Include in a separate subaccount revenues in payment for rights and/or benefits received from others which are realized through research, development, and demonstration ventures In the event the amounts received are so large as to distort revenues for the year in which received (5 percent of net income before application of the benefit) the amounts shall be credited to Account 253, Other Deferred Credits, and amortized by credits to this account over a period not to exceed 5 years

[The next page is 11,781]

¶ 15,480

482

other public places, or for traffic or other signal system service, for municipalities or other divisions or agencies of state or federal governments

B Records shall be maintained so that the quantity of electricity sold and the revenue received from each customer shall be readily available. In addition, the records shall be maintained so as to show the revenues from (1) contracts which include both electricity and services, and (2) contracts which include sales of electricity only

[¶ 15,469]

445 Other sales to public authorities (Major only)

A This account shall include the net billing for electricity supplied to municipalities or divisions or agencies of federal or state governments, under special contracts or agreements or service classifications applicable only to public authorities, except such revenues as are includible in accounts 444 and 447

B Records shall be maintained so as to show the quantity of electricity sold and the revenues received from each customer

[¶ 15,470]

446 Sales to railroads and railways (Major only)

A This account shall include the net billing for electricity supplied to railroads and interurban and street railways, for general railroad use, including the propulsion of cars or locomotives, where such electricity is supplied under separate and distinct rate schedules

B Records shall be maintained so that the quantity of electricity sold and the revenue received from each customer shall be readily available

NOTE Revenues from incidental use of electricity furnished under a contract for propulsion of cars or locomotives shall be included herein

[¶ 15,471]

447 Sales for resale

A This account shall include the net billing for electricity supplied to other electric utilities or to public authorities for resale purposes

B Records shall be maintained so as to show the quantity of electricity sold and the revenue received from each customer

NOTE Revenues from electricity supplied to other public utilities for use by them and not for distribution, shall be included in account 442, Commercial and Industrial Sales, unless supplied under the same contract as and not readily separable from revenues includible in this account

¶ 15,468

[¶ 15,472]**448 Interdepartmental sales**

A This account shall include amounts charged by the electric department at tariff or other specified rates for electricity supplied by it to other utility departments

B Records shall be maintained so that the quantity of electricity supplied each other department and the charges therefor shall be readily available

[¶ 15,473]**449 Other sales (Nonmajor only)**

A This account shall include revenues for electricity supplied which are not provided for elsewhere

B Records shall be maintained so as to show the quantity of electricity sold and the revenues received from each customer

[¶ 15,474]**449 1 Provision for rate refunds.**

A This account shall be charged with provisions for the estimated pretax effects on net income of the portions of amounts being collected subject to refund which are estimated to be required to be refunded. Such provisions shall be credited to Account 229, Accumulated Provision for Rate Refunds

B This account shall also be charged with amounts refunded when such amounts had not been previously accrued

C Income tax effects relating to the amounts recorded in this account shall be recorded in account 410 1, Provision for Deferred Income Taxes, Utility Operating Income, or account 411 1, Provision for Deferred Income Taxes—Credit Utility Operating Income, as appropriate

Operation and Maintenance Expense Chart of Accounts

[¶ 15,490]

1 POWER PRODUCTION EXPENSES

A STEAM POWER GENERATION

Operation

- 500 Operation supervision and engineering
- 501 Fuel
- 502 Steam expenses (Major only)
- 503 Steam from other sources
- 504 Steam transferred—Cr
- 505 Electric expenses (Major only)
- 506 Miscellaneous steam power expenses (Major only)
- 507 Rents
- 508 Operation supplies and expenses (Nonmajor only)

Maintenance

- 510 Maintenance supervision and engineering (Major only)
- 511 Maintenance of structures (Major only)
- 512 Maintenance of boiler plant (Major only)
- 513 Maintenance of electric plant (Major only)
- 514 Maintenance of miscellaneous steam plant (Major only)
- 515 Maintenance of steam production plant (Nonmajor only)

B NUCLEAR POWER GENERATION

Operation

- 517 Operation supervision and engineering (Major only)
- 518 Nuclear fuel expense (Major only)
- 519 Coolants and water (Major only)
- 520 Steam expenses (Major only)
- 521 Steam from other sources (Major only)
- 522 Steam transferred—Cr (Major only)
- 523 Electric expenses (Major only)
- 524 Miscellaneous nuclear power expenses (Major only)
- 525 Rents (Major only)

Maintenance

- 528 Maintenance supervision and engineering (Major only)
- 529 Maintenance of structures (Major only)
- 530 Maintenance of reactor plant equipment (Major only)

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Regulations

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531 Maintenance of electric plant (Major only)

532 Maintenance of miscellaneous nuclear plant (Major only)

C HYDRAULIC POWER GENERATION

Operation

535 Operation supervision and engineering

536 Water for power

537 Hydraulic expenses (Major only)

538 Electric expenses (Major only)

539 Miscellaneous hydraulic power generation expenses (Major only)

540 Rents

540 1 Operation supplies and expenses (Nonmajor only)

Maintenance

541 Maintenance supervision and engineering (Major only)

542 Maintenance of structures (Major only)

543 Maintenance of reservoirs, dams and waterways (Major only)

544 Maintenance of electric plant (Major only)

545 Maintenance of miscellaneous hydraulic plant (Major only)

545 1 Maintenance of hydraulic production plant (Nonmajor only)

D OTHER POWER GENERATION

Operation

546 Operation supervision and engineering

547 Fuel

548 Generation expenses (Major only)

549 Miscellaneous other power generation expenses (Major only)

550 Rents

550 1 Operation supplies and expenses (Nonmajor only)

Maintenance

551 Maintenance supervision and engineering (Major only)

552 Maintenance of structures (Major only)

553 Maintenance of generating and electric plant (Major only)

554 Maintenance of miscellaneous other power generation plant (Major only)

554 1 Maintenance of other power production plant (Nonmajor only)

E OTHER POWER SUPPLY EXPENSES

555 Purchased power

556 System control and load dispatching (Major only)

¶ 15,490

557 Other expenses

2 TRANSMISSION EXPENSES

Operation

560 Operation supervision and engineering

561 Load dispatching (Major only)

562 Station expenses (Major only)

563 Overhead line expenses (Major only)

564 Underground line expenses (Major only)

565 Transmission of electricity by others (Major only)

566 Miscellaneous transmission expenses (Major only)

567 Rents

567 1 Operation supplies and expenses (Nonmajor only)

Maintenance

568 Maintenance supervision and engineering (Major only)

569 Maintenance of structures (Major only)

570 Maintenance of station equipment (Major only)

571 Maintenance of overhead lines (Major only)

572 Maintenance of underground lines (Major only)

573 Maintenance of miscellaneous transmission plant (Major only)

574 Maintenance of transmission plant (Nonmajor only)

3 DISTRIBUTION EXPENSES

Operation

580 Operation supervision and engineering

581 Load dispatching (Major only)

581 1 Line and station expenses (Nonmajor only)

582 Station expenses (Major only)

583 Overhead line expenses (Major only)

584 Underground line expenses (Major only)

585 Street lighting and signal system expenses

586 Meter expenses

587 Customer installations expenses

588 Miscellaneous distribution expenses

589 Rents

Maintenance

590 Maintenance supervision and engineering (Major only)

591 Maintenance of structures (Major only)

¶ 15,490

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Regulations

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- 592 Maintenance of station equipment (Major only)
- 592 1 Maintenance of structures and equipment (Nonmajor only)
- 593 Maintenance of overhead lines (Major only)
- 594 Maintenance of underground lines (Major only)
- 594 1 Maintenance of lines (Nonmajor only)
- 595 Maintenance of line transformers
- 596 Maintenance of street lighting and signal systems
- 597 Maintenance of meters
- 598 Maintenance of miscellaneous distribution plant

4 CUSTOMER ACCOUNTS EXPENSES

Operation

- 901 Supervision (Major only)
- 902 Meter reading expenses
- 903 Customer records and collection expenses
- 904 Uncollectible accounts
- 905 Miscellaneous customer accounts expenses (Major only)

5 CUSTOMER SERVICE AND INFORMATIONAL EXPENSES

Operation

- 906 Customer service and informational expenses (Nonmajor only)
- 907 Supervision (Major only)
- 908 Customer assistance expenses (Major only)
- 909 Informational and instructional advertising expenses (Major only)
- 910 Miscellaneous customer service and informational expenses (Major only)

6 SALES EXPENSES

Operation

- 911 Supervision (Major only)
- 912 Demonstrating and selling expenses (Major only)
- 913 Advertising expenses (Major only)
- 916 Miscellaneous sales expenses (Major only)
- 917 Sales expenses (Nonmajor only)

7 ADMINISTRATIVE AND GENERAL EXPENSES

Operation

- 920 Administrative and general salaries
- 921 Office supplies and expenses
- 922 Administrative expenses transferred—Cr

¶ 15,490

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Regulations

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- 923 Outside services employed
 - 924 Property insurance
 - 925 Injuries and damages
 - 926 Employee pensions and benefits
 - 927 Franchise requirements
 - 928 Regulatory commission expenses
 - 929 Duplicate charges—Cr
 - 930 1 General advertising expenses
 - 930 2 Miscellaneous general expenses
 - 931 Rents
 - 933 Transportation expenses (Nonmajor only)
- Maintenance**
- 935 Maintenance of general plant

¶ 15,490

Operation and Maintenance Expense Accounts

[¶ 15,500]

500 Operation supervision and engineering

A For Major Utilities, this account shall include the cost of labor and expenses incurred in the general supervision and direction of the operation of steam power generating stations. Direct supervision of specific activities, such as fuel handling, boiler room operations, generator operations, etc., shall be charged to the appropriate account (See operating expense instruction 1)

B For Nonmajor Utilities, this account shall include the cost of supervision and labor in the operation of steam power generating stations

ITEMS (Nonmajor only)

Boiler Room Labor

- 1 Supervising steam production
- 2 Operating fuel conveying, storage, weighing and processing equipment within boiler plant
- 3 Operating boiler and boiler auxiliary equipment
- 4 Operating boiler feed water purification and treatment equipment
- 5 Operating ash collection and disposal equipment located inside the plant
- 6 Operating boiler plant electrical equipment
- 7 Keeping boiler plant log and records and preparing reports on boiler plant operations
- 8 Testing boiler water
- 9 Testing, checking, and adjusting meters, gauges and other instruments in boiler plant
- 10 Cleaning boiler plant equipment when not incidental to maintenance work
- 11 Repacking glands and replacing gauge glasses where the work involved is of a minor nature and is performed by regular operating crews. Where the work is of a major character such as that performed on high pressure boilers the item should be considered as maintenance

Electric Plant Labor

- 12 Supervising electric production
- 13 Operating turbines, engines, generators and exciters
- 14 Operating condensers, circulating water systems and other auxiliary apparatus
- 15 Operating generator cooling system
- 16 Operating lubrication and oil control system, including oil purification

¶ 15,500

17 Operating switchboards, switch gear and electric control and protective equipment

18 Keeping electric plant log and records and preparing reports on electric plant operations

19 Testing, checking and adjusting meters, gauges, and other instruments, relays, controls and other equipment in electric plant

20 Cleaning electric plant equipment when not incidental to maintenance work

21 Repacking glands and replacing gauge glasses

Miscellaneous Labor

22 General clerical and stenographic work at plant

23 Guarding and patrolling plant and yard

24 Building service

25 Care of grounds including snow removal, cutting grass, etc

26 Miscellaneous labor

[¶ 15,501]

501 Fuel

A This account shall include the cost of fuel used in the production of steam for the generation of electricity, including expenses in unloading fuel from the shipping media and handling thereof up to the point where the fuel enters the first boiler plant bunker, hopper, bucket, tank or holder of the boiler-house structure. Records shall be maintained to show the quantity, B t u content and cost of each type of fuel used.

B The cost of fuel shall be charged initially to account 151, Fuel Stock (for Nonmajor utilities, appropriate fuel accounts carried under account 154, Plant Materials and Operating Supplies), and cleared to this account on the basis of the fuel used. Fuel handling expenses may be charged to this account as incurred or charged initially to account 152, Fuel Stock Expenses Undistributed (for Nonmajor utilities, an appropriate subaccount of account 154, Plant Materials and Operating Supplies). In the latter event, they shall be cleared to this account on the basis of the fuel used. Respective amounts of fuel stock and fuel stock expenses shall be readily available.

ITEMS

Labor

1 Supervising purchasing and handling of fuel

2 All routine fuel analyses

3 Unloading from shipping facility and putting in storage

4 Moving of fuel in storage and transferring fuel from one station to another

5 Handling from storage or shipping facility to first bunker, hopper, bucket, tank or holder of boiler-house structure

¶ 15,500

6 Operation of mechanical equipment, such as locomotives, trucks, cars, boats, barges, cranes, etc

Materials and Expenses

7 Operating, maintenance and depreciation expenses and ad valorem taxes on utility-owned transportation equipment used to transport fuel from the point of acquisition to the unloading point (Major only)

8 Lease or rental costs of transportation equipment used to transport fuel from the point of acquisition to the unloading point (Major only)

9 Cost of fuel including freight, switching, demurrage and other transportation charges

10 Excise taxes, insurance, purchasing commissions and similar items

11 Stores expenses to extent applicable to fuel

12 Transportation and other expenses in moving fuel in storage

13 Tools, lubricants and other supplies

14 Operating supplies for mechanical equipment

15 Residual disposal expenses less any proceeds from sale of residuals

NOTE Abnormal fuel handling expenses occasioned by emergency conditions shall be charged to expense as incurred

[¶ 15,502]

502 Steam expenses (Major only).

This account shall include the cost of labor, materials used and expenses incurred in production of steam for electric generation This includes all expenses of handling and preparing fuel beginning at the point where the fuel enters the first boiler plant bunker, hopper, tank or holder of the boiler-house structure

ITEMS

Labor

1 Supervising steam production

2 Operating fuel conveying, storage weighing and processing equipment within boiler plant

3 Operating boiler and boiler auxiliary equipment

4 Operating boiler feed water purification and treatment equipment

5 Operating ash-collecting and disposal equipment located inside the plant

6 Operating boiler plant electrical equipment

7 Keeping boiler plant log and records and preparing reports on boiler plant operation

8 Testing boiler water

¶ 15,502

9 Testing, checking, and adjusting meters, gauges, and other instruments and equipment in boiler plant

10 Cleaning boiler plant equipment when not incidental to maintenance work

11 Repacking glands and replacing gauge glasses where the work involved is of a minor nature and is performed by regular operating crews. Where the work is of a major character, such as that performed on high-pressure boilers, the item should be considered as maintenance

Materials and Expenses

12 Chemicals and boiler inspection fees

13 Lubricants

14 Boiler feed water purchased and pumping supplies

[¶ 15,503]

503 Steam from other sources

This account shall include the cost of steam purchased, or transferred from another department of the utility or from others under a joint facility operating arrangement, for use in prime movers devoted to the production of electricity

NOTE The records shall be so kept as to show separately for each company from which steam is purchased, the point of delivery, the quantity, the price, and the total charge. When steam is transferred from another department or from others under a joint operating arrangement, the utility shall be prepared to show full details of the cost of producing such steam, the basis of the charge to electric generation and the extent and manner of use by each department or party involved

[¶ 15,504]

504 Steam transferred—Credit.

A This account shall include credits for expenses of producing steam which are charged to others or to other utility departments under a joint operating arrangement. Include also credits for steam expenses chargeable to other electric accounts outside of the steam generation group. Full details of the basis of determination of the cost of steam transferred shall be maintained

B If the charges to others or to other departments of the utility include an amount for depreciation, taxes and return on the joint steam facilities, such portion of the charge shall be credited, in the case of others, to account 454, Rent from Electric Property, and in the case of other departments of the utility, to account 455, Interdepartmental Rents

¶ 15,502

[¶ 15,505]**505 Electric expenses (Major only)**

This account shall include the cost of labor, materials used and expenses incurred in operating prime movers, generators, and their auxiliary apparatus, switch gear and other electric equipment to the points where electricity leaves for conversion for transmission or distribution

ITEMS

Labor

- 1 Supervising electric production
- 2 Operating turbines, engines, generators and exciters
- 3 Operating condensers, circulating water systems and other auxiliary apparatus
- 4 Operating generator cooling system
- 5 Operating lubrication and oil control system, including oil purification
- 6 Operating switchboards, switch gear and electric control and protective equipment
- 7 Keeping electric plant log and records and preparing reports on electric plant operations
- 8 Testing, checking and adjusting meters, gauges, and other instruments, relays, controls and other equipment in the electric plant
- 9 Cleaning electric plant equipment when not incidental to maintenance work
- 10 Repacking glands and replacing gauge glasses

Materials and Expenses

- 11 Lubricants and control system oils
- 12 Generator cooling gases
- 13 Circulating water purification supplies
- 14 Cooling water purchased
- 15 Motor and generator brushes

[¶ 15,506]**506 Miscellaneous steam power expenses (Major only)**

This account shall include the cost of labor, materials used and expenses incurred which are not specifically provided for or are not readily assignable to other steam generation operation expense accounts

ITEMS

Labor

- 1 General clerical and stenographic work
- 2 Guarding and patrolling plant and yard

¶ 15,506

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Regulations

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- 3 Building service
- 4 Care of grounds including snow removal, cutting grass, etc
- 5 Miscellaneous labor

Materials and Expenses

- 6 General operating supplies, such as tools, gaskets, packing waste, gauge glasses, hose, indicating lamps, record and report forms, etc
- 7 First-aid supplies and safety equipment
- 8 Employees' service facilities expenses
- 9 Building service supplies
- 10 Communication service
- 11 Miscellaneous office supplies and expenses, printing and stationery
- 12 Transportation expenses
- 13 Meals, traveling and incidental expenses
- 14 Research, development, and demonstration expenses

[¶ 15,507]

507 Rents.

This account shall include all rents of property of others used, occupied or operated in connection with steam power generation (See operating expense instruction 3)

[¶ 15,508]

508 Operation supplies and expenses (Nonmajor only)

This account shall include the cost of materials used and expenses incurred in the operation of steam power generating stations

ITEMS

- 1 Chemicals and boiler inspection fees
- 2 Lubricants and control system oils
- 3 Boiler feed water purchased and pumping supplies
- 4 Generator cooling gases
- 5 Circulating water purification supplies
- 6 Cooling water purchased
- 7 Motor and generator brushes
- 8 General operating supplies, such as tools, gaskets, packing waste, gauge glasses, hose, indicating lamps, record and report forms, etc
- 9 First-aid supplies and safety equipment
- 10 Employees' service facilities expenses
- 11 Building service supplies

¶ 15,506

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- 12 Communication service
- 13 Miscellaneous office supplies and expenses, printing and stationery
- 14 Transportation expenses
- 15 Meals, traveling and incidental expenses

[¶ 15,510]

510 Maintenance supervision and engineering (Major only)

This account shall include the cost of labor and expenses incurred in the general supervision and direction of maintenance of steam generation facilities. Direct field supervision of specific jobs shall be charged to the appropriate maintenance account. (See operating expense instruction 1)

[¶ 15,511]

511 Maintenance of structures (Major only)

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of steam structures, the book cost of which is includible in account 311, Structures and Improvements. (See operating expense instruction 2)

[¶ 15,512]

512 Maintenance of boiler plant (Major only)

A This account shall include the cost of labor, materials used and expenses incurred in the maintenance of steam plant, the book cost of which is includible in account 312, Boiler Plant Equipment. (See operating expense instruction 2)

B For the purpose of making charges hereto and to account 513, Maintenance of Electric Plant, the point at which steam plant is distinguished from electric plant is defined as follows

- 1 Inlet flange of throttle valve on prime mover
- 2 Flange of all steam extraction lines on prime mover
- 3 Hotwell pump outlet on condensate lines
- 4 Inlet flange of all turbine-room auxiliaries
- 5 Connection to line side of motor starter for all boiler-plant equipment

[¶ 15,513]

513 Maintenance of electric plant (Major only)

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of electric plant, the book cost of which is includible in account 313, Engines and Engine-Driven Generators, account 314, Turbogenerator Units, and account 315, Accessory Electric Equipment. (See operating expense instruction 2 and paragraph B of account 512)

¶ 15,513

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Regulations

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[¶ 15,514]

514 Maintenance of miscellaneous steam plant (Major only)

This account shall include the cost of labor, materials used and expenses incurred in maintenance of miscellaneous steam generation plant, the book cost of which is includible in account 316, Miscellaneous Power Plant Equipment (See operating expense instruction 2)

[¶ 15,515]

515 Maintenance of steam production plant (Nonmajor only)

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of steam production plant the book cost of which is includible in plant accounts 311 to 316, inclusive (See operating expense instruction 2)

[¶ 15,517]

517 Operation supervision and engineering (Major only)

This account shall include the cost of labor and expenses incurred in the general supervision and direction of the operation of nuclear power generating stations Direct supervision of specific activities, such as fuel handling, reactor operations, generator operations, etc , shall be charged to the appropriate account (See operating expense instruction 1)

[¶ 15,518]

518 Nuclear fuel expense (Major only)

A This account shall be debited and account 120 5, Accumulated Provision for Amortization of Nuclear Fuel Assemblies, credited for the amortization of the net cost of nuclear fuel assemblies used in the production of energy The net cost of nuclear fuel assemblies subject to amortization shall be the cost of nuclear fuel assemblies plus or less the expected net salvage of uranium, plutonium, and other byproducts and unburned fuel The utility shall adopt the necessary procedures to assure that charges to this account are distributed according to the thermal energy produced in such periods

B This account shall also include the costs involved when fuel is leased

C This account shall also include the cost of other fuels, used for ancillary steam facilities, including superheat

D This account shall be debited or credited as appropriate for significant changes in the amounts estimated as the net salvage value of uranium, plutonium, and other byproducts contained in account 157, Nuclear Materials Held for Sale and the amount realized upon the final disposition of the materials Significant declines in the estimated realizable value of items carried in account 157 may be recognized at the time of market price declines by charging this account and crediting account 157 When the declining change occurs while the fuel is recorded in account 120 3, Nuclear Fuel Assemblies in Reactor, the effect shall be amortized over the remaining life of the fuel

¶ 15,514

[¶ 15,519]

519 Coolants and water (Major only)

This account shall include the cost of labor, materials used and expenses incurred for heat transfer materials and water used for steam and cooling purposes

ITEMS

Labor

- 1 Operation of water supply facilities
- 2 Handling of coolants and heat transfer materials

Materials and Expenses

- 3 Chemicals
- 4 Additions to or refining of, fluids used in reactor systems
- 5 Lubricants
- 6 Pumping supplies and expenses
- 7 Miscellaneous supplies and expenses
- 8 Purchased water

NOTE Do not include in this account water for general station use or the initial charge for coolants, heat transfer or moderator fluids, chemicals or other supplies capitalized

[¶ 15,520]

520 Steam expenses (Major only)

This account shall include the cost of labor, materials used and expenses incurred in production of steam through nuclear processes, and similar expenses for operation of any auxiliary superheat facilities

ITEMS

Labor

- 1 Supervising steam production
- 2 Fuel handling including removal, insertion, disassembly and preparation for cooling operations and shipment
- 3 Testing instruments and gauges
- 4 Health, safety, monitoring and decontamination activities
- 5 Waste disposal
- 6 Operating steam boilers and auxiliary steam, superheat facilities

Materials and Expenses

- 7 Chemical supplies
- 8 Charts, logs, etc
- 9 Health, safety, monitoring and decontamination supplies

¶ 15,520

10 Boiler inspection fees

11 Lubricants

[¶ 15,521]

521 Steam from other sources (Major only)

This account shall include the cost of steam purchased or transferred from another department of the utility or from others under a joint facility operating arrangement for use in prime movers devoted to the production of electricity

NOTE The records shall be so kept as to show separately for each company from which steam is purchased, the point of delivery, the quantity, the price, and the total charge. When steam is transferred from another operating department, the utility shall be prepared to show full details of the cost of producing such steam, the basis of the charges to electric generation, and the extent and manner of use by each department involved

[¶ 15,522]

522 Steam transferred—Credit (Major only)

A This account shall include credits for expenses of producing steam which are charged to others or to other utility departments under a joint operating arrangement. Include also credits for steam expenses chargeable to other electric accounts outside of the steam generation group. Full details of the basis of determination of the cost of steam transferred shall be maintained

B If the charges to others or to other departments of the utility include an amount for depreciation, taxes and return on the joint steam facilities, such portion of the charge shall be credited, in the case of others, to account 454, Rent from Electric Property, and in the case of other departments of the utility, to account 455, Interdepartmental Rents

[¶ 15,523]

523 Electric expenses (Major only)

This account shall include the cost of labor, materials used and expenses incurred in operating turbogenerators, steam turbines and their auxiliary apparatus, switch gear and other electric equipment to the points where electricity leaves for conversion for transmission or distribution

ITEMS

Labor

1 Supervising electric production

2 Operating turbines, engines, generators and exciters

3 Operating condensers, circulating water systems and other auxiliary apparatus

4 Operating generator cooling system

5 Operating lubrication and oil control system, including oil purification

¶ 15,520

Regulations**11,797**

6 Operating switchboards, switch gear and electric control and protective equipment

7 Keeping plant log and records and preparing reports on electric plant operations

8 Testing, checking and adjusting meters, gauges, and other instruments, relays, controls and other equipment in the electric plant

9 Cleaning electric plant equipment when not incidental to maintenance

10 Repacking glands and replacing gauge glasses

Materials and Expenses

11 Lubricants and control system oils

12 Generator cooling gases

13 Log sheets and charts

14 Motor and generator brushes

[¶ 15,524]**524 Miscellaneous nuclear power expenses (Major only)**

This account shall include the cost of labor, materials used and expenses incurred which are not specifically provided for or are not readily assignable to other nuclear generation operation accounts

ITEMS**Labor**

1 General clerical and stenographic work

2 Plant security

3 Building service

4 Care of grounds, including snow removal, cutting grass, etc

5 Miscellaneous labor

Materials and Expenses

6 General operating supplies, such as tools, gaskets, hose, indicating lamps, record and report forms, etc

7 First-aid supplies and safety equipment

8 Employees' service facilities expenses

9 Building service supplies

10 Communication service

11 Miscellaneous office supplies and expenses, printing and stationery

12 Transportation expenses

13 Meals, traveling and incidental expenses

14 Research, development, and demonstration expenses

¶ 15,524

11,798

Regulations

150 2 19-85

[¶ 15,525]

525 Rents (Major only).

This account shall include all rents of property of others used, occupied or operated in connection with nuclear generation (See operating expense instruction 3)

[¶ 15,528]

528 Maintenance supervision and engineering (Major only)

This account shall include the cost of labor and expenses incurred in the general supervision and direction of maintenance of nuclear generation facilities Direct field supervision of specific jobs shall be charged to the appropriate maintenance account (See operating expense instruction 1)

[¶ 15,529]

529 Maintenance of structures (Major only)

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of structures, the book cost of which is includible in account 321, Structures and Improvements (See operating expense instruction 2)

[¶ 15,530]

530 Maintenance of reactor plant equipment (Major only)

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of reactor plant, the book cost of which is includible in account 322, Reactor Plant Equipment (See operating expense instruction 2)

[¶ 15,531]

531 Maintenance of electric plant (Major only)

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of electric plant, the book cost of which is includible in account 323, Turbogenerator Units, and account 324, Accessory Electric Equipment (See operating expense instruction 2)

[¶ 15,532]

532 Maintenance of miscellaneous nuclear plant (Major only)

This account shall include the cost of labor, materials used and expenses incurred in maintenance of miscellaneous nuclear generating plant, the book cost of which is includible in account 325, Miscellaneous Power Plant Equipment (See operating expense instruction 2)

[¶ 15,535]

535 Operation supervision and engineering

A For Major utilities, this account shall include the cost of labor and expenses incurred in the general supervision and direction of the operation of hydraulic power generating stations Direct supervision of specific activities,

¶ 15,525

such as hydraulic operation, generator operation, etc , shall be charged to the appropriate account (See operating expense instruction 1)

B For Nonmajor utilities, this account shall include the cost of supervision and labor in the operation of hydraulic power generating stations

ITEMS (Nonmajor Only)

Hydraulic Labor

- 1 Supervising hydraulic operation
- 2 Removing debris and ice from trash racks, reservoirs and waterways
- 3 Patrolling reservoirs and waterways
- 4 Operating intakes, spillways, sluiceways and outlet works
- 5 Operating bubbler, heater or other de-icing systems
- 6 Ice and log jam work
- 7 Operating navigation facilities
- 8 Operations relating to conservation of game, fish, forests, etc
- 9 Insect control activities

Electric Labor

- 10 Supervising electric production
- 11 Operating prime movers, generators and auxiliary equipment
- 12 Operating generator cooling system
- 13 Operating lubrication and oil control systems, including oil purification
- 14 Operating switchboards, switchgear and electric control and protection equipment
- 15 Keeping plant log and records and preparing reports on plant operations
- 16 Testing, checking and adjusting meters, gauges, and other instruments, relays, controls and other equipment in the plant
- 17 Cleaning plant equipment when not incidental to maintenance work
- 18 Repacking glands

Miscellaneous Labor

- 19 General clerical and stenographic work
- 20 Guarding and patrolling plant and yard
- 21 Building service
- 22 Care of grounds, including snow removal, cutting grass, etc
- 23 Snow removal from roads and bridges
- 24 Miscellaneous labor

¶ 15,535

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Regulations

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[¶ 15,536]

536 Water for power

This account shall include the cost of water used for hydraulic power generation

ITEMS

- 1 Cost of water purchased from others, including water tolls paid reservoir companies
- 2 Periodic payments for licenses or permits from any governmental agency for water rights, or payments based on the use of the water
- 3 Periodic payments for riparian rights
- 4 Periodic payments for headwater benefits or for detriments to others
- 5 Cloud seeding

[¶ 15,537]

537 Hydraulic expenses (Major only)

This account shall include the cost of labor, materials used and expenses incurred in operating hydraulic works including reservoirs, dams, and waterways, and in activities directly relating to the hydroelectric development outside the generating station. It shall also include the cost of labor, materials used and other expenses incurred in connection with the operation of (a) fish and wildlife, and (b) recreation facilities. Separate sub-accounts shall be maintained for each of the above.

ITEMS

Labor

- 1 Supervising hydraulic operation
- 2 Removing debris and ice from trash racks, reservoirs and waterways
- 3 Patrolling reservoirs and waterways
- 4 Operating intakes, spillways, sluiceways, and outlet works
- 5 Operating bubbler, heater or other deicing systems
- 6 Ice and log jam work
- 7 Operating navigation facilities
- 8 Operations relating to conservation of game, fish, forests, etc
- 9 Insect control activities

Materials and Expenses

- 10 Insect control materials
- 11 Lubricants, packing, and other supplies used in operation of hydraulic equipment
- 12 Transportation expense

¶ 15,536

[¶ 15,538]

538 Electric expenses (Major only)

This account shall include the cost of labor, materials used and expenses incurred in operating prime movers, generators, and their auxiliary apparatus, switchgear, and other electric equipment, to the point where electricity leaves for conversion for transmission or distribution

ITEMS

Labor

- 1 Supervising electric production
- 2 Operating prime movers, generators and auxiliary equipment
- 3 Operating generator cooling system
- 4 Operating lubrication and oil control systems, including oil purification
- 5 Operating switchboards, switchgear, and electric control and protection equipment
- 6 Keeping plant log and records and preparing reports on plant operations
- 7 Testing, checking and adjusting meters, gauges, and other instruments, relays, controls, and other equipment in the plant
- 8 Cleaning plant equipment when not incidental to maintenance work
- 9 Repacking glands

Materials and Expenses

- 10 Lubricants and control system oils
- 11 Motor and generator brushes

[¶ 15,539]

539 Miscellaneous hydraulic power generation expenses (Major only)

This account shall include the cost of labor, materials used and expenses incurred which are not specifically provided for or are not readily assignable to other hydraulic generation operation expense accounts

ITEMS

Labor

- 1 General clerical and stenographic work
- 2 Guarding and patrolling plant and yard
- 3 Building service
- 4 Care of grounds including snow removal, cutting grass, etc
- 5 Snow removal from roads and bridges

¶ 15,539

6 Miscellaneous labor

Materials and Expenses

7 General operating supplies, such as tools, gaskets, packing, waste, hose, indicating lamps, record and report forms, etc

8 First-aid supplies and safety equipment

9 Employees' service facilities expenses

10 Building service supplies

11 Communication service

12 Office supplies, printing and station- ery

13 Transportation expenses

14 Fuel

15 Meals, traveling and incidental expenses

16 Research, development, and demonstration expenses

[¶ 15,540]

540 Rents

This account shall include all rents of property of others used, occupied or operated in connection with hydraulic power generation, including amounts payable to the United States for the occupancy of public lands and reservations for reservoirs, dams, flumes, forebays, penstocks, power houses, etc, but not including transmission right of way (See operating expense instructions ,

[¶ 15,541]

540.1 Operation supplies and expenses (Nonmajor only)

This account shall include the cost of materials used and expenses incurred in the operation of hydraulic power generating stations

ITEMS

1 Insect control materials

2 Lubricants, packing, and other supplies used in operation of hydraulic equipment

3 Supplies and expenses in conservation of game, fish, forests, etc

4 Transportation expense

5 Control system oils

6 Motor and generator brushes

7 General operating supplies, such as tools, gaskets, packing, waste hose, indicating lamps, record and report forms, etc

8 First-aid supplies and safety equipment

9 Employees' service facilities expenses

10 Building service supplies

¶ 15,539

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- 11 Communication service
- 12 Office supplies, printing and stationery
- 13 Transportation expenses
- 14 Fuel
- 15 Meals, traveling and incidental expenses

[¶ 15,542]

541 Maintenance supervision and engineering (Major only).

This account shall include the cost of labor and expenses incurred in the general supervision and direction of the maintenance of hydraulic power generating stations. Direct field supervision of specific jobs shall be charged to the appropriate maintenance account (See operating expense instruction 1)

[¶ 15,543]

542 Maintenance of structures (Major only)

This account shall include the cost of labor, materials used, and expenses incurred in maintenance of hydraulic structures, the book cost of which is includible in Account 331, Structures and Improvements (See operating expense instruction 2) However, the cost of labor, materials used and expenses incurred in the maintenance of fish and wildlife, and recreation facilities, the book cost of which is includible in Account 331, Structures and Improvements, shall be charged to Account 545, Maintenance of Miscellaneous Hydraulic Plant

[¶ 15,544]

543 Maintenance of reservoirs, dams, and waterways (Major only)

This account shall include the cost of labor, materials used, and expenses incurred in maintenance of plant includible in Account 332, Reservoirs, Dams, and Waterways (See operating expense instruction 2) However, the cost of labor materials used and expenses incurred in the maintenance of fish and wildlife, and recreation facilities, the book cost of which is includible in Account 332, Reservoirs, Dams and Waterways, shall be charged to Account 545, Maintenance of Miscellaneous Hydraulic Plant

[¶ 15,545]

544 Maintenance of electric plant (Major only).

This account shall include the cost of labor, materials used and expenses incurred in maintenance of plant includible in Account 333, Water Wheels, Turbines and Generators, and account 334, Accessory Electric Equipment (See operating expense instruction 2)

[¶ 15,546]

545 Maintenance of miscellaneous hydraulic plant (Major only).

This account shall include the cost of labor, materials used, and expenses incurred in maintenance of plant, the book cost of which is includible in

Account 335, Miscellaneous Power Plant Equipment, and Account 336, Roads, Railroads and Bridges (See operating expense instruction 2) It shall also include the cost of labor, materials used and other expenses incurred in the maintenance of (a) fish and wildlife, and (b) recreation facilities Separate subaccounts shall be maintained for each of the above

[¶ 15,547]

545 1 Maintenance of hydraulic production plant (Nonmajor only).

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of hydraulic production plant the book cost of which is includible in plant accounts 331 to 336, inclusive (See operating expense instruction 2)

[¶ 15,548]

546 Operation supervision and engineering.

A For Major utilities, this account shall include the cost of labor and expenses incurred in the general supervision and direction of the operation of other power generating stations Direct supervision of specific activities, such as fuel handling, engine and generator operation, etc , shall be charged to the appropriate account (See operating expense instruction 1)

B For Nonmajor utilities, this account shall include the cost of supervision and labor in the operation of other power generating stations

Generating Labor

- 1 Supervising other power generation operation
- 2 Operating prime movers, generators and auxiliary apparatus and switching and other electric equipment
- 3 Keeping plant log and records and preparing reports on plant operations
- 4 Testing, checking, cleaning, oiling and adjusting equipment

Miscellaneous Labor

- 5 General clerical and stenographic work
- 6 Guarding and patrolling plant and yard
- 7 Building service
- 8 Care of grounds, including snow removal, cutting grass, etc
- 9 Miscellaneous labor

[¶ 15,549]

547 Fuel

This account shall include the cost delivered at the station (see account 151, Fuel Stock, for Major utilities, and account 154, Plant Materials and Operating Supplies, for Nonmajor utilities) of all fuel, such as gas, oil, kerosene, and gasoline used in other power generation

¶ 15,547

[¶ 15,550]

548 Generation expenses (Major only)

This account shall include the cost of labor, materials used and expenses incurred in operating prime movers, generators and electric equipment in other power generating stations, to the point where electricity leaves for conversion for transmission or distribution

ITEMS

Labor

- 1 Supervising other power generation operation
- 2 Operating prime movers, generators and auxiliary apparatus and switching and other electric equipment
- 3 Keeping plant log and records and preparing reports on plant operations
- 4 Testing, checking, cleaning, oiling and adjusting equipment

Materials and Expenses

- 5 Dynamo, motor, and generator brushes
- 6 Lubricants and control system oils
- 7 Water for cooling engines and generators

[¶ 15,551]

549 Miscellaneous other power generation expenses (Major only)

This account shall include the cost of labor, materials used and expenses incurred in the operation of other power generating stations which are not specifically provided for or are not readily assignable to other generation expense accounts

ITEMS

Labor

- 1 General clerical and stenographic work
- 2 Guarding and patrolling plant and yard
- 3 Building service
- 4 Care of grounds, including snow removal, cutting grass, etc
- 5 Miscellaneous labor

Materials and Expenses

- 6 Building service supplies
- 7 First-aid supplies and safety equipment
- 8 Communication service
- 9 Employees' service facilities expenses
- 10 Office supplies, printing and stationery

¶ 15,551

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Regulations

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- 11 Transportation expense
- 12 Meals, traveling and incidental expenses
- 13 Fuel for heating
- 14 Water for fire protection or general use
- 15 Miscellaneous supplies, such as hand tools, drills, saw blades, files,
etc
- 16 Research, development, and demonstration expenses

[¶ 15,552]

550 Rents.

This account shall include all rents of property of others used, occupied, or operated in connection with other power generation (See operating expense instruction 3)

[¶ 15,553]

550 1 Operation supplies and expenses (Nonmajor only)

This account shall include the cost of materials used and expenses incurred in the operation of other power generating stations

ITEMS

- 1 Dynamo, motor, and generator brushes
- 2 Lubricants and control system oils
- 3 Water for cooling engines and generators
- 4 Building service supplies
- 5 First-aid supplies and safety equipment
- 6 Communication service
- 7 Employees' service facilities expenses
- 8 Office supplies, printing and stationery
- 9 Transportation expense
- 10 Meals, traveling and incidental expenses
- 11 Fuel for heating
- 12 Water for fire protection or general use
- 13 Miscellaneous supplies, such as hand tools, drills, saw blades, files,
etc

[¶ 15,554]

551 Maintenance supervision and engineering (Major only).

This account shall include the cost of labor and expenses incurred in the general supervision and direction of the maintenance of other power generating stations Direct field supervision of specific jobs shall be charged to the appropriate maintenance account (See operating expense instruction 1)

¶ 15,551

[¶ 15,555]**552 Maintenance of structures (Major only)**

This account shall include the cost of labor, materials used and expenses incurred in maintenance of facilities used in other power generation, the book cost of which is includible in account 341, Structures and Improvements, and account 342, Fuel Holders, Producers and Accessories (See operating expense instruction 2)

[¶ 15,556]**553 Maintenance of generating and electric equipment (Major only)**

This account shall include the cost of labor, materials used and expenses incurred in maintenance of plant, the book cost of which is includible in account 343, Prime Movers, account 344 Generators, and account 345, Accessory Electric Equipment (See operating expense instruction 2)

[¶ 15,557]**554 Maintenance of miscellaneous other power generation plant (Major only)**

This account shall include the cost of labor, materials used and expenses incurred in maintenance of other power generation plant, the book cost of which is includible in account 346, Miscellaneous Power Plant Equipment (See operating expense instruction 2)

[¶ 15,558]**554 1 Maintenance of other power production plant (Nonmajor only)**

This account shall include the cost of labor, materials used and expenses incurred in maintenance of other power generation plant, the book cost of which is includible in plant accounts 341 to 346, inclusive (See operating expense instruction 2)

[¶ 15,559]**555 Purchased power.**

A This account shall include the cost at point of receipt by the utility of electricity purchased for resale It shall include, also, net settlements for exchange of electricity or power, such as economy energy, off-peak energy for on-peak energy, spinning reserve capacity, etc In addition, the account shall include the net settlements for transactions under pooling or interconnection agreements wherein there is a balancing of debits and credits for energy, capacity, etc Distinct purchases and sales shall not be recorded as exchanges and net amounts only recorded merely because debit and credit amounts are combined in the voucher settlement

B The records supporting this account shall show, by months, the demands and demand charges, kilowatt-hours and prices thereof under each purchase contract and the charges and credits under each exchange or power pooling contract

¶ 15,559

[¶ 15,560]

556 System control and load dispatching (Major only)

This account shall include the cost of labor and expenses incurred in load dispatching activities for system control Utilities having an interconnected electric system or operating under a central authority which controls the production and dispatching of electricity may apportion these costs to this account and accounts 561, Load Dispatching—Transmission, and 581, Load Dispatching—Distribution

ITEMS

Labor

- 1 Allocating loads to plants and interconnections with others
- 2 Directing switching
- 3 Arranging and controlling clearances for construction, maintenance, test and emergency purposes
- 4 Controlling system voltages
- 5 Recording loadings, water conditions, etc
- 6 Preparing operating reports and data for billing and budget purposes
- 7 Obtaining reports on the weather and special events

Expenses

- 8 Communication service provided for system control purposes
- 9 System record and report forms
- 10 Meals, traveling and incidental expenses
- 11 Obtaining weather and special events reports

[¶ 15,561]

557 Other expenses

A This account shall be charged with any production expenses including expenses incurred directly in connection with the purchase of electricity, which are not specifically provided for in other production expense accounts Charges to this account shall be supported so that a description of each type of charge will be readily available

B Recoveries from insurance companies, under use and occupancy provisions of policies, of amounts in reimbursement of excessive or added production costs for which the insurance company is liable under the terms of the policy shall be credited to this account

[The next page is 11,811]

¶ 15,560

[¶ 15,564]

560 Operation supervision and engineering

A For Major utilities, this account shall include the cost of labor and expenses incurred in the general supervision and direction of the operation of the transmission system as a whole. Direct supervision of specific activities, such as station operation, line operation, etc, shall be charged to the appropriate account (See operating expense instruction 1)

B For Nonmajor utilities, this account shall include the cost of supervision and labor in the operation of the transmission system

ITEMS (Nonmajor Only)**Load Dispatching Labor**

- 1 Direct switching
- 2 Arranging and controlling clearances for construction, maintenance, test and emergency purposes
- 3 Controlling system voltages
- 4 Obtaining reports on the weather and special events
- 5 Preparing operating reports and data for billing and budget purposes

Station Labor

- 6 Supervising station operation
- 7 Adjusting station equipment where such adjustment primarily affects performance, such as regulating the flow of cooling water, adjusting current in fields of a machine or changing voltage of regulators changing station transformer taps
- 8 Inspecting, testing and calibrating station equipment for the purpose of checking its performance
- 9 Keeping station log and records and preparing reports on station operation
- 10 Operating switching and other station equipment
- 11 Standing watch, guarding and patrolling station and station yard
- 12 Sweeping, mopping and tidying station
- 13 Care of grounds, including snow removal, cutting grass, etc

Line Labor

- 14 Supervising line operation
- 15 Inspecting and testing lightning arresters, circuit breakers, switches and grounds
- 16 Load tests of circuits
- 17 Routine line patrolling
- 18 Routine voltage surveys made to determine the condition or efficiency of transmission system

¶ 15,564

11,812

Regulations

150 2 19-85

19 Transferring loads, switching and reconnecting circuits and equipment for operating purposes (Switching for construction or maintenance purposes is not includible in this account)

20 Routine inspection and cleaning of manholes, conduit, network and transformer vaults

21 Electrolysis surveys

22 Inspecting and adjusting line testing equipment such as voltmeters, ammeters, wattmeters, etc

23 Regulation and addition of oil or gas in high voltage cable systems

Miscellaneous Labor

24 General records of physical characteristics of lines and stations, such as capacities, etc

25 Ground resistance records

26 Janitorial work at transmission office buildings, including care of grounds, snow removal, cutting grass, etc

27 Joint pole maps and prints

28 Line load and voltage records

29 Preparing maps and prints

30 General clerical and stenographic work

31 Miscellaneous labor

[¶ 15,565]

561 Load dispatching (Major only)

This account shall include the cost of labor, materials used and expenses incurred in load dispatching operations pertaining to the transmission of electricity

ITEMS

Labor

1 Directing switching

2 Arranging and controlling clearances for construction, maintenance, test and emergency purposes

3 Controlling system voltages

4 Obtaining reports on the weather and special events

5 Preparing operating reports and data for billing and budget purposes

Expenses

6 Communication service provided for system control purposes

7 System record and report forms

8 Meals, traveling and incidental expenses

9 Obtaining weather and special events reports

¶ 15,564

[¶ 15,566]**562 Station expenses (Major only)**

This account shall include the cost of labor, materials used and expenses incurred in operating transmission substations and switching stations. If transmission station equipment is located in or adjacent to a generating station the expenses applicable to transmission station operations shall nevertheless be charged to this account.

ITEMS**Labor****1 Supervising station operation**

2 Adjusting station equipment where such adjustment primarily affects performance, such as regulating the flow of cooling water, adjusting current in fields of a machine or changing voltage of regulators, changing station transformer taps

3 Inspecting, testing and calibrating station equipment for the purpose of checking its performance

4 Keeping station log and records and preparing reports on station operation

5 Operating switching and other station equipment

6 Standing watch, guarding, and patrolling station and station yard

7 Sweeping, mopping, and tidying station

8 Care of grounds, including snow removal, cutting grass, etc

Materials and Expenses

9 Building service expenses

10 Operating supplies, such as lubricants, commutator brushes, water, and rubber goods

11 Station meter and instrument supplies, such as ink and charts

12 Station record and report forms

13 Tool expense

14 Transportation expenses

15 Meals, traveling, and incidental expenses

[¶ 15,567]**563 Overhead line expenses (Major only).****[¶ 15,568]****564 Underground line expenses (Major only).**

A These accounts shall include the cost of labor, materials used and expenses incurred in the operation of transmission lines

¶ 15,568

11,814

Regulations

150 2 19-85

B If the expenses are not substantial for both overhead and underground lines, these accounts may be combined

ITEMS

Labor

- 1 Supervising line operation
- 2 Inspecting and testing lightning arresters, circuit breakers, switches, and grounds
- 3 Load tests of circuits
- 4 Routine line patrolling
- 5 Routine voltage surveys made to determine the condition or efficiency of transmission system
- 6 Transferring loads, switching and reconnecting circuits and equipment for operating purposes (Switching for construction or maintenance purposes is not includible in this account)
- 7 Routine inspection and cleaning of manholes, conduit, network and transformer vaults
- 8 Electrolysis surveys
- 9 Inspecting and adjusting line-testing equipment, such as voltmeters, ammeters, wattmeters, etc
- 10 Regulation and addition of oil or gas in high-voltage cable systems

Materials and Expenses

- 11 Transportation expenses
- 12 Meals, traveling and incidental expenses
- 13 Tool expenses
- 14 Operating supplies, such as instrument charts, rubber goods, etc

[¶ 15,569]

565 Transmission of electricity by others (Major only)

This account shall include amounts payable to others for the transmission of the utility's electricity over transmission facilities owned by others

[¶ 15,570]

566 Miscellaneous transmission expenses (Major only)

This account shall include the cost of labor, materials used and expenses incurred in transmission map and record work, transmission office expenses, and other transmission expenses not provided for elsewhere

ITEMS

Labor

- 1 General records of physical characteristics of lines and stations, such as capacities, etc

¶ 15,568

515

- 2 Ground resistance records
- 3 Janitor work at transmission office buildings, including care of grounds, snow removal, cutting grass, etc
- 4 Joint pole maps and records
- 5 Line load and voltage records
- 6 Preparing maps and prints
- 7 General clerical and stenographic work
- 8 Miscellaneous labor

Materials and Expenses

- 9 Communication service
- 10 Building service supplies
- 11 Map and record supplies
- 12 Transmission office supplies and expenses, printing and stationery
- 13 First-aid supplies
- 14 Research, development, and demonstration expenses

[¶ 15,571]

567 Rents

This account shall include rents of property of others used, occupied, or operated in connection with the transmission system, including payments to the United States and others for use of public or private lands and reservations for transmission line rights of way (See operating expense instruction 3)

[¶ 15,572]

567 1 Operation supplies and expenses (Nonmajor only)

This account shall include the cost of materials used and expenses incurred in the operation of the transmission system

ITEMS

- 1 Building service expenses
- 2 Operating supplies, such as lubricants, commutator brushes, water, and rubber goods
- 3 Station meter and instrument supplies, such as ink and charts
- 4 Station record and report forms
- 5 Communication service
- 6 First-aid supplies
- 7 Tool expense
- 8 Transportation expenses
- 9 Meals, traveling, and incidental expenses

¶ 15,572

[¶ 15,573]

568 Maintenance supervision and engineering (Major only)

This account shall include the cost of labor and expenses incurred in the general supervision and direction of maintenance of the transmission system. Direct field supervision of specific jobs shall be charged to the appropriate maintenance account (See operating expense instruction 1)

[¶ 15,574]

569 Maintenance of structures (Major only).

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of structures, the book cost of which is includible in account 352, Structures and Improvements (See operating expense instruction 2)

[¶ 15,575]

570 Maintenance of station equipment (Major only)

This account shall include the cost of labor, materials used and expenses incurred in maintenance of station equipment the book cost of which is includible in account 353, Station Equipment (See operating expense instruction 2)

[¶ 15,576]

571 Maintenance of overhead lines (Major only)

This account shall include the cost of labor, materials used and expenses incurred in maintenance of transmission plant, the book cost of which is includible in accounts 354, Towers and Fixtures, 355, Poles and Fixtures, 356, Overhead Conductors and Devices, 359, Roads and Trails (See operating expense instruction 2)

ITEMS

- 1 Work of the following character on poles, towers and fixtures
 - a Installing or removing additional clamps or strain insulators on guys in place
 - b Moving line or guy pole in relocation of the same pole or section of line
 - c Painting poles, towers, crossarms or pole extensions
 - d Readjusting and changing position of guys or braces
 - e Realigning and straightening poles, cross arms braces, and other pole fixtures
 - f Reconditioning reclaimed pole fixtures
 - g Relocating crossarms, racks, brackets, and other fixtures on poles
 - h Repairing or realigning pins, racks, or brackets
 - 1 Repairing pole supported platform
 - 2 Repairs by others to jointly owned poles

¶ 15,573

- k Shaving, cutting rot, or treating poles or crossarms in use or salvaged for reuse
 - l Stubbing poles already in service
 - m Supporting fixtures and conductors and transferring them to new pole during poles replacements
 - n Maintenance of pole signs, stencils, tags, etc
- 2 Work of the following character on overhead conductors and devices
 - a Overhauling and repairing line cutouts, line switches, line breakers, etc
 - b Cleaning insulators and bushings
 - c Refusing cutouts
 - d Repairing line oil circuit breakers and associated relays and control wiring
 - e Repairing grounds
 - f Resagging, retying, or rearranging position or spacing of conductors
 - g Standing by phones, going to calls, cutting faulty lines clear, or similar activities at times of emergencies
 - h Sampling, testing, changing, purifying, and replenishing insulating oil
 - i Repairing line testing equipment
 - j Transferring loads, switching and reconnecting circuits and equipment for maintenance purposes
 - k Trimming trees and clearing brush
 - l Chemical treatment of right of way areas when occurring subsequent to construction of line
- 3 Work of the following character on roads and trails
 - a Repairing roadway, bridges, etc
 - b Trimming trees and brush to maintain previous roadway clearance
 - c Snow removal from roads and trails
 - d Maintenance work on publicly owned roads and trails when done by utility at its expense

[¶ 15,577]

572 Maintenance of underground lines (Major only)

This account shall include the cost of labor, materials used and expenses incurred in maintenance of transmission plant, the book cost of which is includible in accounts 357, Underground Conduit, and 358, Underground Conductors and Devices (See operating expense instruction 2)

ITEMS

- 1 Work of the following character on underground conduit
 - a Cleaning ducts, manholes, and sewer connections

¶ 15,577

- b Minor alterations of handholes, manholes, or vaults
- c Refastening, repairing, or moving racks, ladders, or hangers in manholes, or vaults
- d Plugging and shelving or replugging ducts
- e Repairs to sewers and drains, walls and floors, rings and covers
- 2 Work of the following character on underground conductors and devices
 - a Repairing oil circuit breakers, switches, cutouts, and control wiring
 - b Repairing grounds
 - c Retraining and reconnecting cables in manhole, including transfer of cables from one duct to another
 - d Repairing conductors and splices
 - e Repairing or moving junction boxes and potheads
 - f Refireproofing of cables and repairing supports
 - g Repairing electrolysis preventive devices for cables
 - h Repairing cable bonding systems
 - i Sampling, testing, changing, purifying and replenishing insulating oil
 - j Transferring loads, switching and reconnecting circuits and equipment for maintenance purposes
 - k Repairing line testing equipment
 - l Repairs to oil or gas equipment in highvoltage cable system and replacement of oil or gas

[¶ 15,578]

573 Maintenance of miscellaneous transmission plant (Major only)

This account shall include the cost of labor, materials used and expenses incurred in maintenance of owned or leased plant which is assignable to transmission operations and is not provided for elsewhere (See operating expense instruction 2)

[¶ 15,579]

574 Maintenance of transmission plant (Nonmajor only)

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of transmission plant the book cost of which is includible in plant accounts 351 to 359 inclusive (See operating expense instruction 2)

ITEMS

- 1 Work of the following character on poles, towers and fixtures
 - a Installing or removing additional clamps or strain insulators on guys in place
 - b Moving line or guy pole in relocation of the same pole or section line

¶ 15,577

- c Painting poles, towers, crossarms or pole extensions
- d Readjusting and changing position of guys or braces
- e Realigning and straightening poles, crossarms, braces and other pole fixtures
- f Reconditioning reclaimed pole fixtures
- g Relocating crossarms, racks, brackets, and other fixtures on poles
- h Repairing or realigning pins, racks, or brackets
- i Repairing pole-supported platform
- j Repairs by others to jointly owned poles
- k Shaving, cutting rot, or treating poles or crossarms in use or salvaged for reuse
 - l Stubbing poles already in service
 - m Supporting fixtures and conductors and transferring them to new pole during pole replacement
 - n Maintenance of pole signs, stencils, tags, etc
- 2 Work of the following character on overhead conductors and devices
 - a Overhauling and repairing line cutouts, line switches, line breakers, etc
 - b Cleaning insulators and bushings
 - c Refusing cutouts
 - d Repairing line oil circuit breakers and associated relays and control wiring
 - e Repairing grounds
 - f Resagging, retying, or rearranging position or spacing of conductors
 - g Standing by phones, going to calls, cutting faulty lines clear, or similar activities at times of emergencies
 - h Sampling, testing, changing, purifying, and replenishing insulating oil
 - i Repairing line testing equipment
 - j Transferring loads, switching and reconnecting circuits and equipment for maintenance purposes
 - k Trimming trees and clearing brush
 - l Chemical treatment of right of way areas when occurring subsequent to construction of line
- 3 Work of the following character on roads and trails
 - a Repairing roadway, bridges, etc
 - b Trimming trees and brush to maintain previous roadway clearance
 - c Snow removal from roads and trails

d Maintenance work on publicly owned roads and trails when done by utility at its expense

4 Work of the following character on underground conduit

a Cleaning ducts, manholes, and sewer connections

b Minor alterations of handholes, manholes, or vaults

c Refasting, repairing, or moving racks, ladders, or hangers in manholes, or vaults

d Plugging and shelving or replugging ducts

e Repairs to sewers and drains, walls and floors, rings and covers

5 Work of the following character on underground conductors and devices

a Repairing oil circuit breakers, switches, cutouts, and control wiring

b Repairing grounds

c Retraining and reconnecting cables in manhole, including transfer of cables from one duct to another

d Repairing conductors and splices

e Repairing or moving junction boxes and potheads

f Refireproofing of cables and repairing supports

g Repairing electrolysis preventive devices for cables

h Repairing cable bonding systems

i Sampling, testing, changing, purifying and replenishing insulating oil

j Transferring loads, switching and reconnecting circuits and equipment for maintenance purposes

k Repairing line testing equipment

l Repairs to oil or gas equipment in high voltage cable system and replacement of oil or gas

[The next page is 11,831]

[¶ 15,585]

580 Operation supervision and engineering

This account shall include the cost of labor and expenses incurred in the general supervision and direction of the operation of the distribution system. Direct supervision of specific activities, such as station operation, line operation, meter department operation, etc., shall be charged to the appropriate account (For Major utilities, see operating expense instruction 1)

[¶ 15,586]

581 Load dispatching (Major only)

This account (the keeping of which is optional with the utility) shall include the cost of labor, materials used and expenses incurred in load dispatching operations pertaining to the distribution of electricity

ITEMS

Labor

- 1 Directing switching
- 2 Arranging and controlling clearances for construction, maintenance, test and emergency purposes
- 3 Controlling system voltages
- 4 Preparing operating reports
- 5 Obtaining reports on the weather and special events

Expenses

- 6 Communication service provided for system control purposes
- 7 System record and report forms
- 8 Meals, traveling and incidental expenses

[¶ 15,587]

581.1 Line and station supplies and expenses (Nonmajor only)

[¶ 15,588]

582 Station expenses (Major only)

[¶ 15,589]

583 Overhead line expenses (Major only)

[¶ 15,590]

584 Underground line expenses (Major only).

Accounts 581 1 through 584 shall include, respectively, the cost of labor, materials used and expenses incurred in the operation of overhead and underground distribution lines and stations

¶ 15,590

11,832

Regulations

150 2 19-85

ITEMS

Line Labor

- 1 Supervising line operation
- 2 Changing line transformer taps
- 3 Inspecting and testing lightning arresters, line circuit breakers, switches and grounds
- 4 Inspecting and testing line transformers for the purpose of determining load, temperature or operating performance
- 5 Patrolling lines
- 6 Load tests and voltages surveys of feeders, circuits and line transformers
- 7 Removing line transformers and voltage regulators with or without replacements
- 8 Installing line transformers or voltage regulators with or without change in capacity provided that the first installation of these items is included in account 368, line transformers
- 9 Voltage surveys, either routine or upon request of customers, including voltage tests at customers' main switch
- 10 Transferring loads, switching and reconnecting circuits and equipment for operation purposes
- 11 Electrolysis surveys
- 12 Inspecting and adjusting line testing equipment

Line Supplies and Expenses

- 13 Tool expenses
- 14 Transportation expenses
- 15 Meals, traveling and incidental expense
- 16 Operating supplies, such as instrument charts, rubber goods, etc

Station Labor

- 1 Supervising station operation

¶ 15,590

2 Adjusting station equipment where such adjustment primarily affects performance, such as regulating the flow of cooling water, adjusting current in fields of a machine, changing voltage of regulators or changing station transformer taps

3 Keeping station log and records and preparing reports on station operation

4 Inspecting, testing and calibrating station equipment for the purpose of checking its performance

5 Operating switching and other station equipment

6 Standing watch, guarding and patrolling station and station yard

7 Sweeping, mopping and tidying station

8 Care of grounds, including snow removal, cutting grass, etc

Station Supplies and Expenses

9 Building service expenses

10 Operating supplies, such as lubricants, commutator brushes, water and rubber goods

11 Station meter and instrument supplies, such as ink and charts

12 Station record and report forms

13 Tool expenses

14 Transportation expenses

15 Meals, traveling and incidental expenses

NOTE (Major only) If the utility owns storage battery equipment used for supplying electricity to customers in periods of emergency, the cost of operating labor and of supplies, such as acid, gloves, hydrometers, thermometers, soda, automatic cell fillers, acid proof shoes, etc, shall be included in this account. If significant in amount, a separate subdivision shall be maintained for such expenses

[¶ 15,591]

585 Street lighting and signal system expenses

A. For Nonmajor utilities, this account shall include the cost of labor, materials used and expenses incurred in the operation of street lighting and signal system plant

B. For Major utilities, this account shall include the cost of labor, materials used and expenses incurred in (a) The operation of street lighting and signal system plant which is owned or leased by the utility, and (b) the operation and maintenance of such plant owned by customers where such work is done regularly as a part of the street lighting and signal system service

ITEMS

Labor

¶ 15,591

11,834

Regulations

150 2 19-85

- 1 Supervising street lighting and signal systems operation
- 2 Replacing lamps and incidental cleaning of glassware and fixtures in connection therewith
- 3 Routine patrolling for lamp outages, extraneous nuisances or encroachments, etc
- 4 Testing lines and equipment including voltage and current measurement
- 5 Winding and inspection of time switch and other controls

Materials and Expenses

- 6 Street lamp renewals
- 7 Transportation and tool expense
- 8 Meals, traveling, and incidental expenses

[¶ 15,592]

586 Meter expenses

This account shall include the cost of labor, materials used and expenses incurred in the operation of customer meters and associated equipment

ITEMS

Labor

- 1 Supervising meter operation
- 2 Clerical work on meter history and associated equipment record cards, test cards, and reports
- 3 Disconnecting and reconnecting, removing and reinstalling, sealing and unsealing meters and other metering equipment in connection with initiating or terminating services including the cost of obtaining meter readings, if incidental to such operation
- 4 Consolidating meter installations due to elimination of separate meters for different rates of service
- 5 Changing or relocating meters, instrument transformers, time switches, and other metering equipment
- 6 Resetting time controls, checking operation of demand meters and other metering equipment, when done as an independent operation
- 7 Inspecting and adjusting meter testing equipment
- 8 Inspecting and testing meters, instrument transformers, time switches, and other metering equipment on premises or in shops excluding inspecting and testing incidental to maintenance

Materials and Expenses

- 9 Meter seals and miscellaneous meter supplies
- 10 Transportation expenses
- 11 Meals, traveling, and incidental expenses

¶ 15,591

525

12 Tool expenses

NOTE The cost of the first setting and testing of a meter is chargeable to utility plant account 370, Meters

[¶ 15,593]

587 Customer installations expenses.

This account shall include the cost of labor, materials used and expenses incurred in work on customer installations in inspecting premises and in rendering services to customers of the nature of those indicated by the list of items hereunder

ITEMS

Labor

- 1 Supervising customer installations work
- 2 Inspecting premises, including check of wiring for code compliance
- 3 Investigating, locating, and clearing grounds on customers' wiring
- 4 Investigating service complaints, including load tests of motors and lighting and power circuits on customers' premises, field investigations of complaints on bills or of voltage
- 5 Installing, removing, renewing, and changing lamps and fuses
- 6 Radio, television and similar interference work including erection of new aerials on customers' premises and patrolling of lines, testing of lightning arresters, inspection of pole hardware, etc , and examination on or off premises of customers' appliances, wiring, or equipment to locate cause of interference
7. Installing, connecting, reinstalling, or removing leased property on customers' premises
8. Testing, adjusting, and repairing customers' fixtures and appliances in shop or on premises
- 9 Cost of changing customers' equipment due to changes in service characteristics
- 10 Investigation of current diversion including setting and removal of check meters and securing special readings thereon, special calls by employees in connection with discovery and settlement of current diversion, changes in customer wiring and any other labor cost identifiable as caused by current diversion

Materials and Expenses

- 11 Lamp and fuse renewals
- 12 Materials used in servicing customers' fixtures, appliances and equipment
- 13 Power, light, heat, telephone, and other expenses of appliance repair department
- 14 Tool expense

¶ 15,593

11,836

Regulations

150 2-19-85

15 Transportation expense, including pickup and delivery charges

16 Meals, traveling and incidental expenses

17 Rewards paid for discovery of current diversion

NOTE A Amounts billed customers for any work, the cost of which is charged to this account, shall be credited to this account Any excess over costs resulting therefrom shall be transferred to account 451, Miscellaneous Service Revenues

NOTE B Do not include in this account expenses incurred in connection with merchandising, jobbing and contract work

[¶ 15,594]

588 Miscellaneous distribution expenses

This account shall include the cost of labor, materials used and expenses incurred in distribution system operation not provided for elsewhere

ITEMS

Labor

1 General records of physical characteristics of lines and substations, such as capacities, etc

2 Ground resistance records

3 Joint pole maps and records

4 Distribution system voltage and load records

5 Preparing maps and prints

6 Service interruption and trouble records

7 General clerical and stenographic work except that chargeable to account 586, Meter Expenses

Expenses

8 Operating records covering poles, transformers, manholes, cables, and other distribution facilities Exclude meter records chargeable to account 586 Meter Expenses and station records chargeable to account 582, Station Expenses (For Nonmajor utilities, account 581 1, Line and Station Expenses), and store records (For Nonmajor utilities, station records) chargeable to account 163, Stores Expense Undistributed (For Nonmajor utilities, account 581 1, Line and Station Expenses)

9 Janitor work at distribution office buildings including snow removal, cutting grass, etc

Materials and Expenses

10 Communication service

11 Building service expenses

12 Miscellaneous office supplies and expenses, printing, and stationery, maps and records and first-aid supplies

¶ 15,593

13 Research, development, and demonstration expenses (Major only)

[¶ 15,595]

589 Rents

This account shall include rents of property of others used, occupied, or operated in connection with the distribution system, including payments to the United States and others for the use and occupancy of public lands and reservations for distribution line rights of way (See operating expense instruction 3)

[¶ 15,596]

590 Maintenance supervision and engineering (Major only)

This account shall include the cost of labor and expenses incurred in the general supervision and direction of maintenance of the distribution system. Direct field supervision of specific jobs shall be charged to the appropriate maintenance account (See operating expense instruction 1)

[¶ 15,597]

591 Maintenance of structures (Major only).

This account shall include the cost of labor, materials used and expenses incurred in maintenance of structures, the book cost of which is includible in account 361, Structures and Improvements (See operating expense instruction 2)

[¶ 15,598]

592 Maintenance of station equipment (Major only)

This account shall include the cost of labor, materials used and expenses incurred in maintenance of plant, the book cost of which is includible in account 362, Station Equipment, and account 363, Storage Battery Equipment (See operating expense instruction 2)

[¶ 15,599]

592.1 Maintenance of structures and equipment (Nonmajor only)

This account shall include the cost of labor, materials used and expenses incurred in maintenance of structures, the book cost of which is includible in account 361, Structures and Improvements, account 362, Station Equipment, and account 363, Storage Battery Equipment (See operating expense instruction 2)

[¶ 15,600]

593 Maintenance of overhead lines (Major only).

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of overhead distribution line facilities, the book cost of which is includible in account 364, Poles, Towers and Fixtures, account 365, Overhead Conductors and Devices, and account 369, Services (See operating expense instruction 2)

¶ 15,600

ITEMS

- 1 Work of the following character on poles, towers, and fixtures
 - a Installing additional clamps or removing clamps or strain insulators on guys in place
 - b Moving line or guy pole in relocation of pole or section of line
 - c Painting poles, towers, crossarms, or pole extensions
 - d Readjusting and changing position of guys or braces
 - e Realigning and straightening poles, crossarms, braces, pins, racks, brackets, and other pole fixtures
 - f Reconditioning reclaimed pole fixtures
 - g Relocating crossarms, racks, brackets, and other fixtures on poles
 - h Repairing pole supported platform
 - i Repairs by others to jointly owned poles
 - j Shaving, cutting rot, or treating poles or crossarms in use or salvaged for reuse
 - k Stubbing poles already in service
 - l Supporting conductors, transformers, and other fixtures and transferring them to new poles during pole replacements
 - m Maintaining pole signs, stencils, tags, etc
- 2 Work of the following character on overhead conductors and devices
 - a Overhauling and repairing line cutouts, line switches, line breakers, and capacitor installations
 - b Cleaning insulators and bushings
 - c Refusing line cutouts
 - d Repairing line oil circuit breakers and associated relays and control wiring
 - e Repairing grounds
 - f Resagging, retying, or rearranging position or spacing of conductors
 - g Standing by phones, going to calls, cutting faulty lines clear, or similar activities at times of emergency
 - h Sampling, testing, changing, purifying, and replenishing insulating oil
 - i Transferring loads, switching, and reconnecting circuits and equipment for maintenance purposes
 - j Repairing line testing equipment
 - k Trimming trees and clearing brush
 - l Chemical treatment of right of way area when occurring subsequent to construction of line
- 3 Work of the following character on overhead services

¶ 15,600

- a Moving position of service either on pole or on customers' premises
- b Pulling slack in service wire
- c Retying service wire
- d Refastening or tightening service bracket

[¶ 15,601]

594 Maintenance of underground lines (Major only).

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of underground distribution line facilities, the book cost of which is includible in account 366, Underground Conduit, account 367, Underground Conductors and Devices, and account 369, Services (See operating expense instruction 2)

ITEMS

- 1 Work of the following character on underground conduit
 - a Cleaning ducts, manholes, and sewer connections
 - b Moving or changing position of conduit or pipe
 - c Minor alterations of handholes, manholes, or vaults
 - d Refastening, repairing, or moving racks, ladders, or hangers in manholes or vaults
 - e Plugging and shelving ducts
 - f Repairs to sewers, drains, walls, and floors, rings and covers
- 2. Work of the following character on underground conductors and devices
 - a Repairing circuit breakers, switches, cutouts, network protectors, and associated relays and control wiring
 - b Repairing grounds
 - c Retraining and reconnecting cables in manholes including transfer of cables from one duct to another
 - d Repairing conductors and splices
 - e Repairing or moving junction boxes and potheads
 - f. Refireproofing cables and repairing supports
 - g Repairing electrolysis preventive devices for cables
 - h Repairing cable bonding systems
 - i Sampling, testing, changing, purifying and replenishing insulating oil
 - j Transferring loads, switching and reconnecting circuits and equipment for maintenance purposes
 - k Repairing line testing equipment
 - l Repairing oil or gas equipment in high voltage cable systems and replacement of oil or gas

¶ 15,601

3 Work of the following character on underground services

- a Cleaning ducts
- b Repairing any underground service plant

[¶ 15,602]

594 1 Maintenance of lines (Nonmajor only)

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of distribution line facilities, the book cost of which is includible in account 364, Poles, Towers and Fixtures, account 365, Overhead Conductors and Devices, account 366, Underground Conduit, account 367, Underground Conductors and Devices, and account 369, Services (See operating expense instruction 2)

ITEMS

1 Work of the following character on poles, towers, and fixtures

- a Installing additional clamps or removing clamps or strain insulators on guys in place
 - b Moving line or guy pole in relocation of pole or section of line
 - c Painting poles, towers, crossarms, or pole extensions
 - d Readjusting and changing position of guys or braces
 - e Realigning and straightening poles, crossarms, braces, pins, racks, brackets, and other pole fixtures
 - f Reconditioning reclaimed pole fixtures
 - g Relocating crossarms, racks, brackets, and other fixtures on pole
 - h Repairing polesupported platform
 - i Repairs by others to jointly owned poles
 - j Shaving, cutting rot, or treating poles or crossarms in use or salvage for reuse
 - k Stubbing poles already in service
 - l Supporting conductors, transformers, and other fixtures and transferring them to new poles during pole replacement
 - m Maintaining pole signs, stencils, tags, etc
- 2 Work of the following character on overhead conductors and devices
- a Overhauling and repairing line cutouts, line switches, line breakers, and capacitor installations
 - b Cleaning insulators and bushings
 - c Refusing line cutouts
 - d Repairing line oil circuit breakers and associated relays and control wiring
 - e Repairing grounds
 - f Resagging, retying, or rearranging position or spacing of conductors

¶ 15,601

- g Standing by phones, going to calls, cutting faulting lines clear, or similar activities at times of emergencies
 - h Sampling, testing, changing, purifying, and replenishing insulating oil
 - i Transferring loads, switching, and reconnecting circuits and equipment for maintenance purposes
 - j Repairing line testing equipment
 - k Trimming trees and clearing brush
 - l Chemical treatment of right-of-way area when occurring subsequent to construction of line
- 3 Work of the following character on underground conduit
- a Cleaning ducts, manholes, and sewer connections
 - b Moving or changing position of conduit or pipe
 - c Minor alterations of handholes, manholes, or vaults
 - d Refastening, repairing or moving racks, ladders, or hangers in manholes or vaults
 - e Plugging and shelving ducts
 - f Repairs to sewers, drains, walls and floors, rings and covers
- 4 Work of the following character on underground conductors and devices
- a Repairing circuit breakers, switches, cutouts, network protectors, and associated relays and control wiring
 - b Repairing grounds
 - c Retraining and reconnecting cables in manhole including transfer of cables from one duct to another
 - d Repairing conductors and splices
 - e Repairing or moving junction boxes and potheads
 - f Refireproofing cables and repairing supports
 - g Repairing electrolysis preventive devices for cables
 - h Repairing cable bonding systems
 - i Sampling, testing, changing, purifying and replenishing insulating oil
 - j Transferring loads, switching and reconnecting circuits and equipment for maintenance purposes
 - k Repairing line testing equipment
 - l Repairing oil or gas equipment in high voltage cable system and replacement of oil or gas
- 5 Work of the following character on services
- a Moving position of service either on pole or on customers' premises
 - b Pulling slack in service wire

¶ 40,009
Release AR-9

Effective November 1, 1969

Question

What is the proper accounting for revenues received from the States, or other political subdivisions of the United States for collecting and remitting certain withholding, sales, local occupational, etc taxes?

Answer

Amounts received from utility operations should be recorded in Account 456, Other Electric Revenues, for electric utilities and in Account 495, Other Gas Revenues, for gas utilities. Related costs should be included in the appropriate utility operation expenses.

Any revenues or expenses related to the collection of such taxes from nonutility operations should be included in the appropriate nonutility revenue and expense accounts.

¶ 40,010
Release AR-10

Effective January 11, 1971

Question

Where should amounts relating to "interest during construction" be reported on Statement E—Source and Application of Funds for the Year, schedule pages 118 and 119, of the F P C Forms No 1 and No 2?

Answer

When reporting the Source of Funds the amounts relating to "interest during construction" should be reported as an item under "Other (net) line 8, Principal Non-Cash Charges (Credits) to Income" When reporting the Application of Funds, each item under the Construction and Plant Expenditures (inc land) section shall be reduced by the related amount of "interest during construction" added thereto during the period

¶ 40,011
Release AR-11

Effective January 1, 1979

Question

What is the proper accounting and reporting for amounts collected under an approved RD&D cost adjustment provision and paid to the Gas Research Institute (GRI) authorized by Opinion No 11 of the Federal Energy Regulatory Commission?

Answer

Gas companies with Research, Development, & Demonstration adjustment provisions providing for surcharges to finance GRI funding requirements should record the surcharge in the appropriate operating revenue account for the class of customer served. Upon recording of the revenues, the company should establish a liability for payment to GRI for surcharge collections. The amount of the liability should be charged first to Account 188, Research, development, and demonstration expenditures and concurrently expensed to Account 930 2, Miscellaneous general expenses.

Companies should maintain necessary subsidiary records to separately identify the collections and payments to GRI and should separately disclose the GRI transactions on pages 572 and 572A of the Annual Report, Form 2.

¶ 40,012
Release AR-12

Effective February 1, 1980

Question

What is the proper accounting treatment for expenditures made by the utility, resulting from employment practices that were found to be discriminatory by a judicial or administrative decree or that were the result of a compromise settlement or consent decree?

Answer

The Uniform System of Accounts provides that all charges to utility operating expense accounts must be just and reasonable. Expenditures of the nature mentioned above that can be readily identified and quantified should not be considered as just and reasonable charges to utility operations and should be classified to the appropriate nonoperating expense accounts.

Types of expenditures usually related to discriminatory employment practices may include, but are not limited to, the following:

1 fines or penalties related to judicial or administrative decree imposed by governmental authorities,

2 legal fees reimbursed to the plaintiffs,

3 in-house and outside legal costs in unsuccessful defense against charges of discriminatory practices,

4 damage awards to plaintiffs,

5 duplicate labor cost such as back pay, bonus or other pay awards to plaintiffs where other employees have already been paid by the utility for prior services, and

6 cost of reporting, training and recruiting undertaken as a result of a court order, administrative decree or settlement which are in addition to those which otherwise would be incurred to assure continuing equal employment opportunity.

Fines or penalties are to be recorded in Account 426 3, Penalties, and all other costs are to be recorded in Account 426 5, Other deductions.

5-24-83

¶ 40,013
Release AR-13

Effective May 1, 1983

Question:

A utility currently providing service to customers finances a specific plant construction project, such as pollution control facilities, with proceeds from an issue of long-term debt (bonds) which are restricted in their use to paying for construction expenditures. The proceeds of the debt are required to be retained in a trust or other special fund and invested until so used. Earnings of the trust or other special fund are available for paying project expenditures, debt interest, or reacquiring the bonds.

How should the long-term debt, the related interest cost and earnings on the trust or other special funds be accounted for during construction of the project facilities?

Answer:

Electric (Gas) Plant Instruction No 3(17) provides a formula for computing rates used to capitalize allowances for funds used during construction (AFUDC). The formula includes a component for the weighted average cost of long-term debt. The entire issue of the use-restricted, long-term debt should be included with other long-term debt used in calculating AFUDC rates. Average balances of the trust or other special funds should be included in the computation of the average balance of construction work in progress ("W") used in the formula.

AFUDC assigned to the project should be determined by applying AFUDC rates to the eligible project expenditures and also balances in the trust or special fund. Fund earnings during construction should be credited to the cost of construction of the project facilities.

¶ 40,013

¶ 40,013
Release AR-13

Effective May 1, 1983

Question:

A utility currently providing service to customers finances a specific plant construction project, such as pollution control facilities, with proceeds from an issue of longterm debt (bonds) which are restricted in their use to paying for construction expenditures. The proceeds of the debt are required to be retained in a trust or other special fund and invested until so used. Earnings of the trust or other special fund are available for paying project expenditures, debt interest, or reacquiring the bonds.

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AFUDC assigned to the project should be determined by applying AFUDC rates to the eligible project expenditures and also balances in the trust or special fund. Fund earnings during construction should be credited to the cost of construction of the project facilities.

¶ 40,014
Release AR-14

Effective. January 1, 1992

Note The effective date of Release AR-14, originally January 1, 1991, was postponed by the Commission to January 1, 1992. See *FERC Reports*, 58 FERC ¶ 61,166 for additional details

Question:

The text of Account 555, Purchased power, states in part "This account shall include the cost at point of receipt by the utility of electricity purchased for resale. It shall include, also, net settlements for exchange of electricity or power, such as economy energy, off-peak energy for on-peak energy, spinning reserve capacity, etc. In addition, the account shall include the net settlements for transactions under pooling or interconnection agreements wherein there is a balancing of debits and credits for energy, capacity, etc." Does this mean that Account 555 is to include all settlement amounts arising from power pool transactions regardless of how compensation for energy delivered to the power pool or capacity made available to the power pool is determined and all settlement amounts for energy provided under non-pool contractual agreements in which the agreements contain provisions pertaining to both the receipt and delivery of energy?

Answer:

No. The above requirement must be read in conjunction with the sentence in the accounting text that immediately follows the above quote which states "Distinct purchases and sales shall not be recorded as exchanges and net amounts only recorded merely because debit and credit amounts are combined in the voucher settlement." It is the intent of the text of Account 555 to limit the use of the account to the cost of energy and capacity purchased and net settlements arising from barter transactions. Compensation for energy delivered or capacity made available to a power pool or delivered pursuant to other non-barter agreements where settlements are determined through application of specific rate schedules, "split-the-saving" calculations, or simulations must be recorded gross in the appropriate operating revenue account and not netted with purchased power expenses properly recorded in Account 555.

- c Retying service wire
- d Refastening or tightening service bracket
- e Cleaning ducts

[¶ 15,603]

595 Maintenance of line transformers

This account shall include the cost of labor, materials used and expenses incurred in maintenance of distribution line transformers, the book cost of which is includible in account 368, Line Transformers (See operating expense instruction 2)

[¶ 15,604]

596 Maintenance of street lighting and signal systems

This account shall include the cost of labor, materials used and expenses incurred in maintenance of plant, the book cost of which is includible in account 373, Street Lighting and Signal Systems (See operating expense instruction 2)

[¶ 15,605]

597 Maintenance of meters

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of meters and meter testing equipment, the book cost of which is includible in account 370, Meters, and account 395, Laboratory Equipment, respectively (See operating expense instruction 2)

[¶ 15,606]

598 Maintenance of miscellaneous distribution plant

This account shall include the cost of labor, materials used and expenses incurred in maintenance of plant, the book cost of which is includible in accounts 371, Installations on Customers' Premises, and 372, Leased Property on Customers' Premises, and any other plant the maintenance of which is assignable to the distribution function and is not provided for elsewhere (See operating expense instruction 2)

ITEMS

- a Work of similar nature to that listed in other distribution maintenance accounts
- b Maintenance of office furniture and equipment used by distribution system department

[The next page is 11,851]

¶ 15,602

[¶ 15,901]

901 Supervision (Major only)

This account shall include the cost of labor and expenses incurred in the general direction and supervision of customer accounting and collecting activities. Direct supervision of a specific activity shall be charged to account 902, Meter Reading Expenses, or account 903, Customer Records and Collection Expenses, as appropriate (See operating expense instruction 1)

[¶ 15,902]

902 Meter reading expenses

This account shall include the cost of labor, materials used and expenses incurred in reading customer meters, and determining consumption when performed by employees engaged in reading meters

ITEMS

Labor

- 1 Addressing forms for obtaining meter readings by mail
- 2 Changing and collecting meter charts used for billing purposes
- 3 Inspecting time clocks, checking seals, etc , when performed by meter readers and the work represents a minor activity incidental to regular meter reading routine
- 4 Reading meters, including demand meters, and obtaining load information for billing purposes. Exclude and charge to account 586, Meter Expenses, or to account 903, Customer Records and Collection Expenses, as applicable, the cost of obtaining meter readings, first and final, if incidental to the operation of removing or resetting, sealing, or locking, and disconnecting or reconnecting meters
- 5 Computing consumption from meter reader's book or from reports by mail when done by employees engaged in reading meters
- 6 Collecting from prepayment meters when incidental to meter reading
- 7 Maintaining record of customers' keys
- 8 Computing estimated or average consumption when performed by employees engaged in reading meters

Materials and Expenses

- 9 Badges, lamps, and uniforms
- 10 Demand charts, meter books and binders and forms for recording readings, but not the cost of preparation
- 11 Postage and supplies used in obtaining meter readings by mail
- 12 Transportation, meals, and incidental expenses

¶ 15,902

[¶ 15,903]

903 Customer records and collection expenses

This account shall include the cost of labor, materials used and expenses incurred in work on customer applications, contracts, orders, credit investigations, billing and accounting, collections and complaints

ITEMS

Labor

1 Receiving, preparing, recording and handling routine orders for service, disconnections, transfers or meter tests initiated by the customer, excluding the cost of carrying out such orders, which is chargeable to the account appropriate for the work called for by such orders

2 Investigations of customers' credit and keeping of records pertaining thereto, including records of uncollectible accounts written off

3 Receiving, refunding or applying customer deposits and maintaining customer deposit, line extension, and other miscellaneous records

4 Checking consumption shown by meter readers' reports where incidental to preparation of billing data

5 Preparing address plates and addressing bills and delinquent notices

6 Preparing billing data

7 Operating billing and bookkeeping machines

8 Verifying billing records with contracts or rate schedules

9 Preparing bills for delivery, and mailing or delivering bills

10 Collecting revenues, including collection from prepayment meters unless incidental to meter-reading operations

11 Balancing collections, preparing collections for deposit, and preparing cash reports

12 Posting collections and other credits or charges to customer accounts and extending unpaid balances

13 Balancing customer accounts and controls

14 Preparing, mailing, or delivering delinquent notices and preparing reports of delinquent accounts

15 Final meter reading of delinquent accounts when done by collectors incidental to regular activities

16 Disconnecting and reconnecting service because of nonpayment of bills

17 Receiving, recording, and handling of inquiries, complaints, and requests for investigations from customers, including preparation of necessary orders, but excluding the cost of carrying out such orders, which is chargeable to the account appropriate for the work called for by such orders

18 Statistical and tabulating work on customer accounts and revenues, but not including special analyses for sales department, rate department, or

¶ 15,903

other general purposes, unless incidental to regular customer accounting routines

19 Preparing and periodically rewriting meter reading sheets

20 Determining consumption and computing estimated or average consumption when performed by employees other than those engaged in reading meters

Materials and Expenses

21 Address plates and supplies

22 Cash overages and shortages

23 Commissions or fees to others for collecting

24 Payments to credit organizations for investigations and reports

25 Postage

26 Transportation expenses (Major only), including transportation of customer bills and meter books under centralized billing procedure

27 Transportation, meals, and incidental expenses

28 Bank charges, exchange, and other fees for cashing and depositing customers' checks

29 Forms for recording orders for services removals, etc

30 Rent of mechanical equipment

31 Communication service (Nonmajor only)

32 Miscellaneous office supplies and expenses and stationery and printing (Nonmajor only)

NOTE The cost of work on meter history and meter location records is chargeable to account 586, Meter Expenses

[¶ 15,904]

904 Uncollectible accounts

This account shall be charged with amounts sufficient to provide for losses from uncollectible utility revenues. Concurrent credits shall be made to account 144, Accumulated Provision for Uncollectible Accounts—Cr. Losses from uncollectible accounts shall be charged to account 144

[¶ 15,905]

905 Miscellaneous customer accounts expenses (Major only).

This account shall include the cost of labor, materials used and expenses incurred not provided for in other accounts

ITEMS

Labor

1 General clerical and stenographic work

¶ 15,905

2 Miscellaneous labor

Materials and Expenses

3 Communication service

4 Miscellaneous office supplies and expenses and stationery and printing other than those specifically provided for in accounts 902 and 903

[¶ 15,906]

906 Customer service and informational expenses (Nonmajor only)

This account shall include the cost of supervision, labor, and expenses incurred in customer service and informational activities, the purpose of which is to encourage safe and efficient use of the utility's service, to encourage conservation of the utility's service, and to assist present customers in answering specific inquiries as to the proper and economic use of the utility's service and the customer's equipment utilizing the service

[¶ 15,907]

907 Supervision (Major only)

This account shall include the cost of labor and expenses incurred in the general direction and supervision of customer service activities, the object of which is to encourage safe, efficient and economical use of the utility's service. Direct supervision of a specific activity within customer service and informational expense classification shall be charged to the account wherein the costs of such activity are included (See operating expense instruction 1)

[¶ 15,908]

908 Customer assistance expenses (Major only)

This account shall include the cost of labor, materials used and expenses incurred in providing instructions or assistance to customers, the object of which is to encourage safe, efficient and economical use of the utility's service

ITEMS

Labor

1 Direct supervision of department

2 Processing customer inquiries relating to the proper use of electric equipment, the replacement of such equipment and information related to such equipment

3 Advice directed to customers as to how they may achieve the most efficient and safest use of electric equipment

4 Demonstrations, exhibits, lectures, and other programs designed to instruct customers in the safe, economical or efficient use of electric service, and/or oriented toward conservation of energy

5 Engineering and technical advice to customers, the object of which is to promote safe, efficient and economical use of the utility's service

Materials and Expenses

¶ 15,905

6 Supplies and expenses pertaining to demonstrations, exhibits, lectures, and other programs

7 Loss in value on equipment and appliances used for customer assistance programs

8 Office supplies and expenses

9 Transportation, meals, and incidental expenses

NOTE —Do not include in this account expenses that are provided for elsewhere, such as accounts 416, Costs and Expenses of Merchandising, Jobbing and Contract Work, 587, Customer Installations Expenses, and 912, Demonstrating and Selling Expenses

[¶ 15,909]

909 Informational and instructional advertising expenses (Major only)

This account shall include the cost of labor, materials used and expenses incurred in activities which primarily convey information as to what the utility urges or suggests customers should do in utilizing electric service to protect health and safety, to encourage environmental protection, to utilize their electric equipment safely and economically, or to conserve electric energy

Labor

1 Direct supervision of informational activities

2 Preparing informational materials for newspapers, periodicals, billboards, etc , and preparing and conducting informational motion pictures, radio and television programs

3 Preparing informational booklets, bulletins, etc , used in direct mailings

4 Preparing informational window and other displays

5 Employing agencies, selecting media and conducting negotiations in connection with the placement and subject matter of information programs

Materials and Expenses

6 Use of newspapers, periodicals, billboards, radio, etc , for informational purposes

7 Postage on direct mailings to customers exclusive of postage related to billings

8 Printing of informational booklets, dodgers, bulletins, etc

9 Supplies and expenses in preparing informational materials by the utility

10 Office supplies and expenses

NOTE A —Exclude from this account and charge to account 930 2, Miscellaneous General Expenses, the cost of publication of stockholder reports,

¶ 15,909

SLS

dividend notices, bond redemption notices, financial statements, and other notices of a general corporate character. Exclude also all expenses of a promotional, institutional, goodwill or political nature, which are includible in such accounts as 913, Advertising Expenses, 930 1, General Advertising Expenses, and 426 4, Expenditures for Certain Civic, Political and Related Activities

NOTE B—Entries relating to informational advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies of the advertising message shall be readily available

[¶ 15,910]

**910 Miscellaneous customer service and informational expenses
(Major only)**

This account shall include the cost of labor, materials used and expenses incurred in connection with customer service and informational activities which are not includible in other customer information expense accounts

Labor

1 General clerical and stenographic work not assigned to specific customer service and informational programs

2 Miscellaneous labor

Materials and Expenses

3 Communication service

4 Printing, postage and office supplies expenses

[¶ 15,911]

911 Supervision (Major only)

This account shall include the cost of labor and expenses incurred in the general direction and supervision of sales activities, except merchandising. Direct supervision of a specific activity, such as demonstrating, selling, or advertising shall be charged to the account wherein the costs of such activity are included (See operating expense instruction 1)

[¶ 15,912]

912 Demonstrating and selling expenses (Major only)

This account shall include the cost of labor, materials used and expenses incurred in promotional, demonstrating, and selling activities, except by merchandising, the object of which is to promote or retain the use of utility services by present and prospective customers

ITEMS

Labor

1 Demonstrating uses of utility services

¶ 15,909

2 Conducting cooking schools, preparing recipes, and related home service activities

3 Exhibitions, displays, lectures, and other programs designed to promote use of utility services

4 Experimental and development work in connection with new and improved appliances and equipment, prior to general public acceptance

5 Solicitation of new customers or of additional business from old customers, including commissions paid employees

6 Engineering and technical advice to present or prospective customers in connection with promoting or retaining the use of utility services

7 Special customer canvasses when their primary purpose is the retention of business or the promotion of new business

Materials and Expenses

8 Supplies and expenses pertaining to demonstration, and experimental and development activities

9 Booth and temporary space rental

10 Loss in value on equipment and appliances used for demonstration purposes

11 Transportation, meals, and incidental expenses

[¶ 15,913]

913 Advertising expenses (Major only)

This account shall include the cost of labor, materials used and expenses incurred in advertising designed to promote or retain the use of utility service, except advertising the sale of merchandise by the utility

ITEMS

Labor

1 Direct supervision of department

2 Preparing advertising material for newspapers, periodicals, billboards, etc., and preparing and conducting motion pictures, radio and television programs

3 Preparing booklets, bulletins, etc., used in direct mail advertising

4 Preparing window and other displays

5 Clerical and stenographic work

6 Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of sales advertising

Materials and expenses

¶ 15,913

7 Advertising in newspapers, periodicals, billboards, radio, etc , for sales promotion purposes, but not including institutional or goodwill advertising includible in account 930 1, General Advertising Expenses

8 Materials and services given as prizes or otherwise in connection with civic lighting contests, canning, or cooking contests, bazaars, etc , in order to publicize and promote the use of utility services

9 Fees and expenses of advertising agencies and commercial artists

10 Novelties for general distribution

11 Postage on direct mail advertising

12 Premiums distributed generally, such as recipe books, etc , when not offered as inducement to purchase appliances

13 Printing booklets, dodgers, bulletins, etc

14 Supplies and expenses in preparing advertising material

15 Office supplies and expenses

NOTE A The cost of advertisements which set forth the value or advantages of utility service without reference to specific appliances or, if reference is made to appliances invites the reader to purchase appliances from his dealer or refer to appliances not carried for sale by the utility, shall be considered sales promotion advertising and charged to this account. However, advertisements which are limited to specific makes of appliances sold by the utility and prices, terms, etc , thereof, without referring to the value or advantages of utility service, shall be considered as merchandise advertising and the cost shall be charged to Costs and Expenses of Merchandising, Jobbing and Contract Work, Account 416

NOTE B Advertisements which substantially mention or refer to the value or advantages of utility service, together with specific reference to makes of appliances sold by the utility and the price, terms, etc , thereof and designed for the joint purpose of increasing the use of utility service and the sales of appliances, shall be considered as a combination advertisement and the costs shall be distributed between this account and Account 416 on the basis of space, time, or other proportional factors

NOTE C Exclude from this account and charge to Account 930 2, Miscellaneous General Expenses, the cost of publication of stockholder reports, dividend notices, bond redemption notices, financial statements, and other notices of a general corporate character. Exclude also all institutional or goodwill advertising (See Account 930 1, General Advertising Expenses)

[¶ 15,916]

916 Miscellaneous sales expenses (Major only)

This account shall include the cost of labor, materials used and expenses incurred in connection with sales activities, except merchandising, which are not includible in other sales expense accounts

¶ 15,913

ITEMS

Labor

1 General clerical and stenographic work not assigned to specific functions

2 Special analysis of customer accounts and other statistical work for sales purposes not a part of the regular customer accounting and billing routine

3 Miscellaneous labor

Materials and Expenses

4 Communication service

5 Printing, postage, and office supplies and expenses applicable to sales activities, except those chargeable to account 913, Advertising Expenses

[¶ 15,917]

917 Sales expenses (Nonmajor only).

This account shall include the cost of labor and expenses incurred for the purpose of promoting the sale of electricity, other than merchandising, jobbing or contract work activities

ITEMS

1 Advertising

2. Demonstrating uses of utility service

3 Home service activities

4 Solicitation of new business

¶ 15,917

[¶ 15,920]

920 Administrative and general salaries

A This account shall include the compensation (salaries, bonuses, and other consideration for services, but not including directors' fees) of officers, executives, and other employees of the utility properly chargeable to utility operations and not chargeable directly to a particular operating function

B This account may be subdivided in accordance with a classification appropriate to the departmental or other functional organization of the utility

[¶ 15,921]

921 Office supplies and expenses

A This account shall include office supplies and expenses incurred in connection with the general administration of the utility's operations which are assignable to specific administrative or general departments and are not specifically provided for in other accounts This includes the expenses of the various administrative and general departments, the salaries and wages of which are includible in account 920

B This account may be subdivided in accordance with a classification appropriate to the departmental or other functional organization of the utility

NOTE—Office expenses which are clearly applicable to any group of operating expenses other than the administrative and general group shall be included in the appropriate account in such group Further, general expenses which apply to the utility as a whole rather than to a particular administrative function shall be included in account 930 2, Miscellaneous General Expenses

ITEMS

- 1 Automobile service, including charges through clearing account
- 2 Bank messenger and service charges
- 3 Books, periodicals, bulletins and subscriptions to newspapers, newsletters, tax services, etc
- 4 Building service expenses for customer accounts, sales, and administrative and general purposes
- 5 Communication service expenses
- 6 Cost of individual items of office equipment used by general departments which are of small value or short life
- 7 Membership fees and dues in trade, technical, and professional associations paid by a utility for employees (Company memberships are includible in account 930 2)
- 8 Office supplies and expenses

¶ 15,921

9 Payment of court costs, witness fees and other expenses of legal department

10 Postage, printing and stationery

11 Meals, traveling and incidental expenses

[¶ 15,922]

922 Administrative expenses transferred—Credit

This account shall be credited with administrative expenses recorded in accounts 920 and 921 which are transferred to construction costs or to nonutility accounts (See electric plant instruction 4)

[¶ 15,923]

923 Outside services employed

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 or 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

ITEMS

1 Fees, pay and expenses of accountants and auditors, actuaries, appraisers, attorneys, engineering consultants, management consultants, negotiators, public relations counsel, tax consultants, etc

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

[¶ 15,924]

924 Property insurance

A This account shall include the cost of insurance or reserve accruals to protect the utility against losses and damages to owned or leased property used in its utility operations It shall include also the cost of labor and related supplies and expenses incurred in property insurance activities

B Recoveries from insurance companies or others for property damages shall be credited to the account charged with the cost of the damage If the damaged property has been retired, the credit shall be to the appropriate account for accumulated provision for depreciation

C Records shall be kept so as to show the amount of coverage for each class of insurance carried, the property covered, and the applicable premiums

¶ 15,921

Any dividends distributed by mutual insurance companies shall be credited to the accounts to which the insurance premiums were charged

ITEMS

1 Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance

2 Amounts credited to account 228 1, Accumulated Provision for Property Insurance, for similar protection

3 Special costs incurred in procuring insurance

4 Insurance inspection service

5 Insurance counsel, brokerage fees, and expenses

NOTE A The cost of insurance or reserve accruals capitalized shall be charged to construction either directly or by transfer to construction work orders from this account

NOTE B The cost of insurance or reserve accruals for the following classes of property shall be charged as indicated

(1) Materials and supplies and stores equipment, to account 163, Stores Expense Undistributed (store expenses in the case of Nonmajor utilities), or appropriate materials account

(2) For Major utilities, transportation and other general equipment to appropriate clearing accounts that may be maintained For Nonmajor utilities, transportation and garage equipment, to account 933, Transportation Expenses

(3) Electric plant leased to others, to account 413, Expenses of Electric Plant Leased to Others

(4) Nonutility property, to the appropriate nonutility income account

(5) Merchandise and jobbing property, to Account 416, Costs and Expenses of Merchandising, Jobbing and Contract Work

NOTE C (Major only) The cost of labor and related supplies and expenses of administrative and general employees who are only incidentally engaged in property insurance work may be included in accounts 920 and 921, as appropriate

[¶ 15,925]

925 Injuries and damages

A This account shall include the cost of insurance or reserve accruals to protect the utility against injuries and damages claims of employees or others, losses of such character not covered by insurance, and expenses incurred in settlement of injuries and damages claims For Major utilities, it shall also include the cost of labor and related supplies and expenses incurred in injuries and damages activities

¶ 15,925

B Reimbursements from insurance companies or others for expenses charged hereto on account of injuries and damages and insurance dividends or refunds shall be credited to this account

ITEMS

1 Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc , and amounts credited to account 228 2, Accumulated Provision for Injuries and Damages, for similar protection

2 Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others

3 Fees and expenses of claim investigators

4 Payment of awards to claimants for court costs and attorneys' services

5 Medical and hospital service and expenses for employees as the result of occupational injuries, or resulting from claims of others

6 Compensation payments under workmen's compensation laws

7 Compensation paid while incapacitated as the result of occupational injuries (See Note A)

8 Cost of safety, accident prevention and similar educational activities

NOTE A Payments to or in behalf of employees for accident or death benefits, hospital expenses, medical supplies or for salaries while incapacitated for service or on leave of absence beyond periods normally allowed, when not the result of occupational injuries, shall be charged to account 926, Employee Pensions and Benefits (See also Note B of account 926)

NOTE B The cost of injuries and damages or reserve accruals capitalized shall be charged to construction directly or by transfer to construction work orders from this account

NOTE C Exclude herefrom the time and expenses of employees (except those engaged in injuries and damages activities) spent in attendance at safety and accident prevention educational meetings, if occurring during the regular work period

NOTE D The cost of labor and related supplies and expenses of administrative and general employees who are only incidentally engaged in injuries and damages activities may be included in accounts 920 and 921, as appropriate

[¶ 15,926]

926 Employee pensions and benefits.

A This account shall include pensions paid to or on behalf of retired employees, or accruals to provide for pensions, or payments for the purchase of annuities for this purpose, when the utility has definitely, by contract, committed itself to a pension plan under which the pension funds are

¶ 15,925

irrevocably devoted to pension purposes, and payments for employee accident, sickness, hospital, and death benefits, or insurance therefor. Include, also, expenses incurred in medical, educational or recreational activities for the benefit of employees, and administrative expenses in connection with employee pensions and benefits.

B The utility shall maintain a complete record of accruals or payments for pensions and be prepared to furnish full information to the Commission of the plan under which it has created or proposes to create a pension fund and a copy of the declaration of trust or resolution under which the pension plan is established.

C There shall be credited to this account the portion of pensions and benefits expenses which is applicable to nonutility operations or which is charged to construction unless such amounts are distributed directly to the accounts involved and are not included herein in the first instance.

D For Major utilities, records in support of this account shall be so kept that the total pensions expense, the total benefits expense, the administrative expenses included herein, and the amounts of pensions and benefits expenses transferred to construction or other accounts will be readily available.

ITEMS

- 1 Payment of pensions under a nonaccrual or nonfunded basis
- 2 Accruals for or payments to pension funds or to insurance companies for pension purposes
- 3 Group and life insurance premiums (credit dividends received)
- 4 Payments for medical and hospital services and expenses of employees when not the result of occupational injuries
- 5 Payments for accident, sickness, hospital, and death benefits or insurance
- 6 Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed, when not the result of occupational injuries, or in excess of statutory awards
- 7 Expenses in connection with educational and recreational activities for the benefit of employees

NOTE A The cost of labor and related supplies and expenses of administrative and general employees who are only incidentally engaged in employee pension and benefit activities may be included in accounts 920 and 921, as appropriate.

NOTE B Salaries paid to employees during periods of nonoccupational sickness may be charged to the appropriate labor account rather than to employee benefits.

¶ 15,926

[¶ 15,927]

927 Franchise requirements

A This account shall include payments to municipal or other governmental authorities, and the cost of materials, supplies and services furnished such authorities without reimbursement in compliance with franchise, ordinance, or similar requirements, provided, however, that the utility may charge to this account at regular tariff rates, instead of cost, utility service furnished without charge under provisions of franchises

B When no direct outlay is involved, concurrent credit for such charges shall be made to account 929, Duplicate Charges—Credit

C The account shall be maintained so as to readily reflect the amounts of cash outlays, utility service supplied without charge, and other items furnished without charge

NOTE A Franchise taxes shall not be charged to this account but to account 408 1, Taxes Other Than Income Taxes, Utility Operating Income

NOTE B Any amount paid as initial consideration for a franchise running for more than one year shall be charged to account 302, Franchises and Consents

[¶ 15,928]

928 Regulatory commission expenses.

A This account shall include all expenses (except pay of regular employees only incidentally engaged in such work) properly includible in utility operating expenses, incurred by the utility in connection with formal cases before regulatory commissions, or other regulatory bodies, or cases in which such a body is a party, including payments made to a regulatory commission for fees assessed against the utility for pay and expenses of such commission, its officers, agents, and employees, and also including payments made to the United States for the administration of the Federal Power Act

B Amounts of regulatory commission expenses 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 The utility shall be prepared to show the cost of each formal case

ITEMS

1 Salaries, fees, retainers, and expenses of counsel, solicitors, attorneys, accountants, engineers, clerks, attendants, witnesses, and others engaged in the prosecution of, or defense against petitions or complaints presented to regulatory bodies, or in the valuation of property owned or used by the utility in connection with such cases

2 Office supplies and expenses, payments to public service or other regulatory commissions, stationery and printing, traveling expenses, and other expenses incurred directly in connection with formal cases before regulatory commissions

¶ 15,927

NOTE A Exclude from this account and include in other appropriate operating expense accounts, expenses incurred in the improvement of service, additional inspection, or rendering reports, which are made necessary by the rules and regulations, or orders, of regulatory bodies

NOTE B Do not include in this account amounts includible in account 302, Franchises and Consents, account 181, Unamortized Debt Expense, or account 214, Capital Stock Expense

[¶ 15,929]

929 Duplicate charges—Credit

This account shall include concurrent credits for charges which may be made to operating expenses or to other accounts for the use of utility service from its own supply Include, also, offsetting credits for any other charges made to operating expenses for which there is no direct money outlay

[¶ 15,930]

930 1 General advertising expenses

This account shall include the cost of labor, materials used, and expenses incurred in advertising and related activities, the cost of which by their content and purpose are not provided for elsewhere

ITEMS

Labor

- 1 Supervision
- 2 Preparing advertising material for newspapers, periodicals, billboards, etc , and preparing or conducting motion pictures, radio and television programs
- 3 Preparing booklets, bulletins, etc , used in direct mail advertising
- 4 Preparing window and other displays
- 5 Clerical and stenographic work
- 6 Investigating and employing advertising agencies, selecting media and conducting negotiations in connection with the placement and subject matter of advertising

Materials and Expenses

- 7 Advertising in newspapers, periodicals, billboards, radio, etc
- 8 Advertising matter such as posters, bulletins, booklets, and related items
- 9 Fees and expenses of advertising agencies and commercial artists
- 10 Postage and direct mail advertising
- 11 Printing of booklets, dodgers, bulletins, etc
- 12 Supplies and expenses in preparing advertising materials

¶ 15,930

13 Office supplies and expenses

NOTE A Properly includible in this account is the cost of advertising activities on a local or national basis of a good will or institutional nature, which is primarily designed to improve the image of the utility or the industry, including advertisements which inform the public concerning matters affecting the company's operations, such as, the cost of providing service, the company's efforts to improve the quality of service, the company's efforts to improve and protect the environment, etc. Entries relating to advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies of the advertising message shall be readily available.

NOTE B Exclude from this account and include in account 4264, Expenditures for Certain Civic, Political and Related Activities, expenses for advertising activities, which are designed to solicit public support or the support of public officials in matters of a political nature.

[¶ 15,931]

930 2 Miscellaneous general expenses

This account shall include the cost of labor and expenses incurred in connection with the general management of the utility not provided for elsewhere.

ITEMS

Labor

- 1 Miscellaneous labor not elsewhere provided for

Expenses

- 2 Industry association dues for company memberships
- 3 Contributions for conventions and meetings of the industry
- 4 For Major utilities, research, development, and demonstration expenses not charged to other operation and maintenance expense accounts on a functional basis
- 5 Communication service not chargeable to other accounts
- 6 Trustee, registrar, and transfer agent fees and expenses
- 7 Stockholders meeting expenses
- 8 Dividend and other financial notices
- 9 Printing and mailing dividend checks
- 10 Directors' fees and expenses
- 11 Publishing and distributing annual reports to stockholders
- 12 Public notices of financial, operating and other data required by regulatory statutes, not including, however, notices required in connection with security issues or acquisitions of property. For Nonmajor utilities,

¶ 15,930

transportation and garage equipment, to account 933, Transportation Expenses

[¶ 15,932]

931 Rents

This account shall include rents properly includible in utility operating expenses for the property of others used, occupied, or operated in connection with the customer accounts, customer service and informational, sales, and general and administrative functions of the utility (See operating expense instruction 3)

[¶ 15,933]

933 Transportation expenses (Nonmajor only)

A This account shall include the cost of labor, materials used and expenses incurred in the operation and maintenance of general transportation equipment of the utility

B This account may be used as a clearing account in which event the charges hereto shall be cleared by appointment to the appropriate operating expense, electric plant, or other accounts on a basis which will distribute the expenses equitably Credits to this account shall be made in such detail as to permit ready analysis

ITEMS

- 1 Supervision
- 2 Building service
- 3 Care of grounds, including snow removal, cutting grass, etc
- 4 Utility services
- 5 Depreciation of transportation equipment
- 6 Fuel and lubricants for vehicles (including sales and excise taxes thereon)
- 7 Insurance on garage equipment and transportation equipment, including public liability and property damage
- 8 Maintenance of transportation and garage equipment
- 9 Compensation of drivers, mechanics, clerks, and other garage employees
- 10 Rent of garage buildings and grounds, vehicles or equipment
- 11 Replacement of tires, tubes, batteries, etc
- 12 Direct taxes, licenses, and permits
- 13 Miscellaneous garage supplies, tools, and equipment
- 14 Miscellaneous office supplies and expenses, printing, and stationery
- 15 Transportation, meals and incidental expenses

¶ 15,933

NOTE A The pay of employees driving trucks or other transportation equipment incidental to their regular occupation, shall not be included herein but charged directly to the appropriate expense or other account

NOTE B Transportation expenses applicable to construction shall not be included in operating expenses

[¶ 15,935]

935 Maintenance of general plant

A 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 390, Structures and Improvements, account 391, Office Furniture and Equipment, account 397, Communication Equipment, and account 398, Miscellaneous Equipment For Nonmajor utilities, include also other general equipment accounts (not including transportation equipment) (See operating expense instruction 2)

B Maintenance expenses on office furniture and equipment used elsewhere than in general, commercial and sales offices shall be charged to the following accounts

Steam Power Generation, Account 514

Nuclear Power Generation, Account 532 (Major only)

Hydraulic Power Generation, Account 545

Other Power Generation, Account 554

Transmission, Account 573

Distribution, Account 598

Merchandise and Jobbing, Account 416

Garages, Shops, etc , Appropriate clearing account, if used

NOTE Maintenance of plant 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 (OMB Control No 1902-0021)

[The next page is 11,901]

¶ 15,933

Part 103 is removed effective 5/1/92.

Part 103—Steam Road Investments in Road and Equipment;
Application of ICC Classification

[¶ 16,000]

General Provisions

Sec.

- 103 00-1 Order of the Commission
103 00-2 Introductory letter
103 01-1 Determination of cost of licensed projects

General Instructions

Sec.

- 103 02-0 Records
103 02-1 Accounts for investment in road and equipment
103 02-2 Items to be charged
103 02-3 Basis of charges
103.02-4 Cost of construction
103 02-5 Excavated material
103 02-6 Items to be credited
103 02-7 Property retired and replaced
103 02-8 Property retired and not replaced
103 02-9 Equipment retired
103 02-10 Land retired
103 02-11 Adjustments for converted property
103 02-12 Expenses in connection with additions and betterments.
103 02-13 Interpretation of item lists
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Accounts for Investment in Road and Equipment

Road

Sec.

- 103.1 Engineering
103.2 Land for transportation purposes
103.3 Grading
103.4 Underground power tubes
103.5 Tunnels and subways
103.6 Bridges, trestles, and culverts
103.7 Elevated structures
103.8 Ties
103.9 Rails

Federal Energy Regulatory Commission

¶ 16,000

103 10	Other track material
Sec.	
103 11	Ballast
103 12	Track laying and surfacing
103 13	Right-of-way fences
103 14	Snow and sand fences and snowsheds
103 15	Crossings and signs
103 16	Station and office buildings
103 17	Roadway buildings
103 18	Water stations
103 19	Fuel stations
103.20	Shops and enginehouses
103.21	Grain elevators
103 22	Storage warehouses
103.23	Wharves and docks
103 24	Coal and ore wharves
103.25	Gas producing plants
103 26	Telegraph and telephone lines
103 27	Signals and interlockers
103 28	Power dams, canals, and pipe lines
103.29	Power plant buildings
103.30	Power substation buildings
103.31	Power transmission systems
103.32	Power distribution systems
103.33	Power line poles and fixtures
103.34	Underground conduits
103.35	Miscellaneous structures
103.36	Paving
103.37	Roadway machines
103.38	Roadway small tools
103.39	Assessments for public improvements
103 40	Revenues and operating expenses during construction
103 41	Cost of road purchased
103 42	Reconstruction of road purchased
103.43	Other expenditures—road
103 44	Shop machinery
103 45	Power plant machinery
103 46	Power substation apparatus
103 47	Unapplied construction material and supplies

Equipment

Sec.	
103.51	Steam locomotives
103.52	Other locomotives
103.53	Freight-train cars
103.54	Passenger-train cars
103.55	Motor equipment of cars
103.56	Floating equipment
103.57	Work equipment
103.58	Miscellaneous equipment

† 16,000

General Expenditures

Sec.

103 71	Organization expenses
103 72	General officers and clerks
103 73	Law
103 74	Stationery and printing
103 75	Taxes
103 76	Interest during construction
103 77	Other expenditures—general

AUTHORITY Secs 3(13), 4(b), 41 Stat 1063, 1065, as amended, secs 301, 304(a), 308, 309, 49 Stat 854, 855, 858, 16 U S C 796(13), 797(b), 825, 825c(a), 825g, 825h

SOURCE Order 141, 12 FR 8549, Dec 19, 1947, unless otherwise noted

➔ Part 103 was removed effective 5/1/92

General Provisions

[¶ 16,001]

§ 103 00-1 Order of the Commission.

(a) At a General Session of the Interstate Commerce Commission held at its office in Washington, D C , on the 19th day of May A D 1914

(b) The subject of a Uniform System of Accounts to be prescribed for and kept by carriers being under consideration the following order was entered

(1) *It is ordered*, That the Classification of Investment in Road and Equipment of Steam Roads and the text pertaining thereto, embodied in printed form to be hereafter known as Issue of 1914, a copy of which is now before this Commission be, and the same is hereby, approved that a copy thereof duly authenticated by the Secretary of the Commission be filed in its archives, and a second copy thereof, in like manner authenticated, in the office of the Division of Carriers' Accounts, and that each of said copies so authenticated and filed shall be deemed an original record thereof

(2) *It is further ordered*, That the said Classification of Investment in Road and Equipment of Steam Roads with the text pertaining thereto be, and is hereby, prescribed for the use of carriers by rail (exclusive of electric railways) subject to the provisions of the Act to Regulate Commerce as amended, in the keeping and recording of their accounts of investment in road and equipment, that each and every such carrier and each and every receiver or operating trustee of any such carrier be required to keep all said accounts in conformity therewith, and that a copy of said issue be sent to each and every such carrier and to each and every receiver or operating trustee of any such carrier

(3) *It is further ordered*, That any such carrier or any receiver or operating trustee of any such carrier may subdivide any primary account established in said issue, or may make assignment of the amount included in any such primary account to operating divisions, to its individual lines, or to States *Provided, however*, That such subprimary accounts set up or such assignments made by any such carrier or by any receiver or operating trustee of any such carrier do not impair the integrity of the accounts hereby prescribed *And provided also*, That a list of such subprimary accounts set up or such assignments made be first filed in the office of the Division of Carriers' Accounts, subject to disapproval by the Commission

(4) *It is further ordered*, That in order that the basis of comparison with previous years be not destroyed, any such carrier or any receiver or operating trustee of any such carrier may, during the twelve months ending June 30, 1915, keep and maintain, in addition to the accounts of investment in road and equipment hereby prescribed, such portion or portions of its present accounts with respect to items of investment in road and equipment as may be deemed desirable by any such carrier or by any receiver or operating trustee thereof, for the purpose of such comparison, or, during the same period, may

➡ Part 103 was removed effective 5/1/92

maintain such groupings of the primary accounts hereby prescribed as may be desired for that purpose

(5) *It is further ordered*, That, unless otherwise ordered, any such carrier or any receiver or operating trustee of any such carrier may keep any temporary or experimental accounts for investment the purpose of which shall be to develop economies in construction *Provided, however*, That such temporary or experimental accounts shall not impair the integrity of any general or primary account hereby prescribed

(6) *It is further ordered*, That July 1, 1914, be, and is hereby, fixed as the date on which said issue of the Classification of Investment in Road and Equipment shall become effective

[¶ 16,002]

§ 103 00-2 Introductory letter

INTERSTATE COMMERCE COMMISSION,

DIVISION OF CARRIERS' ACCOUNTS,

Washington, May 19, 1914

To Accounting Officers of Steam Railways

This Classification of Investment in Road and Equipment supersedes the Classification of Expenditures for Road and Equipment, First Revised Issue, effective July 1, 1907, with the Supplement thereto, effective July 1, 1908, and also the Classification of Expenditures for Additions and Betterments, First Revised Issue, effective July 1, 1910 It also supersedes conflicting instructions contained in Accounting Bulletin No 8

The plan of merging the accounts of expenditures for additions and betterments with the accounts for investment in road and equipment provides that carriers' records shall be kept in such form that the expenditures for additions and betterments may be reported separately from those for original road, original equipment, and road extensions

Distinct accounts have been provided for the investment in several classes of buildings which, under the former classification, were included in the account "Miscellaneous structures "

The general and special instructions contain a comprehensive statement of the principles underlying the classification, indicating generally the application of the accounting rules The attention of accounting officers is called to the importance of requiring all employees who are assigned to accounting work in connection with investment in road and equipment to familiarize themselves thoroughly with these instructions

In the preparation of the revision of the accounting rules contained in this and other classifications for steam roads, which are concurrently issued, the Commission has had the cooperation of the Association of American Railway

¶ 16,002 § 103.00

Federal Energy Guidelines

➡ Part 103 was removed effective 5/1/92.

Accounting Offices, and of its Standing Committee on Corporate, Fiscal, and General Accounts

The classification, in tentative form, was presented for criticism and suggestions to the chief accounting officer of each railway and to the railway commissions of the several States. All suggestions received from such parties have been given careful consideration and many of them have been incorporated in the classification as here issued.

FRED W SWENEY,

Chief Examiner of Accounts

[¶ 16,003]

§ 103 01-1 Determination of cost of licensed projects.

(a) In section 3 of the Federal Power Act, (49 Stat 839; 16 U S C 796 (13)), approved August 26, 1935, the words "net investment"; as related to licensed projects, are defined as meaning "the actual legitimate original cost thereof as defined and interpreted in the classification of investment in road and equipment of steam roads, issue of 1914, Interstate Commerce Commission', plus similar costs of additions thereto and betterments thereof", minus the sum of certain specified items, and it is further provided in said section 3 that "The term 'cost' shall include, insofar as applicable, the elements thereof prescribed in said classification, but shall not include expenditures from funds obtained through donations by States, municipalities, individuals, or others * * *"

(b) The said classification is included in this part in its entirety. It is not intended that it shall be used in the classification of debits and credits pertaining to licensed projects, but the principles set forth therein, except as modified by section 3 of the act, shall be controlling in the determination of the cost of original projects licensed under said act and of additions thereto and betterments thereof, and the elements of such cost.

(c) As used in paragraph (b) of this section, the term "original projects" for purposes of this system of accounts shall be understood to mean the lands, fixed improvements and equipment, and the franchises, rights, etc., provided and arranged for in the original plan for the construction of new plant. When the plans provide for the construction of the plant in more than one part or unit, the part or unit first completed or made ready for service shall constitute the original project, and subsequent acquisitions or construction of property shall be considered as additions.

General Instructions

[¶ 16,020]

§ 103.02-0 Records.

The carrier's records shall be kept with sufficient particularity to show fully the facts pertaining to all entries made in the accounts provided in this

claw

➡ Part 103 was removed effective 5/1/92.

Part for investment in road and equipment Where the full information is not recorded in the general books, the entries therein shall be supported by other records in which the full details shall be shown Such general book entries shall contain sufficient reference to the detail records to permit ready identification, and the detail records shall be filed in such manner as to be readily accessible for examination by representatives of the Interstate Commerce Commission (App II, effective Jan 1, 1937, p 9)

NOTE In §§ 103 02-1 to 103 77, inclusive the numbers to the right of the dash correspond with the respective instruction numbers in "classification of investment in road and equipment of steam roads prescribed by the Interstate Commerce Commission, issue of 1914," appendix II, uniform system of accounts prescribed for utilities and licenses, Federal Power Commission, effective Jan 1, 1937, pp 9-14 Cross references to accounts (other than balance-sheet accounts which are not published in this Part) are made by citing the account number, e g , Account 37, instead of the corresponding section number (§ 103 37)

[¶ 16,021]

§ 103.02-1 Accounts for investment in road and equipment.

The accounts prescribed in this classification are designed to show the investment of the carrier in property devoted to transportation service The carrier's investment in physical property other than transportation property is provided for in Balance-sheet account 705, "Miscellaneous physical property " The carrier means the accounting carrier, except when otherwise specifically indicated The carrier's records shall be kept in such form that expenditures for additions and betterments may be reported separately from those for original road, original equipment, and road extensions, and shall show separately, the expenditures under each authorized addition and betterment project (See Balance-sheet account 701, "Investment in road and equipment," and 702 "Improvements on leased railway property ")

[¶ 16,022]

§ 103 02-2 Items to be charged.

(a) To these accounts shall be charged the cost of original road, original equipment, road extensions, additions and betterments, also the estimated values at time of acquisition of right of way and other road and equipment property donated to the carrier, except that unless authorized by the Commission no charges shall be made to these accounts after July 1, 1914, for donations received previously to that date Applications to the Commission for including such items in the road and equipment accounts shall contain full information concerning the source and character of the donations

(b) If the total cost of additions and betterments to any class of equipment, or any class of fixed improvements (except tracks), under a general plan, considered as a whole, is less than \$200, the option may be exercised of charging the amount expended to the appropriate account in Operating

¶ 16,021 § 103.02

Federal Energy Guidelines

➡ Part 103 was removed effective 5/1/92

Expenses. This section is not to be construed as authorizing the parceling of expenditures in order to bring them within this limit

(c) Construction includes all processes connected with the acquisition and construction of original road and equipment, road extensions, additions, and betterments

(d) Original road means the land and fixed improvements provided and arranged for in the original plan for the construction of a new road. When the acquisition of any such fixed improvements under the original plan is deferred, such improvements, when acquired, shall be considered as additions. Original road shall not be construed to include fixed improvements which, under the original plans for the road, it is proposed to substitute at some time subsequent to the beginning of commercial operations for the improvements originally installed and used for transportation operations, such as steel bridges substituted for trestles

(e) Original equipment means equipment provided and arranged for under the original plan for the construction of a new road. When the acquisition of such equipment under the original plan is deferred, such equipment, when acquired, shall be considered as additions

(f) Road extension means the land and fixed improvements provided and arranged for in the original plan for the construction of extensions of existing main lines, additional branch lines, and extensions of existing branch lines. When the acquisition of any such fixed improvements under the original plan is deferred, such improvements, when acquired, shall be treated as additions. Road extensions shall not be construed to include fixed improvements which under the original plans for the extensions it is proposed to substitute, at some time subsequent to the beginning of commercial operations, for the improvements originally installed and used for transportation in connection with commercial operations, such as steel bridges substituted for trestles

(g) Equipment means the rolling stock, boats, highway vehicles, horses, and harness devoted to transportation service, the cost of which is includible in the equipment accounts

(h) Fixed improvements means structures which are fixed as to location, such as tunnels, bridges, buildings, earthworks, etc

(i) Additions are additional facilities, such as additional equipment, tracks (including timber and mine tracks), buildings, bridges, and other structures, additions to such facilities, such as extensions to tracks, buildings, and other structures, additional ties laid in existing tracks, and additional devices applied to facilities, such as air brakes applied to cars not previously thus equipped. When property, such as a section of road, track, unit of equipment, shop or power plant machine, building, or other structure, is retired from service and replaced with property of like purpose, the newly acquired property shall, for the purpose of this classification, be considered as an addition, and the cost thereof accounted for accordingly (See § 103.02-7). If, however, the property retired and replaced is of minor importance, such as

➡ Part 103 was removed effective 5/1/92.

a small roadway building or other structure, and is replaced in kind without betterment, the cost of the replacement shall be charged to Operating Expenses, and no adjustment made in the road and equipment accounts

(j) Betterments are improvements of existing facilities through the substitution of superior parts for inferior parts retired, such as the substitution of steeltired wheels for cast wheels under equipment, the application of heavier rail in tracks, and the strengthening of bridges by the substitution of heavier members. The cost chargeable to the accounts of this classification is the excess cost of new parts over the cost at current prices of new parts of the kind retired (See § 103 02-12)

(k) Costs shall be actual money costs to the carrier. Where a portion of the funds expended by the carrier has been obtained through donations by States, municipalities, individuals, or others, no deductions on account of such donations shall be made in stating the costs. Contributions for joint expenditures should not be considered as donations. The carrier's proportion only of the cost of joint projects, such as construction of jointly owned tracks and elimination of highway crossings at joint expense, shall be included in these accounts

[¶ 16,023]

§ 103 02-3 Basis of charges.

The charges to the accounts of this classification shall be based upon the cost of the property acquired. When the consideration given for the purchase or the improvement of property the cost of which is chargeable to the accounts of this classification is other than money, the money value of the consideration at the time of the transaction shall be charged to these accounts, and the actual consideration shall be described in the record in sufficient detail to identify it. The carrier shall be prepared to furnish the Commission, upon demand, the particulars of its determination of the actual cash value of the consideration, if other than money

[¶ 16,024]

§ 103 02-4 Cost of construction.

It is intended that the accounts for fixed improvements and equipment shall include the cost of construction of such property. The cost of construction shall include the cost of labor, materials, and supplies, work-train service, special machine service, transportation, contract work, protection from casualties, injuries and damages, privileges, and other analogous elements in connection with such work. The several items of cost here referred to are defined as follows

(a) Cost of labor includes the amount paid for labor expended by the carrier's own employees, including the cost of labor expended for preliminary work, such as sinking test holes or making soundings for tunnels, grading, buildings, and other structures, and cost of labor expended in laying and taking up tracks for temporary use in construction, except the cost of labor expended on tracks provided for the protection of traffic during the progress of

¶ 16,023 § 103.02

Federal Energy Guidelines

➡ Part 103 was removed effective 5/1/92.

addition and betterment work. Office expenses and traveling and other personal expenses of employees, when borne by the carrier, shall be considered a part of the cost of the labor, as shall also the cost of fidelity bonds and employers' liability insurance premiums. When officers or employees are specially assigned to construction work, their pay and their traveling and incidental expenses while thus engaged shall be included in the cost of the work. No charge shall be made against road and equipment accounts for the pay of officers who merely render services incidentally in connection with extensions, additions, or betterments, although traveling and incidental expenses incurred by such officers solely on account of such work shall be included in the account to which the cost of the work is chargeable.

(b) Cost of materials and supplies includes the purchase price of materials and supplies, including small tools, at the point of free delivery, plus the costs of inspection and loading assumed by the carrier, also a suitable proportion of store expenses. (See special instructions for operating expense accounts, sections 16 and 17.) In calculating the cost of materials used, proper allowance shall be made for the value of unused portions and of cuttings, turnings, borings, etc., for the value of the material recovered from temporary tracks, scaffolding, cofferdams, and other temporary structures used in construction, and for the value of small tools recovered and used for other purposes.

(c) Cost of work-train service includes amounts paid to others for rent and maintenance of the equipment used, cost of labor of enginemen, trainmen, and enginehouse men, including the wages of engine crews and train crews held in readiness for such service, and the cost of fuel and other supplies consumed in connection with the operation of work trains. It shall also include the cost of maintaining the carrier's own equipment while used in construction service and a fair rent for such equipment while so used. Amounts charged for rent of such equipment used in construction shall concurrently be credited to the appropriate income account for hire of equipment. No "rent" or return upon the investment in such equipment shall be charged for the use of equipment acquired with the proceeds of securities sold, when the interest upon such securities is charged to the accounts of this classification.

(d) Cost of special machine service includes the cost of labor expended and of materials and supplies consumed in maintaining and operating steam shovels, scrapers, rail unloaders, ballast unloaders, pile drivers, dredges, ditchers, weed burners, and other labor-saving machines, also rents paid for use of such machines. (See Note A under Account 37, "Roadway machines," and text of general account II, Equipment, seventh paragraph.)

(e) Cost of transportation includes the amounts paid to other companies or individuals for the transportation of men, materials and supplies, special machine outfits, appliances, and tools in connection with construction. Freight charges paid foreign lines for the transportation of construction material to the carrier's line shall be included, so far as practicable, as a part of the cost of the material, when such charges are borne by the carrier. A fair allowance representing the expense to the carrier of such transportation in transportation

➔ Part 103 was removed effective 5/1/92

service trains over the carrier's own line also shall be included. When the cost of such transportation is not assignable to specific work, it shall be included in Account 43, "Other expenditures—Road." Amounts thus charged for transportation in transportation service trains over the carrier's line shall be credited to operating expense general account VIII, Transportation for Investment—Cr

(f) Cost of contract work includes amounts paid for work performed under contract by other companies, firms, or individuals, and costs incident to the award of the contract

(g) Cost of protection from casualties includes expenditures for protection against fire, such as payments for discovery or extinguishment of fires, cost of detecting and prosecuting incendiaries, witness fees in relation thereto, amounts paid to municipal corporations and others for fire protection, and other analogous items of expenditure in connection with construction work

(h) Cost of injuries and damages includes expenditures on account of injuries to persons or damage to property when incident to construction projects, and shall be included in the cost of the work in connection with which the injury or damage occurs. It also includes that portion of premiums paid for insuring property applicable to the period prior to the completion or coming into service of the property insured. Insurance recovered on account of compensation paid for injuries to persons incident to construction shall be credited to the accounts to which such compensation is charged, and insurance recovered on account of damages to property incident to construction shall be credited to the accounts chargeable with the expenditures necessary for restoring the damaged property. The cost of injuries and damages incident to the removal of old structures, or parts thereof, shall be charged to Operating Expenses or Profit and Loss, as may be appropriate, except that such costs in connection with the removal of old structures which are incumbrances on newly acquired lands shall be included in Account 2, "Land for transportation purposes," or 3, "Grading," as may be appropriate. (See §§ 103 02-7, 103 02-8.)

(i) Cost of privileges includes compensation for temporary privileges, such as the use of public property or streets, in connection with the construction of the property of the carrier

[¶ 16,025]

§ 103 02-5 Excavated material.

The cost of disposing of material excavated in connection with construction shall be considered as a part of the cost of the work, except that when such material is used for filling, the cost of removal 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

¶ 16,025 § 103.02

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➡ Part 103 was removed effective 5/1/92.

[¶ 16,026]

§ 103 02-6 Items to be credited.

(a) To these accounts shall be credited the ledger value of property retired

(b) Ledger value of property is the value at which the property is carried in the property investment account in the general ledger of the carrier. In case the value of any item of property is not shown separately in the ledger the ledger value of that item shall be its proportionate share of the value of the entire group in which the particular property is included

(c) Property retired means property which is sold, abandoned, demolished, or otherwise withdrawn from transportation service

(d) Salvage from retired property is the value of material recovered from property retired. When such material is retained and again used by the carrier, the value shall be computed upon the basis of fair prices for the material in its condition as recovered. When such material is sold, the net proceeds of the sale shall be considered as the value of the material

[¶ 16,027]

§ 103 02-7 Property retired and replaced.

(a) When a unit of property other than land or equipment—such as a section of road, side or yard track, shop or power plant machine, building, or other structure—is retired from service and replaced with property of like purpose, the ledger value of the retired property shall be credited to the appropriate accounts of this classification at the time that the property is retired from service. The amount of this credit shall be charged concurrently as follows

(b) An amount equal to the credit balance in the accrued depreciation balance-sheet account with respect to the property thus retired shall be charged to that account and the remainder (less salvage and insurance recovered, if any), together with the cost of demolishing the property, if demolished by or for the carrier, shall be charged to the accounts in Operating Expenses appropriate for the cost of repairs of the property before retirement. The accounting for the salvage shall be in accordance with the disposition made of the material recovered

(c) If, however, the property retired and replaced with property of like purpose is of minor importance, such as a small roadway building or other small structure, and is replaced in kind without betterment, the cost of the replacement shall be charged to operating expense accounts, and no adjustment made in the road and equipment accounts

(d) If so authorized by the Interstate Commerce Commission, the carrier may charge to Profit and Loss any extraordinarily large item representing the cost of property retired and replaced, instead of charging such item to Operating Expenses. The carrier shall file with the Commission a statement of

➡ Part 103 was removed effective 5/1/92

the cost and a description of the property retired and the reasons which, in its judgment, indicate the propriety of charging the cost of such property to Profit and Loss

(e) The provisions of this section are applicable in accounting (at the time of retirement) for the cost of property abandoned, even though the new property has been actually installed previously to the date of the demolition of the abandoned property

(f) When the renewals to be made to an important building or other structure will constitute the major portion of its value when renewed, the property, when taken out of service, shall be considered as retired and accounted for as provided above, and for the purposes of this classification the renewed property shall be considered as an addition, and the appraised cost thereof shall be included in the accounts of this classification, consideration being given to the secondhand portions remaining therein. In no case shall the charge for the renewed property exceed the cost (at current market prices of labor and material) of new property of equal capacity and equal expectation of life in service, less a suitable allowance on account of the secondhand parts remaining therein

[¶ 16,028]

§ 103 02-8 Property retired and not replaced.

(a) When a unit of property other than land or equipment—such as a section of road, side or yard track, shop or power plant machine, building, or other structure—is retired from service and not replaced, the ledger value shall be credited to the appropriate property accounts at the time that the property is retired from service. The amount of this credit shall be concurrently charged as follows

(b) An amount equal to the credit balance in the accrued depreciation balance-sheet account with respect to the property thus retired shall be charged to that account, and the remainder (less salvage and insurance recovered, if any), together with the cost of demolishing the property if demolished by or for the account of the carrier, shall be charged to the appropriate profit and loss account. The accounting for the salvage shall be in accordance with the disposition made of the material recovered

[¶ 16,029]

§ 103.02-9 Equipment retired.

The instructions for accounting for equipment retired are contained in the text of the general account II, Equipment

[¶ 16,030]

§ 103.02-10 Land retired.

When any land, the cost of which is included in the accounts of this classification, is retired, the ledger value shall be credited to Account 2, "Land for transportation purposes." If the land is retained by the carrier, its

¶ 16,028 § 103.02

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➡ Part 103 was removed effective 5/1/92.

estimated value shall be charged to Balance-sheet Account 705, "Miscellaneous physical property," the necessary adjustment of the difference between the ledger value and the estimated value on account of the loss in the property due to its retirement from transportation service shall be made through Profit and Loss. If sold, the difference between the ledger value credited to Account 2 and the amount received for the land shall be adjusted in Profit and Loss.

[¶ 16,031]

§ 103.02-11 Adjustments for converted property.

When property, such as a unit of equipment, a building, or other facility of one class, is converted into property of another class, so that the amount of investment in such property must be transferred from one account of this classification to another, the lines, fences, track and other signals, buildings, bridges, trestles, culverts, and other structures, and farm and highway crossings, including crossing gates and alarms, when the provisions of § 103 02-8 are not applicable, and maintaining or protecting traffic during the progress of addition and betterment work, including the cost of constructing, maintaining, and removing temporary tracks required for maintaining traffic during the progress of the work.

[¶ 16,032]

§ 103.02-12 Expenses in connection with additions and betterments

The cost of removing old material from equipment and from buildings, bridges, wharves, tracks, and other fixed improvements, shall be charged to the appropriate operating expense accounts. Such charges shall include the cost of removing old foundations and filling old excavations, and restoring condition of grounds after addition and betterment work, rearranging or relocating existing tracks, relocating telegraph and telephone poles or lines, fences, track and other signals, buildings, bridges, trestles, culverts, and other structures, and farm and highway crossings, including crossing gates and alarms, when the provisions of § 103 02-8 are not applicable, and maintaining or protecting traffic during the progress of addition and betterment work, including the cost of constructing, maintaining, and removing temporary tracks required for maintaining traffic during the progress of the work.

[¶ 16,033]

§ 103.02-13 Interpretation of item lists.

Lists of "items," "details," etc., have been given as a part of this classification for the purpose of clearly indicating the application of the accounting rules in specific cases. The lists in every case are to be considered as merely representative, and not as excluding from any account analogous items which happen to be omitted from the list appended. On the other hand, the appearance of an item in a list warrants the inclusion of the item in the account concerned only when the text of the account also indicates inclusion, inasmuch as the same item frequently appears in more than one list. The item

→ Part 103 was removed effective 5/1/92.

of boilers, for example, will be found under Accounts 18, 27, 37, 44, and 45, and the proper charge in any one instance must be determined by the text of the account

[¶ 16,034]

§ 103.02-14 Submission of questions.

To the end that uniformity of accounting may be maintained from year to year, carriers shall submit all questions of doubtful interpretation of the accounting rules to the Commission for consideration and decision

[¶ 16,060]

Accounts for Investment in Road and Equipment

ROAD

NOTE The several primary accounts included in this general account are designed to show the cost of land, fixed improvements, and roadway machines and tools owned by the carrier and devoted to transportation service

[¶ 16,061]

§ 103.1 Engineering.

This account shall include the pay and expenses of engineers, assistants, and clerks engaged in the survey and construction of new lines and extensions, or in making additions to and betterments of the carrier's road, including wharves and docks

LIST OF OFFICERS AND EMPLOYEES

(See general instructions, § 103 02-13)

Chief engineer
 Assistant engineers.
 Bridge engineer
 Signal engineer
 Architects
 Chief clerk
 Draftsmen
 Clerks
 Transitmen
 Levelmen
 Rodmen
 Chainmen
 Axmen
 Messengers

¶ 16,034 § 103.02

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STY

→ Part 103 was removed effective 5/1/92

Cooks on business cars

Porters on business cars

ITEMS OF EXPENSE AND SUPPLIES

(See general instructions, § 103 02-13)

Atlases and maps

Axes

Barometers

Books for office use

Boxes for materials and instruments

Business car service

Cameras

Camp equipage

Chains for surveyors

Compasses

Curves

Drawing boards

Drawing instruments

Field glasses

Field notebooks

Furniture repairs and renewals

Hatchets

Heating and lighting

Levels

Magnets

Magnifiers

Marking chalk

Official train service

Oilstones

Paper, blue-print

Parallel rules

Periodicals and newspapers

Photographic supplies

Plane tables

Planimeters

[The next page is 11,917-3]

→ Part 103 was removed effective 5/1/92.

Plummets
Printing and stationery
Protractors
Provisions for business cars
Ranging poles
Reading glasses
Rent of offices
Repairs of rented offices
Rods for surveyors
Scales
Section liners
Sextants
Slide rules
Stakes
Straightedges
Tally registers
Tape lines
Tee squares
Telegraph service
Telephone service
Telescopes
Thermometers
Thumb tacks
Tracing linen
Transits
Traveling expenses
Traverse tables
Triangles
Tripods
Verniers
Water and ice

NOTE A When employees designated above are engaged in the maintenance of the road, their pay and expenses while thus employed shall be charged to Operating Expenses

➡ Part 103 was removed effective 5/1/92.

NOTE B Expenditures for tentative or preliminary surveys shall be carried in a suspense account until it is determined whether or not to continue the work. If the project is continued, expenditures for all surveys in connection therewith shall then be transferred to this account, and, if abandoned to Operating Expenses, Income, or Profit and Loss, as may be appropriate.

NOTE C The cost of designing, making plans and specifications, and supervising the construction of equipment shall be included in the cost of the equipment.

NOTE D The cost of stationery and printing supplies used for accounting purposes in connection with engineering work shall be included in Account 74, "Stationery and Printing," when not directly assignable to specific road or equipment accounts.

➡ Part 103 was removed effective 5/1/92.

NOTE E Fees and expenses of architects specially employed for designing or supervising the construction of buildings shall be included in the accounts appropriate for the cost of the buildings constructed

[¶ 16,062]

§ 103.2 Land for transportation purposes.

(a) This account shall include the cost of land of necessary width acquired for roadway; the cost of land for station, office, shop, and other grounds, for ingress to or egress from such grounds, for borrow pits, waste banks, snow fences, sand fences, and other railway appurtenances, and for storage of material adjoining the right of way, the cost of land for wharves and docks and the cost of riparian or water rights necessary therefor, the cost of removing from the right of way and locating elsewhere the property of others, and the cost of the necessary land for relocation of the property, when such costs are assumed by the accounting carrier

(b) The carrier's records shall be kept in such manner as to show separately the cost of land purchased by it and the estimated values at time of acquisition of lands donated

(c) Proceeds from the sale of timber or of improvements purchased with right of way, less any cost of removal, shall be credited to this account

ITEMS OF EXPENSE

(See general instructions, § 103 02-13)

Abstracts

Appraisals

Arbitrators in condemnation cases

Commissions paid to others

Condemnation expenses, including court costs and special counsel fees

Damages to property of others

Deferred payments for right-of-way

Ditches for waterways when part of consideration

Judgements and decreed costs to clear or defend titles

Notarial fees

Plats

Premiums on condemnation bonds

Recording deeds

Payments for relinquishment of cattle passes and other rights

Removal and relocation of buildings and other structures not purchased

Rent of land when part of consideration for purchase

Federal Energy Regulatory Commission

§ 103.2 ¶ 16,062

➡ Part 103 was removed effective 5/1/92.

Right-of-way agents' compensation (engaged solely in acquiring right of way)
Taxes accrued and assumed at time of purchase

NOTE The cost of land acquired in excess of that necessary for transportation operations shall be included in Balance-sheet Account 705, "Miscellaneous physical property" When the purchase of land acquired for transportation operations involves the purchase of land not used for such purposes the charges to this account shall be based upon the estimated cost of only that portion which is used for such purposes, and the cost of the remaining land shall be included in Account 705 "Miscellaneous physical property"

[¶ 16,063]

§ 103.3 Grading.

(a) This account shall include the cost of clearing and grading the roadway, and of constructing protection of a permanent character for the roadway, tracks, embankments, and cuts

(b) When a part of a bridge or trestle, or the entire structure, is converted by filling into an earth embankment, and the bridge is used in lieu of a temporary trestle for the purpose of filling, the estimated cost of such temporary trestle shall be included in the cost of the filling, and charged to this account (See Note A, under Account 6, "Bridges, trestles, and culverts")

(c) When a tunnel is converted into an open cut, the cost of clearing, grubbing, and excavating shall be included in this account

DETAILS OF ROADBED AND ITEMS OF EXPENSE

(See general instructions, § 103 02-13)

Advertising for contractors' bids
Berm ditches
Blasting
Breakwaters
Bulkheading
Clearing land
Cribbing
Ditches (not required by right-of-way agreement)
Dressing slopes
Excavation for conversion of tunnels into open cuts
Filling bridges, trestles, and culverts
Grading outfits
Grubbing land
Material taken from borrow pits

¶ 16,063 § 103.3

→ Part 103 was removed effective 5/1/92.

Operation of steam shovels
 Payments for privilege of wasting material on the property of others
 Payments for waste banks off the right of way
 Reconstruction of highways
 Retaining walls
 Revetments
 Riprap
 Spoil banks
 Temporary trestling for fills
 Tools for grading
 Wing dams

[¶ 16,064]

§ 103.4 Underground power tubes

This account shall include the cost of power tubes or conduits for underground contacts of electric railways or for underground cables of cable traction railways

DETAILS OF UNDERGROUND CONTACT SYSTEM

(See general instructions, § 103.02-13)

Concrete work
 Drainpipes
 Manhole covers
 Manhole frames
 Plow pits
 Pulleys
 Sheaves
 Slot rails
 Yokes

NOTE The cost of track rails, other track material, and electric contact rails and insulators shall be charged to the accounts appropriate for such property

[¶ 16,065]

§ 103.5 Tunnels and subways.

This account shall include the cost of tunnels and subways for the passage of trains, including apparatus for ventilating and lighting, and safety devices therein, other than signals

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§ 103.5 ¶ 16,065

➡ Part 103 was removed effective 5/1/92.

NOTE A The cost of tracks, including guard rails, in tunnels shall not be charged to this account

NOTE B Station subways not highway crossings are includible in Account No 16, "Station and office buildings "

NOTE C If a tunnel be converted into an open cut, the accounting shall be in accordance with general instructions, § 103 02-11

[¶ 16,066]

§ 103 6 Bridges, trestles, and culverts.

This account shall include the cost of the substructure and superstructure of bridges, trestles, and culverts, which carry the tracks of the carrier over watercourses, ravines, public and private highways, and other railways

DETAILS OF BRIDGE STRUCTURES

(See general instructions, § 103 02-13)

Abutments

Bridge signs

Cofferdams

Concrete and masonry ends for culverts

Cribs

Decking, including gravel for fire protection

Dike protection

Drainage systems

Draw protection

Drawbridge engines and machinery

False work

Guard timbers

Ice breakers

Painting (except repainting)

Pier protection

Piers and foundations

Pipe culverts

Retaining walls

Riprap around abutments

Riprap at culvert ends

Supports

Water channels

Waterproofing

¶ 16,066 § 103.6

➡ Part 103 was removed effective 5/1/92

Wing dams

Wing walls

NOTE A When a part or the entire structure of a bridge or trestle is converted, by filling, into an earth embankment the ledger value of the structure, or of the portion thereof filled, shall be credited to this account. In case the bridge or trestle is used in lieu of a temporary trestle for the purpose of filling, the estimated cost of such temporary trestle shall be charged to Account 3, "Grading." The ledger value of the structure, or portion thereof, filled, less the value of the salvage and the estimated cost of trestle charge to Account 3, shall be charged to Operating Expenses

NOTE B The cost of bridges to carry the carrier's tracks over undergrade crossings, including the necessary piers and abutments for sustaining them, shall be included in this account, but the cost of undergrade roadways, paving on right of way, drainage systems and retaining walls outside of the bridge abutments shall be included in Account 15, "Crossings and signs"

[¶ 16,067]

§ 103.7 Elevated structures

(a) This account shall include the cost of elevated structures and foundations of elevated railway systems

(b) This account is applicable to structures other than earthwork, which are for the purpose of elevating tracks above the grade of streets, and which are not properly classable as bridges or trestles

NOTE The cost of stations and other structures built on elevated structures shall be accounted for according to the class of the structure thus superimposed, and not in this account

[¶ 16,068]

§ 103.8 Ties

(a) This account shall include the cost of cross, switch, bridge, and other track ties used in the construction of tracks for the movement or storage of locomotives and cars (including tracks in shops, fuel stations, supply yards, etc.), and the cost of additional ties subsequently laid in such tracks, also the excess cost of metal ties used in repairs of track over the cost to replace in kind wooden ties removed

(b) The cost of handling ties in general supply and storage yards shall be included as store expenses apportioned to this account when the ties are used for construction purposes

NOTE A The cost of labor for unloading, distributing, and placing the ties in tracks, and the cost of train service in connection with the distribution of ties laid shall be charged to Account 12, "Track laying and surfacing"

➡ Part 103 was removed effective 5/1/92.

NOTE B The cost of ties used in the construction of car floats shall be included in the cost of such floating equipment, and the cost of ties used in the construction of temporary tracks, such as gravel-pit and quarry tracks, shall be included in the appropriate clearing accounts

[¶ 16,069]

§ 103.9 Rails.

(a) This account shall include the cost of rails used in the construction of tracks for the movement or storage of locomotives and cars (including tracks in shops, fuel stations, supply yards, etc), and the excess cost of heavier rails or rails of improved types or quality used for repairs of tracks over the cost to replace in kind the rails removed

(b) The cost of handling rails in general supply and storage yards shall be included as store expenses apportioned to this account when the rails are used for construction purposes

(c) To this account shall be credited the difference between the cost (at current prices at time of removal) of heavy rails removed and the cost of lighter rails applied in the repairs of tracks

NOTE A. The cost of labor for unloading, distributing, and placing the rails in tracks, and of train service in connection with the distribution of the rails shall be charged to Account 12, "Track laying and surfacing "

NOTE B When secondhand rails are first applied to any tracks and no more than the actual cost of such rails is carried in the road accounts, the excess cost of new or heavier rails used for relaying the tracks over the cost (at prices current at the time of replacement) of rails of a weight and condition equal to the weight and condition of the released rails when applied, shall be charged to this account

NOTE C The cost of rails used in the construction of car floats shall be included in the cost of such floating equipment, and the cost of rails used in the construction of temporary tracks, such as gravel-pit and quarry tracks, shall be included in the appropriate clearing accounts

[¶ 16,090]

§ 103.10 Other track material.

(a) This account shall include the cost of material used in the construction of tracks for the movement or storage of locomotives and cars (including tracks in shops, fuel stations, supply yards, etc), except ballast and material chargeable to foregoing accounts, also the excess cost of heavier or improved "other track material" used in repairs of tracks over the cost of replacing in kind such material removed

(b) The cost of handling "other track material" in general supply and storage yards shall be included as store expenses apportioned to this account when such material is used in the construction of new tracks

¶ 16,069 § 103.9

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→ Part 103 was removed effective 5/1/92

ITEMS OF OTHER TRACK MATERIAL

(See general instructions, § 103 02-13)

Angle bars
 Anticreepers
 Bumping posts
 Compromise joints
 Connecting rods
 Crossings for steam and electric railways, including foundations or bases
 Derails
 Frog blocking
 Frogs
 Guard-rail blocking
 Guard-rail clamps
 Guard-rail fasteners
 Guard rails, switch and other
 Main rods
 Nut locks
 Nuts
 Offset bars
 Rail braces
 Rail chairs
 Rail clips
 Rail joints
 Rail rests
 Rail shims
 Rail splices
 Splice bars
 Step chairs
 Switch chairs
 Switch crossings
 Switch lamps
 Switch locks and keys
 Switch points
 Switch stands

➔ Part 103 was removed effective 5/1/92.

Switch targets

Switches

Tie plates

Tie plugs

Tie-rods

Track bolts

Track insulators

Track spikes

NOTE A The cost of labor and train service for distributing, unloading, and applying "other track material" shall be charged to Account 12, "Track laying and surfacing "

NOTE B No entry is required in this account with respect to improved "other track material" unless installed under a definite plan of changing standards, such as increasing the weight of rail

NOTE C The cost of "other track material" used in the construction of car floats shall be included in the cost of such floating equipment, and the cost of such track material used in the construction of temporary tracks, such as gravel-pit and quarry tracks, shall be included in the appropriate clearing accounts

[¶ 16,091]

§ 103.11 Ballast.

This account shall include the cost of gravel, stone, slag, cinders, sand, and like material used in ballasting tracks (including tracks in shops, fuel stations supply yards, etc) not previously ballasted, including cost of work-train service and of unloading, cost of ballast applied in excess of ballast required to restore to its maximum height and width the ballast previously put on the roadbed, and the excess cost of improved ballast used in renewals over the cost to replace in kind to the original height and width the ballast removed (Special instructions, § 103 02-11, for operating expense accounts, apply to the accounting for pits from which ballast material is obtained either for construction work or for maintenance, or for both)

NOTE A The cost of ballast used in the construction of temporary tracks, such as gravel-pit and quarry tracks, shall be included in the appropriate clearing accounts

NOTE B Earth placed to form a crown in the middle of the track is not to be considered as ballast

NOTE C The cost of ballast material placed on the decking of bridges solely for fire-protection purposes shall be included in Account 6, "Bridges, trestles, and culverts "

¶ 16,091 § 103.11

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→ Part 103 was removed effective 5/1/92.

NOTE D No charge shall be made to the accounts of this classification representing the value of cinders accumulated by the carrier

[¶ 16,092]

§ 103.12 Track laying and surfacing.

This account shall include the cost of distributing (including train service), laying, and adjusting ties, rails, and other track material used in the construction of tracks for the movement or storage of locomotive or cars, including repair tracks, but not tracks on car floats or temporary tracks the cost of which is chargeable to clearing accounts. It shall also include the cost of the labor expended in placing ballast in tracks not previously ballasted.

NOTE A The cost of distributing and adjusting ties, rails, ballast, and other track material for repairs shall be charged to Operating Expenses, both when such materials are replaced in kind and when replaced with improved and heavier material.

NOTE B The cost of work-train service in delivering ballast and of unloading such material is provided for in Account 11, "Ballast"

[¶ 16,093]

§ 103.13 Right-of-way fences.

This account shall include the cost of right-of-way fences (including permanent snow and sand fences erected in lieu of right-of-way fences), farm gates, cattle guards, wing fences, aprons, and hedges, on property not previously fenced, excluding those around stockyards, fuel stations, station and shop grounds, and building sites.

[¶ 16,094]

§ 103.14 Snow and sand fences and snowsheds.

This account shall include the cost of snowsheds, including rock filling when necessary, and cost of permanent or portable fences for the protection of tracks from snow and sand, other than such permanent fences erected in lieu of right-of-way fences and chargeable to Account 13, "Right-of-way fences"

[¶ 16,095]

§ 103.15 Crossings and signs.

This account shall include the cost of constructing farm passes, highways, and other railways across the carrier's right of way, except railways crossing at grade, cost of track signs, crossing gates, highway-crossing alarms, planking, paving, and watch houses at crossings, and the portion borne by the carrier of cost of overgrade and undergrade crossings constructed to eliminate grade crossings.

DETAILS OF GRADE CROSSINGS

(See general instructions, § 103.02-13)

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§ 103.15 ¶ 16,095

➡ Part 103 was removed effective 5/1/92.

Batteries, with track instruments and connections

Crossing gates

Crossing signal bells

Paving

Planking

Soil crossing drains

Warning signals

Watch houses

Water pipes

DETAILS OF OVERGRADE CROSSINGS

(See general instructions, § 103 02-13)

Bridge superstructures

Bridge substructures

Decking, including roadways

Drainage systems

Piers, including foundations

Retaining and wing walls, including foundations

DETAILS OF UNDERGRADE CROSSINGS

(See general instructions, § 103 02-13)

Curbing

Drainage systems

Paving on right-of-way

Retaining walls outside of bridge abutments

Roadways

Sidewalks

LIST OF SIGNS

(See general instructions, § 103 02-13)

Boundary signs

Mile signs

Monument stones

Overhead-bridge caution signs.

Section signs

Slow or stop signs

Subdivision boards

¶ 16,095 § 103.15

➡ Part 103 was removed effective 5/1/92

Tunnel caution signs

Water station signs

Water trough signs

Whistle signs

Yard-limit signs

NOTE A The cost of shop and station overgrade footbridges and subways not public highways shall be included in the cost of the buildings

NOTE B The cost of bridges or trestles carrying the carrier's tracks over roads, highways, or other railways shall be charged to Account 6, "Bridges, trestles, and culverts," but the cost of a bridge or other structure which carries farm passes, highways, or the tracks of another carrier over the carrier's tracks shall be included in this account

[¶ 16,096]

§ 103 16 Station and office buildings

This account shall include the cost of station and office structures, their fixtures, appurtenances, and furniture necessary first to equip the buildings for use

STATION AND OFFICE STRUCTURES AND DETAILS

(See general instructions, § 103 02-13)

Baggage rooms

Breakwaters for protection of buildings

Buildings and rooms for trainmen

Buildings on piers

Call bells

Coal bins

Coal transferring machinery (not on coal and ore wharves)

Coal trestles (not at fuel stations)

Commissarial buildings

Drainage and sewerage systems

Dwellings

Eating houses

Electric wiring

Elevators and machinery

Express buildings

Fences

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➡ Part 103 was removed effective 5/1/92.

Fire-engine houses
Freight cranes
Freight derricks
Freight handling machinery
Freight houses
Garages
Gas-supply systems
General office buildings
Grain cribs
Grain elevators
Grain warehouses
Greenhouses
Hay houses
Heating plants
Hedges
Hoisting engines, for handling freight
Hose houses
Ice houses
Lighting plants
Mail cranes
Milk stands
Office buildings
Ore-transferring machinery
Outhouses
Pavement within ground limits
Platforms, freight
Platforms, passenger, including planking between tracks
Power distribution systems, interior
Reading rooms
Rooms for Y M C A.
Scale houses
Sidewalks
Stables
Station footbridges (not highway crossings)

¶ 16,096 § 103.16

➡ Part 103 was removed effective 5/1/92.

Station intertrack fences
 Station platforms
 Station signs
 Station stairways
 Station subways (not highway crossings)
 Station powerhouses
 Stations, freight
 Stations, passenger
 Stock pens
 Storehouses
 Telegraph offices
 Telpher systems
 Track scales
 Transfer houses
 Transfer platforms
 Waiting
 Warehouses
 Washrooms
 Water-supply systems
 Yard offices

NOTE A Office buildings used exclusively in connection with maintenance of way shall be included in Account 17, "Roadway buildings" Those used exclusively in connection with maintenance of equipment shall be included in Account 20, "Shops and enginehouses"

NOTE B The cost of grading and preparing grounds, both before and after the construction of station and office buildings, and the cost of constructing sidewalks, driveways, and fences thereon, shall be included in the cost of the buildings, as shall also the fees and expenses of architects specially employed for designing or supervising the construction of the buildings, but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts The cost of permanent water rights shall also be included in the cost of the buildings

[¶ 16,097]

§ 103.17 Roadway buildings.

This account shall include the cost of roadway shops and other roadway buildings, including drainage, water, gas, and sewer pipes and connections, and all machinery, fixtures, and furniture to equip the buildings ready for use

➔ Part 103 was removed effective 5/1/92.

LIST OF ROADWAY BUILDINGS

(See general instructions, § 108 02-13)

Bins for material
 Blacksmith shops
 Boarding houses
 Breakwaters for protection of buildings
 Carpenter shops
 Dwellings
 Fire-engine houses
 Frog shops for repair of track material
 Hand-car houses
 Lighting plants
 Lumber sheds
 Offices
 Outhouses
 Planing mills
 Rail shops for repair of track material
 Repair shops
 Scrap bins
 Section dwelling houses
 Stables
 Storehouses
 Tool houses
 Watch houses

NOTE C The cost of grading and preparing grounds both before and after the construction of roadway buildings, and the cost of constructing sidewalks, driveways, and fences thereon shall be included in the cost of the buildings, as shall also the fees and expenses of architects specially employed for designing or supervising the construction of the buildings, but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts. The cost of permanent water rights shall also be included in the cost of the buildings.

[¶ 16,098]

§ 103 18 Water stations.

This account shall include the cost of structures, facilities, and appliances necessary to equip for service stations for supplying water. The cost of

¶ 16,098 § 103.18

Federal Energy Guidelines

→ Part 103 was removed effective 5/1/92.

analyses of water preliminary to the establishment of water stations shall be included in this account

WATER STATION STRUCTURES AND DETAILS

(See general instructions, § 103 02-13)

Boilers
Breakwaters for protection of buildings
Buildings on piers
Cisterns
Dams
Fences
Outhouses
Penstocks
Pump houses
Pumps
Purifying plants
Reservoirs
Settling basins
Stationary engines
Steam pipes
Tanks and foundations
Test wells
Track tanks
Tubs
Water cranes
Water pipe lines
Water-treating plants
Wells
Windmills

NOTE A The cost of water stations used solely for supplying water to shops, power plants, stations, hotels, tenement houses, or section houses shall be charged to the appropriate accounts relating to the property so supplied

NOTE B The cost of a temporary water station established only for use during the construction period shall be included in the primary accounts to which is charged the cost of the work in connection with which the water station is used

➡ Part 103 was removed effective 5/1/92

NOTE C The cost of grading and preparing grounds both before and after the construction of water station buildings, and the cost of constructing sidewalks, driveways, and fences thereon shall be included in the cost of the buildings, as shall also the fees and expenses of architects specially employed for designing or supervising the construction of the buildings, but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts. The cost of permanent water rights shall also be included in the cost of the buildings.

[¶ 16,099]

§ 103.19 Fuel stations

This account shall include the cost of structures, facilities other than tracks, and appliances necessary to equip for service stations for supplying fuel to locomotives and floating equipment.

FUEL STATION STRUCTURES AND DETAILS

(See general instructions, § 103.02-13)

Breakwaters for protection of buildings

Buckets

Buildings on piers

Coal buckets

Coal buggies

Coal hoists

Coal pockets and chutes

Dumping machinery

Elevating machinery

Fences

Fuel houses or stations

Fuel-oil columns

Fuel-oil plants

Fuel-oil pumps

Fuel-oil sumps

Fuel-oil tanks

Fuel platforms

Fuel wharves

Inclines

Outhouses

Scales

Sheds

¶ 16,099 § 103.19

➔ Part 103 was removed effective 5/1/92

Stationary engines.

Tipple cars

Weighing apparatus

Wood racks

NOTE A The cost of fuel stations, coal houses, etc., used solely for supplying fuel to shops, power plants, stations, hotels, tenement houses, or section houses shall be charged to the appropriate accounts relating to the property so supplied

NOTE B The cost of a temporary fuel station established only for use during the construction period shall be included in the primary accounts to which is charged the cost of the work in connection with which the fuel station is used

NOTE C The cost of grading and preparing grounds both before and after the construction of fuel station buildings, and the cost of constructing sidewalks, driveways, and fences thereon, shall be included in the cost of the buildings, as shall also the fees and expenses of architects specially employed for designing or supervising the construction of the buildings, but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts. The cost of permanent easement rights shall also be included in the cost of the buildings

[¶ 16,120]

§ 103.20 Shops and enginehouses.

This account shall include the cost of buildings to be used as shops, engine-houses, and storehouses for material for maintenance of equipment, foundations, except those special to particular machines and other apparatus, furniture and fixtures other than equipment chargeable to Account 44 "Shop machinery", drainage, sewage, and water supply systems, and plants for heat and light

SHOP AND ENGINEHOUSE STRUCTURES AND DETAILS

(See general instructions, § 103 02-13)

Air-compressor houses

Ash pits and pockets

Ash plants

Bins for material

Blacksmith shops

Breakwaters for protection of buildings

Buildings on piers

Car sheds

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§ 103.20 ¶ 16,120

11,936

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➡ Part 103 was removed effective 5/1/92.

Car shops
Carpenter shops
Cinder pits
Cinder pockets
Drop pits
Dry houses
Electric-power distribution systems within buildings
Enginehouses
Fire-engine houses
Footbridges (not public highways)
Foundries
Gas-compressor houses
Heating plants
Hose houses
Ice houses
Laboratories
Lighting plants
Lumber sheds
Machine shops
Material and supply truck tracks
Motor-crane tracks
Offices, shop
Oil houses
Outhouses
Paint shops
Pipe lines, air, interior
Pipe lines, car-heating
Pipe lines, gas, interior
Planing mills
Platform, shop and yard
Repair shops
Sand houses
Scale houses
Scrap bins
¶ 16,120 § 103.20

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→ Part 103 was removed effective 5/1/92.

Sidewalks
 Stables
 Steam-distribution systems, interior
 Storehouses
 Tanks, gas
 Tanks, oil.
 Test rooms
 Tin shops
 Tool houses
 Track scales
 Transfer tables
 Turntables
 Upholstering shops
 Warehouses
 Wash rooms
 Watch houses

NOTE A. The cost of distinct power plant buildings for shop purposes shall be included in Account 29 "Power plant buildings" Cost of distribution systems leading from such power plants to shops and enginehouses shall be included in Account 32, "Power distribution systems "

NOTE B The cost of grading and preparing grounds both before and after the construction of shop and enginehouse buildings, and the cost of constructing sidewalks, driveways, and fences thereon, shall be included in the cost of the buildings, as shall also the fees and expenses of architects specially employed for designing or supervising the construction of the buildings, but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts The cost of permanent water rights shall also be included in the cost of the buildings

NOTE C. The cost of shop buildings devoted solely to the maintenance of way and structures shall be included in Account 17, "Roadway buildings "

[¶ 16,121]

§ 103.21 Grain elevators.

(a) This account shall include the cost of structures for the transfer, treatment, and storage of grain, including cost of conveyors, machinery and fixtures

(b) The buildings referred to in this account are not small storage elevators at stations where grain is received for shipment, etc , but large elevators in which grain is stored for various owners

Federal Energy Regulatory Commission

§ 103.21 ¶ 16,121

➡ Part 103 was removed effective 5/1/92

NOTE A Small storage elevators at way stations are classed as station buildings

NOTE B The cost of grading and preparing grounds both before and after the construction of grain-elevator buildings, and the cost of constructing sidewalks, driveways, and fences thereon, shall be included in the cost of the buildings, as shall also the fees and expenses of architects specially employed for designing or supervising the construction of the buildings, but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts. The cost of the permanent water rights shall also be included in the cost of the buildings

[¶ 16,122]

§ 103.22 Storage warehouses

(a) This account shall include the cost of storage warehouses, including machinery and fixtures therein

(b) The buildings referred to in this account are not the ordinary freight warehouses or stations where freight is received for shipment, etc., but warehouses in which merchandise is stored and which the railway companies or others operate commercially as storage warehouses

NOTE The cost of grading and preparing grounds both before and after the construction of storage warehouse buildings, and the cost of constructing sidewalks, driveways, and fences thereon, shall be included in the cost of the buildings, as shall also the fees and expenses of architects specially employed for designing or supervising the construction of the buildings, but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts. The cost of permanent water rights shall also be included in the cost of the buildings

[¶ 16,123]

§ 103.23 Wharves and docks.

This account shall include the cost of wharves, docks, dry docks, slips, float bridges, and other landings for vessels, including the cost of necessary dredging and the cost of float-bridge machinery, also the cost of piling, pile protection, cribs, cofferdams, walls, and other necessary devices and apparatus for the operation or protection of wharves and docks

DETAILS OF WHARVES AND DOCKS

(See general instructions, § 103 02-13)

Bridge pontoons

Bulkheads

Caissons

Cribwork

Dry docks

¶ 16,122 § 103.22

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➡ Part 103 was removed effective 5/1/92

Ferry-bridge machinery

Ferry bridges

Ferry racks

Ferry slips

Jetties.

Jetty inclines

Transfer-bridge machinery

Transfer bridges

NOTE A The cost of coal and ore wharves and docks shall be included in Account 24, "Coal and ore wharves "

NOTE B The cost of the land on which wharves are built and cost of riparian or water rights for wharves and docks shall be charged to Account 2, "Land for transportation purposes "

NOTE C The cost of buildings located on wharves shall be included in the accounts appropriate for the class of building

NOTE D The cost of grading and preparing grounds both before and after the construction of wharves (other than coal and ore wharves) and the cost of constructing sidewalks, driveways, and fences thereon, shall be included in the cost of the wharves but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts The cost of permanent water rights shall also be included in the cost of the wharves

[¶ 16,124]

§ 103.24 Coal and ore wharves

This account shall include the cost of wharves and docks for the transfer, treatment, blending, or storage of coal or ore, including the cost of necessary dredging and of conveyors, machinery, and fixtures

NOTE A. The structures referred to in this account do not include small transfer or storage trestles or wharves at stations where coal is stored or delivered, such trestles being classed as station buildings

NOTE B The cost of grading and preparing grounds both before and after the construction of coal and ore wharves, and the cost of constructing sidewalks, driveways, and fences thereon, shall be included in the cost of the wharves, as shall also the fees and expenses of architects specially employed for designing or supervising the construction of the wharves, but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts The cost of permanent water rights shall also be included in the cost of the wharves

➔ Part 103 was removed effective 5/1/92.

[¶ 16,125]

§ 103.25 Gas producing plants.

This account shall include the cost of gas producing and gas compressing plants, and the cost of machinery and other apparatus in such plants

NOTE The cost of grading and preparing grounds both before and after the construction of gas-plant buildings, and the cost of constructing sidewalks, driveways, and fences thereon, shall be included in the cost of the buildings, as shall also the fees and expenses of architects specially employed for designing or supervising the construction of the buildings, but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts The cost of permanent water rights shall also be included in the cost of the buildings

[¶ 16,126]

§ 103.26 Telegraph and telephone lines

This account shall include the cost of telegraph and telephone lines, including terminal equipment

DETAILS OF TELEGRAPH AND TELEPHONE

TERMINAL EQUIPMENT

(See general instructions, § 103 02-13)

Batteries

Cables and wires, interior

Conduits, interior

Connecting wires

Current-controlling instruments

Electric generators and motors

Electric meters

Engines, stationary

Fuses and mechanical protectors

Rectifiers

Rheostats

Sending and receiving instruments

Switchboards

Testing outfits

Transformers

¶ 16,125 § 103.25

→ Part 103 was removed effective 5/1/92.

DETAILS OF TELEGRAPH AND TELEPHONE
OUTSIDE PLANT

(See general instructions, § 103 02-13)

Aerial attachments
Braces
Brackets
Cable boxes and appurtenances
Cables and wires, aerial
Conduits and appurtenances
Cross arms
Guy stubs
Guy wires
Insulators
Poles
Submarine cables and connections
Telephone pole boxes
Towers
Underground cables and connections

[¶ 16,127]

§ 103.27 Signals and interlockers

This account shall include the cost of interlocking and other signal apparatus for governing the movement of trains, including towers and other buildings in connection therewith

DETAILS OF SIGNALS AND INTERLOCKERS

(See general instructions, § 103 02-13)

Air compressors
Batteries
Boilers
Distant signals
Dynamamos
Engines, stationary
Gates at crossings of other railways
Home signals
Interlocker buildings

➡ Part 103 was removed effective 5/1/92

Interlocker machinery
 Interlocker mechanism
 Levers
 Rail bonds
 Railway-crossing signals
 Relays
 Semaphores
 Signal and switch levers
 Signal arms
 Signal blades
 Signal bridges
 Signal buildings
 Signal lamp brackets and connections
 Signal lamps
 Signal machinery
 Signal poles and foundations
 Signal pulleys and foundations
 Special appliances
 Station signals
 Train-order signals
 Wiring

NOTE A When signal or interlocking apparatus is located in a station building, the entire cost of the building shall be included in Account 16, "Station and office buildings "

NOTE B The cost of grading and preparing grounds both before and after the construction of signal and interlocker buildings, and the cost of constructing sidewalks, driveways, and fences thereon, shall be included in the cost of the buildings, as shall also the fees and expenses of architects specially employed for designing or supervising the construction of the buildings, but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts The cost of permanent water rights shall also be included in the cost of the buildings

[¶ 16,128]

§ 103.28 Power dams, canals, and pipe lines.

This account shall include the cost of all dams, canals, pipe lines, and accessories devoted to the utilization of water power for the operation of trains and cars, and to furnish power, heat, and light for general purposes

¶ 16,128 § 103.28

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→ Part 103 was removed effective 5/1/92.

DETAILS OF DAMS, CANALS, AND PIPE LINES

(See general instructions, § 103 02-13)

Aqueducts
 Bridges es
 Footbridges
 Forebays
 Gates
 Grids
 Inlet valves
 Penstocks
 Reservoirs
 Roadways
 Sluces
 Valves
 Viaducts
 Walls
 Water rights

[¶ 16,129]

§ 103.29 Power plant buildings

This account shall include the cost of the buildings of power plants erected to furnish power for the operation of trains and cars, and to furnish power, heat, and light for stations, shops, or general purposes, foundations, except those special to particular machines and other apparatus, drainage, water, and sewer pipes and their connections, fixtures, including wiring for lighting and heating and miscellaneous furniture and fixtures

NOTE A The cost of power plant machinery and other apparatus shall be included in Account 45, "Power plant machinery "

NOTE B The cost of grading and preparing grounds, both before and after the construction of power plant buildings, and the cost of constructing sidewalks, driveways, and fences thereon shall be included in the cost of the buildings, as shall also the fees and expenses of architects specially employed for designing or supervising the construction of the buildings, but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts The cost of permanent water rights shall also be included in the cost of the buildings

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§ 103.29 ¶ 16,129

➡ Part 103 was removed effective 5/1/92

[¶ 16,130]

§ 103.30 Power substation buildings

This account shall include the cost of the buildings of power substations (including storage-battery stations) erected to transform power for the operation of trains and cars, and for heat, light and general purposes, foundations, except those special to particular machines and other apparatus, drainage, water, and sewer pipes and their connections, fixtures, including wiring, for lighting and heating, and miscellaneous furniture and fixtures

NOTE A The cost of substation machinery and other apparatus for transforming or storing power in power substations shall be included in Account 46, "Power substation apparatus "

NOTE B The cost of grading and preparing grounds, both before and after the construction of power substation buildings, and the cost of constructing sidewalks, driveways, and fences thereon, shall be included in the cost of the buildings, as shall also the fees and expenses of architects specially employed for designing or supervising the construction of the buildings, but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts The cost of permanent water rights shall also be included in the cost of the buildings

[¶ 16,131]

§ 103.31 Power transmission systems

This account shall include the cost of high-tension transmission systems, whether overhead, surface or underground, used for transferring power from producing plants to a place where it is transformed for propelling trains and cars, or for power, heat, light, and general purposes

DETAILS OF POWER TRANSMISSION SYSTEMS

(See general instructions, § 103 02-13)

Cables

Cut-outs (not at power houses and substations)

Feed wires

Guard wires

Insulators and connections

Span wires

Switchboards (not at power houses and substations)

Transformers (not at power houses and substations)

NOTE When the electric current generated or received is changed by means of (a) rotary converters, (b) motor generator sets, or (c) static transformers (substation apparatus), that portion of the line or outside conductor system carrying current of other than the operating kind or voltage shall be

¶ 16,130 § 103.30

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➡ Part 103 was removed effective 5/1/92

classed as transmission system. When electric current is generated or received and used substantially unchanged in voltage and kind, the line or outside conductor system, including any feeders, trolley wires, booster circuits, and supplementary return, shall be classed wholly as distribution system. Tie lines between generating stations and substations shall follow the same rule as other lines

[¶ 16,132]

§ 103.32 Power distribution systems.

This account shall include the cost of distribution systems, whether overhead, surface, or underground, for conveying low-tension electric power from producing plants or transformer stations and for conveying steam and compressed-air from producing plants to the place where used for propelling trains and cars, or for power, heat, light, and general purposes

DETAILS OF POWER DISTRIBUTION SYSTEMS

(See general instructions, § 103 02-13)

- Compressed-air pipe lines
- Cut-outs (not at power houses and substations)
- Feed wires
- Guard wires
- Insulators and connections
- Overhead trolley wires
- Rail bound plugs
- Rail bonds
- Rail-insulating devices
- Span wires
- Steam pipe lines
- Switchboards (not at power house and substations)
- Third rail
- Third-rail braces
- Third-rail insulation and protection
- Third-rail supports

NOTE A The cost of track material such as insulated rail splices used in connection with distribution systems shall be charged to Account 10, "Other track material"

NOTE B The cost of the portions of distribution systems located within shop buildings and station and office buildings shall be included in the cost of the buildings. The cost of distribution systems in plants used exclusively for

➡ Part 103 was removed effective 5/1/92.

operating signals and interlockers shall be included in Account 27, "Signals and interlockers "

NOTE C When the electric current generated or received is changed by means of (1) rotary converters, (2) motor generator sets, or (3) static transformers (substation apparatus), that portion of the line or outside conductor system carrying current of other than the operating kind or voltage shall be classed as transmission system. When the electric current is generated or received and used substantially unchanged in voltage and kind, the line or outside conductor system, including any feeders, trolley wires, booster circuits, and supplementary return, shall be classed wholly as distribution system. The lines between generating station and substations shall follow the same rule as other lines.

[¶ 16,133]

§ 103.33 Power line poles and fixtures.

This account shall include the cost of poles, cross arms, insulating pins, brackets, and other pole fixtures, braces and other supports for holding the poles in position, and structures for supporting the overhead electric construction.

[¶ 16,134]

§ 103.34 Underground conduits.

This account shall include the cost of conduits required for underground wires and cables of electric railway construction, including manholes, sewer connections, sewer traps, and all details necessary for the completion of the conduit system.

[¶ 16,135]

§ 103.35 Miscellaneous structures.

This account shall include the cost of all permanent structures not provided for elsewhere including all fixtures and furniture to equip them for use.

[¶ 16,136]

§ 103.36 Paving.

This account shall include the cost of paving about tracks in public highways through which the carrier's tracks are laid.

NOTE. The cost of paving upon the carrier's lands, within the grounds of buildings or other structures, shall be included in the accounts provided for the cost of the structures. The cost of paving upon the carrier's right of way at crossing shall be included in Account 15, "Crossings and signs "

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➡ Part 103 was removed effective 5/1/92

[¶ 16,137]

§ 103.37 Roadway machines.

This account shall include the cost of the initial outfit of roadway machines provided for the maintenance of roadway and structures at the time the road is opened for commercial traffic, and the cost of additional roadway machines acquired subsequently

LIST OF ROADWAY MACHINES

(See general instructions, § 103 02-13)

Boilers, portable
 Cars, hand
 Cars, lever
 Cars, motor inspection
 Cars, push
 Cars (small), crane, for supply yards and general use
 Concrete mixers
 Ditching machines
 Dredging machines
 Engines, portable
 Grading outfits
 Hydraulic outfits
 Jacks, hydraulic
 Log loaders
 Pile drivers
 Plows, unloading
 Rail unloaders
 Rock crushers
 Steam rollers
 Timber trucks
 Velocipedes

NOTE A When an important addition and betterment project or the construction of a new line necessitates the purchase of roadway machines to be used exclusively thereon, the cost shall be included in the accounts to which the cost of the work is charged. The amount realized from any subsequent sale, or the appraised value of the machines retained after the completion of the special work for which they were purchased, shall be credited to the accounts charged with the cost thereof. The appraised value of such machines retained

➡ Part 103 was removed effective 5/1/92

shall be debited to this account and thereafter considered as the cost of such property

NOTE B The cost of machines for the equipment of roadway shops shall be included in Account 17, "Roadway buildings," as provided for therein

NOTE C The cost of roadway machines, such as pile drivers, log loaders, hoist engines, and concrete mixers, when permanently mounted for movement on the carrier's tracks, shall be included in Account 57, "Work equipment "

[¶ 16,138]

§ 103.38 Roadway small tools.

This account shall include the cost of the initial outfit of roadway and track small tools provided for the maintenance of way and structures at the time the road is opened for commercial traffic, also the initial outfit of such tools provided for the maintenance of extensions of such road

LIST OF ROADWAY TOOLS

(See general instructions, § 103 02-13)

Adzes

Anvils

Augers

Axes

Ballast forks

Bars, claw

Bars, crow

Bars, lining

Bars, pinch

Bars, raising

Bars, tamping

Braces and bits

Brooms

Brush hooks

Cable stretchers

Cables

Cans, oil

Cans, water

Cant hooks

Chains

Chisels, track.

¶ 16,138 § 103.38

→ Part 103 was removed effective 5/1/92.

Chisels, wood
Curbing hooks
Dippers
Drawing knives
Drill bits
Drills, portable
Flags, signal
Furnaces, portable
Grindstones
Hammers, napping
Hammers, paving
Hammers, spiking
Handles for tools
Hatchets
Hoes
Jack
Jacks, ratchet
Jacks, screw
Jacks, track
Kegs, water
Ladders
Lanterns and fixtures
Lawn mowers
Levels
Lines for ditching
Nippers
Oilstones
Padlocks
Pails, water
Paint brushes
Picks, clay
Picks, tamping
Pike poles
Post-hole diggers

➔ Part 103 was removed effective 5/1/92

Post-hole tampers
Punches
Rail benders
Rail tongs
Rakes
Rope
Saws, crosscut
Saws, hand
Scrap boxes
Scythes
Shovels
Sickles
Sledges
Spades
Spike mauls
Spike pullers
Spot boards
Squares
Straightening machines
Tape lines
Thermometers for laying rail
Tongs
Tool boxes
Torches
Track gauges
Track levels
Vises
Weed spuds
Wheelbarrows
Whetstones
Wood mallets
Wrenches, monkey
Wrenches, track

¶ 16,138 § 103.38

➔ Part 103 was removed effective 5/1/92.

NOTE The cost of roadway and track small tools of which no specific record is kept shall be charged when acquired to an appropriate materials and supplies account from which they shall be charged as issued to the appropriate road and equipment, operating expense, or other accounts. When such tools are used both for construction and maintenance work the cost shall be equitably apportioned among the accounts provided for the two classes of work.

[¶ 16,139]

§ 103.39 Assessments for public improvements.

This account shall include the carrier's proportion of the cost of constructing public improvements—such as grading, sewerage, curbing, guttering, paving, and sidewalks—and other public improvements, including the cost of such improvements if made by the carrier's own employees under Government requirements.

NOTE A The cost of paving required by Government authority between rails and adjacent to tracks laid through public highways shall be included in Account 36, "Paving."

NOTE B The carrier's proportion of the cost of maintaining such public improvements shall be included in operating expenses.

[¶ 16,180]

§ 103.40 Revenues and operating expenses during construction.

(a) This account shall include the cost of operating a piece of road during the period before the regular operation of revenue trains, including rent and repairs of equipment used in commercial service during such period. It includes the cost of running construction trains over such section of road when the cost of operating such trains cannot properly be charged to any specific account.

(b) To this account shall be credited amounts collected for rents of buildings and other properties and for the transportation of commercial freight or of passengers on construction trains, also the net profits from boarding and commissarial outfits, and other sources of operating revenue.

(c) Carriers which wish to subdivide this account shall use appropriate sub-accounts corresponding to accounts prescribed in the operating revenue, operating expense, or income account classifications.

[¶ 16,181]

§ 103.41 Cost of road purchased.

(a) This account shall include the cash cost of any road or portion thereof purchased. Where the contract of purchase includes not only road, but also equipment, securities, and other assets, the appraised value of such equipment, securities, and other assets shall be deducted from the total cash cost, and the remainder of the cash cost shall be charged to this account. Where the

➡ Part 103 was removed effective 5/1/92.

consideration given for the property purchased is other than cash, such consideration shall be valued on a current cash basis. If the consideration includes the assumption of liabilities, such liabilities shall be included in the determination of the cost at their cash value at the time the contract is made.

(b) This account shall be used only as a clearing account in which temporarily to carry the cost of road purchased until such time as a plan for distributing such cost to the primary accounts appropriate for the property is approved by the Commission.

NOTE A The appraised value of any equipment thus acquired shall be charged to the appropriate equipment accounts. The value, at time of purchase, of any securities, or other assets acquired, shall be included in the accounts appropriate for such assets. The par value of any liabilities assumed shall be included in the appropriate liability accounts, and the necessary adjustments between the cash value charged to the property accounts and the par value shall be made in the appropriate premium or discount account.

NOTE B The carrier shall be prepared to furnish the Commission, upon demand, a full report of the contract of acquisition of each road, or portion thereof, purchased, and a statement showing in detail the consideration given therefor. It should procure, in connection with the acquisition of any such road and equipment, all existing records, memoranda, and accounts in possession or control of the grantor, relating to the construction and improvements of such road and equipment, and shall preserve such records, memoranda, and accounts until authorized by law to destroy or otherwise dispose of them. Where the records, memoranda, and accounts are so intimately involved with other records, memoranda, and accounts of the grantor as to make their transfer impracticable or inadvisable, certified copies of them shall be procured and retained by the grantee. The verity of the copies should be certified by the custodian of the originals.

[¶ 16,182]

§ 103.42 Reconstruction of road purchased.

When a road is purchased and the fixed improvements acquired are in such a physical condition that it is necessary substantially to rebuild the road in order to bring it up to the standard required by the carrier, the cost of such rebuilding shall be charged to this account.

NOTE A A comprehensive statement of the estimated amount necessary to reconstruct a road in accordance with the above provision shall be made to the Commission as soon as the estimate is made.

NOTE B When the work of reconstruction of road purchased is completed, the cost thereof shall be credited to this account and charged to other primary accounts of this classification appropriate for the expenditures made.

¶ 16,182 § 103.42

Federal Energy Guidelines

➔ Part 103 was removed effective 5/1/92.

[¶ 16,183]

§ 103 43 Other expenditures—road.

This account shall include items which cannot properly be included in any of the foregoing accounts as a part of the cost of any specific work, such as the cost of transportation of men, materials, supplies, and equipment over the carrier's own line, amounts paid for rent and repairs of equipment and for injuries to persons incident to and in connection with original road, road extensions, or additions and betterments, and analogous items. When assignable, such expenditures shall be included in the cost of the property in connection with which the expenditure occurs.

NOTE Rents paid for and repairs made to equipment used in commercial operations during the period before the regular operation of revenue trains shall be charged to Account 40, "Revenues and operating expenses during construction."

[¶ 16,184]

§ 103 44 Shop machinery

This account shall include the cost of machinery and other apparatus in shops and enginehouses, including the cost of special foundations and installation, and cost of small hand tools necessary first to equip a shop.

LIST OF SHOP MACHINERY

(See general instructions, § 103 02-13)

Air compressors
 Ash conveyers
 Belting
 Blowers
 Boilers for furnishing power
 Boring machines
 Cars, motor
 Cars, push
 Cranes
 Drill presses
 Drilling machines
 Drop tables
 Forges
 Framing machines
 Furnaces
 Grinding and polishing machines
 Federal Energy Regulatory Commission

§ 103.44 ¶ 16,184

➡ Part 103 was removed effective 5/1/92

Hoists
 Hydraulic jacks
 Lathes
 Lifting magnets
 Metal chimneys
 Milling machines
 Motors
 Pipe cutting and threading machines
 Planers
 Pneumatic hammers
 Power equipment
 Punches
 Riveters
 Saws
 Shafting
 Shapers
 Slotters
 Stationary engines
 Steam hammers
 Vises
 Welding machines
 Woodworking machines

NOTE A The cost of power plant machinery and other apparatus for shop purposes, when located in distinct buildings, shall be included in Account 45, "Power plant machinery"

NOTE B The cost of foundations other than those special to particular machines and other apparatus shall be included in the cost of the building, and not in this account

[¶ 16,185]

§ 103.45 Power plant machinery.

This account shall include the cost of machinery and other apparatus for generating power in power plants used for the operation of trains and cars, or to furnish power, heat, and light for stations, shops, or general purposes, including the cost of special foundations and installation

DETAILS OF POWER PLANT MACHINERY

(See general instructions, § 103 02-13)

¶ 16,185 § 103.45

Federal Energy Guidelines

➔ Part 103 was removed effective 5/1/92

Ammeters
Batteries
Belting
Boiler-room appliances and tools
Boilers and fittings
Boosters
Cables
Circuit breakers
Clutches
Conductors
Cranes
Cut-outs
Draft machinery
Dynamos
Economizers
Electric-power distribution systems, interior
Engine-room appliances and tools
Feed-water heaters
Furnaces
Generators
Globes
Hangers
Heating apparatus
Hoists
Insulators
Lamps
Lighting apparatus
Lubricating devices
Machinery and foundations
Mechanical stokers
Piping
Poles
Pumps
Purifiers

➡ Part 103 was removed effective 5/1/92

Rheostats
 Sewer connections
 Shafting
 Stationary engines
 Steam distribution systems
 Steam fittings
 Switchboards
 Tanks
 Transformers
 Turbines
 Voltmeters
 Water meters
 Water wheels
 Wires from generator or transformer to switchboard

NOTE A The cost of power machinery and other apparatus installed in a shop as part of the shop equipment shall be included in Account 44, "Shop machinery "

NOTE B The cost of power machinery and other apparatus installed in stations and offices and used solely for station and office purposes shall be included in Account 16, "Station and office buildings "

NOTE C The cost of power machinery and other apparatus in plants used solely for operating signals and interlockers shall be included in Account 27, "Signals and interlockers "

NOTE D The cost of foundations other than those special to particular machines and other apparatus shall be included in the cost of the building, and not in this account

[¶ 16,186]

§ 103 46 Power substation apparatus.

This account shall include the cost of machinery and other apparatus, including the cost of special foundations and installation, for transforming or storing power in power substations used for the operation of trains and cars, and for power, heat, and light for stations, shops, or general purposes

DETAILS OF POWER SUBSTATION APPARATUS

(See general instructions, § 103 02-13)

Rotary converters
 Storage batteries
 Switchboards

¶ 16,186 § 103.46

→ Part 103 was removed effective 5/1/92

Transformers

NOTE A The cost of constructing machinery and other apparatus for transforming or storing power shall be included in Account 45, "Power plant machinery," when such equipment is contained in a power plant

NOTE B The cost of foundations other than those special to particular machines and other apparatus shall be included in the cost of the building, and not in this account

[¶ 16,187]

§ 103 47 Unapplied construction material and supplies

(a) This account shall include the cost of material and supplies located at the point of use which have been purchased for projected new roads and road extensions

(b) The purpose of this account is to exclude from the current assets the cost of supplies and unapplied material which are located for use on projected new roads and road extensions, under the condition that the material will not be used for other purposes

NOTE A. Material and supplies designed for projected new roads and road extensions which are carried in storehouses and store yards and included in the general stock of an operating company shall be included in balance-sheet account 716, "Materials and supplies "

NOTE B The cost of unapplied materials and supplies on hand at the completion of construction work shall be transferred to Balance-sheet account 716, "Materials and supplies "

EQUIPMENT

The several primary accounts included in this general account are designed to show the cost of the several classes of equipment owned by the carrier, or held under equipment trust agreements for purchase

To the appropriate primary accounts in this general account shall be charged the cost of all equipment, such as steam locomotives, electric locomotives, passenger-train cars, freight-train cars, work equipment, floating equipment, and the necessary appurtenances, furniture, and fixtures first to equip for service, including the cost of inspection, setting up, and trying out, and transportation over foreign lines, also the cost of additions, such as headlights, mechanical stokers, power brakes, vestibules, machinery for self-propulsion, heating and lighting apparatus, and the like, and the excess cost of betterments, such as improved appliances, parts, or appurtenances, over the cost at current prices (as new) of the appliances, parts or appurtenances removed. The cost of removing the old appliances and applying the improved shall be charged to Operating Expenses

➡ Part 103 was removed effective 5/1/92.

The ledger value of each unit of equipment shall be credited to the appropriate equipment account when it is retired from service. The amount of this credit shall be concurrently charged as follows:

The amount of the balance in the balance-sheet accrued depreciation account with respect to the equipment thus retired shall be charged to that account, the salvage recovered shall be charged to the materials and supplies account or elsewhere, according to the purpose for which used, the amount of depreciation prior to July 1, 1907, not previously written off or provided for, shall be charged to Profit and Loss, and the remainder shall be charged to the appropriate operating expense account for equipment retired. The cost of demolishing the equipment, if demolished by or for the carrier, shall be charged to the appropriate operating expense account for equipment retirements.

When the cost of the renewals to be made to any unit of equipment will constitute the major portion of its value as renewed, the equipment, when taken out of service, shall be considered as retired and accounted for as provided in the preceding paragraph, and for the purpose of this classification the renewed equipment shall be considered an addition and the appraised cost thereof shall be included in the account appropriate for the cost of the equipment. In no case shall the charge for the renewed equipment exceed the cost (the current market prices of labor and material) of new equipment of similar type, equal capacity, and equal expectation of life in service, less a suitable allowance on account of the secondhand parts remaining therein.

When equipment of one class is converted so as to be includible in another class, the accounting shall be as provided in general instructions, section 11.

When an important addition and betterment project or the construction of new lines necessitates the purchase of equipment to be used exclusively therein, the cost of such equipment shall be included in the accounts representing the cost of the work, and no charge shall be made to Operating Expenses for depreciation on such equipment while the cost remains so charged. The amount realized from any subsequent sale, or the appraised value of the equipment retained after the completion of the special work for which it was purchased, shall be credited to the accounts charged with its cost. The appraised value of such equipment retained shall be debited to the appropriate primary account herein, and thereafter, for the purposes of accounting, such appraised value shall be considered as the cost of the equipment.

When secondhand equipment acquired is in such physical condition that it is necessary to make extensive repairs to it to bring it up to the standard required by the carrier, the cost of such repairs shall be included in the account appropriate for the cost of the equipment. A comprehensive statement of the amount estimated to be necessary to rebuild secondhand equipment in accordance with the above provision shall be furnished to the Commission as soon as the estimate is made.

EQUIPMENT

¶ 16,187 § 103.47

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→ Part 103 was removed effective 5/1/92

[¶ 16,191]

§ 103.51 Steam locomotives.

This account shall include the cost of steam locomotives and tenders, purchased or built by the carrier, and of appurtenances, furniture, and fixtures necessary to equip them for service, including the cost of inspection, setting up, and trying out after receipt from builders, and transportation charges to the carrier's line

LIST OF APPURTENANCES TO LOCOMOTIVES

(See general instructions, § 103 02-13)

Air-brake equipment and hose
 Arm rests
 Awnings
 Brake fixtures
 Cab cushions
 Cab lamps
 Clocks
 Coal boards
 Fire-extinguishing apparatus
 Gongs
 Head lamps
 Metallic packing
 Pneumatic sanding equipment
 Seat boxes
 Signal lamps
 Speed recorders
 Steam-gauge lamps
 Steam-heat equipment and hose
 Storm doors
 Tool boxes
 Train-signal equipment and hose

[¶ 16,192]

§ 103.52 Other locomotives.

This account shall include the cost of locomotives other than steam, purchased or built by the carrier, and of appurtenances, furniture, and fixtures necessary to equip them for service, including inspection, setting up,

➡ Part 103 was removed effective 5/1/92.

and trying out after receipt from builders, and transportation charges to the carrier's line

NOTE Cars with motor equipment are not to be classed as locomotives

[¶ 16,193]

§ 103.53 Freight-train cars.

This account shall include the cost of freight-train cars of all classes, including motor-driven cars, purchased or built by the carrier, including all appurtenances, furniture, and fixtures necessary to equip them for service, and the cost of inspection and transportation charges to the carrier's line

LIST OF FREIGHT-TRAIN CARS

(See general instructions, § 103 02-13)

Ballast (commercial)

Beer

Box

Cabin

Caboose

Charcoal

Coal

Coke

Dump (commercial)

Flat

Fruit

Furniture

Gondola

Gondola (hopper)

Gondola (long)

Gun truck

Hay

Lime

Logging

Oil tank

Ore

Platform

Poling

Poultry

¶ 16,193 § 103.53

➡ Part 103 was removed effective 5/1/92.

Produce
Rack
Refrigerator
Stock
Tank and water (when used as commercial cars)

LIST OF APPURTENANCES TO FREIGHT-TRAIN CARS
(See general instructions, § 103 02-13)

Air-brake equipment, including hose
Cooking equipment and utensils
Cushions
Heating equipment
Ice boxes
Lamps and fixtures
Seats
Speed recorders
Train-signal equipment, including hose
Water tanks

NOTE The cost of motor equipment of cars shall be included in Account 55, "Motor equipment of cars "

[¶ 16,194]

§ 103 54 Passenger-train cars.

This account shall include the cost of passenger-train cars of all classes, including motor-driven cars, purchased or built by the carrier, including all appurtenances, furniture, and fixtures necessary to equip them for service, and cost of inspection and transportation charges to the carrier's line

LIST OF PASSENGER-TRADE CARS
(See general instructions, § 103 02-13)

Baggage
Baggage-express
Baggage-mail
Baggage-mail-express
Buffet
Cafe
Chair
Club

➡ Part 103 was removed effective 5/1/92.

Colonist
 Dining
 Express
 Immigrant
 Library
 Mail
 Milk.
 Observation
 Parlor
 Parlor-baggage
 Passenger
 Passenger-baggage
 Passenger-baggage-mail
 Postal
 Refrigerator-express
 Sleeping
 Smoking
 Tourist

LIST OF APPURTENANCES TO PASSENGER-TRAIN CARS

(See general instructions, § 103 02-13)

Air-brake equipment, including hose
 Bedding
 Chairs
 Coat hooks
 Curtains and fixtures
 Cushions
 Electric bells
 Floor coverings
 Heating equipment
 Ice boxes
 Ice tanks
 Kitchen equipment and utensils
 Lighting equipment
 Mail catchers

¶ 16,194 § 103.54

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➔ Part 103 was removed effective 5/1/92

Parcel racks
 Ranges and boilers
 Seats
 Speed recorders
 Steam-heat hose
 Table china
 Table glassware
 Table linen
 Table silver
 Toilet equipment
 Train-signal equipment, including hose
 Water tanks

NOTE The cost of motor equipment on cars shall be included in Account 55, "Motor equipment of cars "

[¶ 16,195]

§ 103.55 Motor equipment of cars.

This account shall include the cost of motor equipment of all cars, including the wiring for such electric equipment

DETAILS OF MOTOR EQUIPMENT

(See general instructions, § 103 02-13)

Batteries, storage
 Circuit breakers
 Controllers
 Engines, internal-combustion
 Generators
 Lightning arresters
 Motors
 Overload switches
 Rheostats
 Switches
 Third-rail contact
 Trolley poles
 Trolleys

➡ Part 103 was removed effective 5/1/92.

[¶ 16,196]

§ 103.56 Floating equipment.

This account shall include the cost of marine or floating equipment, of all kinds except work equipment, purchased or built by the carrier, including all appurtenances, furniture, and fixtures necessary to equip it for service, and cost of inspection and transportation charges to the carrier's line

LIST OF FLOATING EQUIPMENT

(See general instructions, § 103 02-13)

Barges
 Canal boats
 Car and other floats
 Ferryboats
 Lighters
 Power launches
 Power lighters
 Scows
 Steamboats
 Steamships
 Transfer boats
 Tugboats

LIST OF APPURTENANCES TO FLOATING EQUIPMENT

(See general instructions, § 103 02-13)

Anchors
 Axes
 Barometers
 Beds and bedding
 Binnacle lamps
 Blocks and tackle
 Boilers and foundations
 Cables
 Capstan bars
 Carpets
 Charts
 China, crockery, and glassware
 Chronometers

¶ 16,196 § 103.56

→ Part 103 was removed effective 5/1/92.

Clocks
 Compasses
 Counters
 Desks
 Engines and foundations
 Fire buckets
 Fire extinguishers
 Floor coverings
 Flue cleaners
 Furniture
 Gangplanks
 Hatchets
 Heating equipment
 Hoisting equipment
 Hooks
 Keys
 Kitchen equipment
 Life preservers
 Lighting equipment
 Linen
 Lines
 Logs
 Machinery and foundations
 Masts
 Oil cans
 Pianos and other musical instruments
 Pumps
 Racks
 Railings
 Rakes
 Rigging
 Safes
 Sails
 Scales

➡ Part 103 was removed effective 5/1/92.

Seats, chairs, and cushions
 Shovels
 Slice bars and pokers
 Spyglasses
 Steam distribution systems
 Steering equipment
 Telescopes
 Ticket cases
 Tool boxes
 Tools, miscellaneous
 Tracks on car floats
 Ventilating equipment
 Wrenches

[¶ 16,197]

§ 103.57 Work equipment.

This account shall include the cost of work equipment, including motor-driven equipment, purchased or built by the carrier, cost of appurtenances, furniture, and fixtures necessary to equip it for service, and cost of inspection and transportation charges to the carrier's line

LIST OF RAIL WORK EQUIPMENT

(See general instructions, § 103 02-13)

Air-brake instruction cars
 Ballast cars
 Ballast unloader cars
 Boarding cars
 Bridge cars
 Business cars
 Camp cars
 Cinder cars
 Concrete mixers (mounted)
 Derrick cars
 Dirt spreaders (mounted)
 Ditching cars
 Dump cars
 Dynamometer cars

¶ 16,197 § 103.57

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➡ Part 103 was removed effective 5/1/92.

Gas tank cars
 Grading cars
 Gravel cars
 Indicator cars
 Locomotive tanks used permanently as water cars
 Locomotives
 Officers' cars
 Outfit cars
 Painters' cars
 Pay cars
 Pile drivers (mounted)
 Rail saws (mounted)
 Salt cars
 Sanding cars
 Scale test cars
 Scraper cars
 Snow dozers
 Snow drags
 Snow plows (moved by but not attached to locomotives)
 Sprinkling cars
 Steam shovels
 Steam wrecking derricks
 Supply cars
 Sweeper cars
 Tool cars
 Tool and block cars
 Water cars
 Weed burners (mounted)
 Wrecking cars

LIST OF FLOATING WORK EQUIPMENT
 (See general instructions, § 103 02-13)

Derricks
 Dredges
 Pile drivers

→ Part 103 was removed effective 5/1/92.

APPURTENANCES TO FLOATING WORK EQUIPMENT

(See general instructions, § 103 02-13)

Anchors
Axes
Barometers
Beds and bedding
Blocks and tackle
Boilers and foundations
Cables
China, crockery, and glassware
Compasses
Cushions
Desks
Engines and foundations
Fire extinguishers
Fire buckets
Floor coverings
Flue cleaners
Gangplanks
Hatchets
Heating equipment
Hoisting equipment
Hooks
Keys preservers
Lighting equipment
Linen
Lines
Machinery and foundations
Masts
Oil cans
Pumps
Rakes
Rigging
Sails

¶ 16,197 § 103.57

➡ Part 103 was removed effective 5/1/92.

Seats and chairs
Shovels
Slice bars and pokers
Steam distribution systems
Steering equipment
Tool boxes
Tools, miscellaneous
Wrenches

NOTE The cost of motor equipment of cars shall be included in Account 55, "Motor equipment of cars "

[¶ 16,198]

§ 103.58 Miscellaneous equipment.

This account shall include the cost of horses and harness, and cost of wagons, automobiles, and other highway vehicles

[¶ 16,220]

General Expenditures

NOTE The primary accounts of this general account are designed to include expenditures made in connection with the acquisition and construction of original road and equipment, and with extensions, additions, and betterments to road and equipment property, when such expenditures can not properly be included in any of the foregoing accounts as a part of the cost of any specific work. When assignable, such expenditures shall be included in the cost of the property in connection with which the expenditures occur

[¶ 16,221]

§ 103.71 Organization expenses.

This account shall include all fees paid to governments for the privilege of incorporation, and office and other expenditures incident to organizing the corporation and putting it in readiness to do business, cost of preparing and distributing prospectuses, cost of soliciting subscriptions for stock, cash fees paid to promoters, and the actual cash value (at the time of the organization) of securities paid to promoters for their services in organizing the enterprise, special counsel fees, cost of preparing and issuing certificates of stock, cost of procuring the necessary certificates from State authorities, and other like costs

NOTE. Cost of soliciting for loans or for the sale of bonds or other evidences of indebtedness shall be charged to Balance-sheet Account 725, "Discount on funded debt "

→ Part 103 was removed effective 5/1/92

[¶ 16,222]

§ 103.72 General officers and clerks.

This account shall include the pay and expenses of executive and general officers and of general office clerks engaged exclusively in connection with the construction of new road and extensions

NOTE The salaries and expenses of executive and general officers and of general office clerks engaged in connection with the conduct of commercial operations during the period before the regular operation of revenue trains shall be included in Account 40, "Revenues and operating expenses during construction "

[¶ 16,223]

§ 103 73 Law.

This account shall include specific and distinct expenditures, not provided for elsewhere, for law service in connection with the acquisition of new road, road extensions, additions, and betterments, such as pay and expenses of counsel, solicitors, and attorneys, their clerks and attendants, and expenses of their offices

ITEMS OF EXPENSE

(See general instructions, § 103 02-13)

Arbitrators' services in settlement of disputed questions

Cost of taking depositions

Cost of testimony

Costs of suits

Court bonds

Court expenses

Express charges

Fees and retainers of attorneys not regularly employed

Law books

Legal forms

Legal reports

Notarial fees not provided for elsewhere

Office expenses

Printing of briefs, testimony, etc

Rent of offices

Special fees

Telegraph service.

Telephone service

¶ 16,222 § 103.72

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➔ Part 103 was removed effective 5/1/92

Traveling expenses

Witness fees not provided for elsewhere

NOTE Court costs and special counsel fees in connection with the acquisition of land for transportation operations shall be included in Account 2, "Land for transportation purposes"

[¶ 16,224]

§ 103.74 Stationery and printing.

This account shall include the cost of stationery, stationery supplies, postage, office devices, and printed matter used by any class of employees in connection with construction and not provided for elsewhere

ITEMS OF STATIONERY AND PRINTING

(See general instructions, § 103 02-13)

Adding machines

Addressographs and supplies

Arm rests

Binders

Blank books

Blotters

Blotting paper

Bristol board

Calculating machines

Calendars

Carbon paper

Cardboard

Cards, blank and printed

Circulars

Computing tables

Copy (impression) books

Copying brushes

Copying presses

Crayons

Cross-section books

Cross-section paper

Cyclostyles

Dating stamps and ribbons

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§ 103.74 ¶ 16,224

➔ Part 103 was removed effective 5/1/92.

Dictaphones
Dictographs
Drawing paper
Duplicators
Electric pens
Envelopes
Erasers, rubber and steel
Eyelet punches
Eyelets
File boxes
Forms, blank and printed
Fuel tickets
Glass pens
Hectographs
Indexes
Ink for writing and drawing
Inkstands
Invoice books
Legal cap paper
Letter paper
Manifold paper
Manifold pens
Mimeographs
Mucilage
Mucilage brushes
Neostyles
Note paper
Notices
Numbering stamps
Oil paper
Paper
Paper baskets
Paper clips
Paper cutters

† 16,224 § 103.74

→ Part 103 was removed effective 5/1/92

Paper fasteners
Paper files
Paper weights
Papyrographs
Parchment paper
Pencil sharpeners
Pencils for writing and drawing
Penholders
Penracks
Pens for writing and drawing
Phonographs and records
Pins
Postage
Punches (not conductors' or baggagemen's)
Rubber bands
Rubber stamps
Rulers
Ruling pens
Scrapbooks
Sealing wax
Seals
Shears
Shipping tags
Shorthand notebooks
Sponge cups
Sponges
Stamps, impression
Stylographs
Tablets, blank and printed.
Tape
Telegraph blanks
Timetables
Tissue (impression) paper
Tracing cloth

➡ Part 103 was removed effective 5/1/92

Tracing paper

Twine

Typewriters and ribbons

Wage tables

Wastebaskets

Watercolors

Water holders

Waybills

Wrapping paper

Wringers for copying presses

NOTE A The cost of printing bonds, etc , in connection with the carrier's funded debt shall be included in Balance-sheet account 725, "Discount on funded debt "

NOTE B The cost of stationery and printing when assignable, shall be included in the cost of the property in connection with the acquirement or construction of which the expenditure occurs

[¶ 16,225]

§ 103.75 Taxes.

This account shall include State, county, township, city, school, road, annual franchise, and all other taxes and assessments levied and paid on property belonging to the carrier during construction and before the facilities are used for commercial operations, except special assessments for street and other improvements chargeable to Account 36, "Paving," or 39, "Assessments for public improvements "

NOTE Taxes during construction, when assignable, shall be included in the cost of the property acquired or constructed

[¶ 16,226]

§ 103.76 Interest during construction.

(a) When any bonds, notes, or other evidences of indebtedness are sold, or any interest-bearing debt is incurred for acquisition and construction of original road and equipment, extensions, additions, and betterments, the interest accruing on the part of the debt representing the cost of property chargeable to road and equipment accounts (less interest, if any, allowed by depositaries on unexpended balances) after such funds become available for use and before the receipt or the completion or coming into service of the property so acquired shall be charged to this account

(b) When such securities are sold at a premium the proportion of such premium assignable to the time between the date of the actual issuance of the

¶ 16,225 § 103.75

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→ Part 103 was removed effective 5/1/92.

securities and the time when the property acquired or the improvement made becomes available for service shall be credited to this account

(c) This account shall also include such proportion of the discount and expense on funded debt issued for the acquisition of original road, original equipment, road extensions, additions, and betterments, as is equitably assignable to the period between the date of the actual issuance of securities and the time when the property acquired or the improvement made becomes available for the service for which it is intended. The proportion of discount and expense thus chargeable shall be determined by the ratio between the period prior to the completion or coming into service of the facilities or improvements acquired and the period of the entire life of the securities issued.

(d) This account shall also include reasonable charges for interest, during the construction period before the property becomes available for service, on the carrier's own funds expended for construction purposes.

NOTE A Interest on bonds, notes, or other evidences of indebtedness accruing before the proceeds from the sale of the securities become available for use shall not be included in this account, nor shall there be included any interest accruing after the property with respect to which the proceeds are expended is received or becomes available for use in connection with commercial service.

NOTE B If any securities which have been issued or assumed by the carrier are sold or exchanged by or for the carrier for a consideration the actual money value of which at the time of such sale or exchange is less than the value of the securities at par and the accrued interest thereon, if any, the difference between the money value of the consideration received and the par value of the securities plus the accrued interest shall be deemed a discount. In no case (except as provided in the third and fourth paragraphs of this account) shall discounts be included as part of the cost of anything charged to any account prescribed in this classification.

NOTE C For definition of securities actually issued, see Note B, under General Balance-sheet Account 755, "Funded debt unmatured."

NOTE D Whenever interest, premium, or discount assignable to the construction period is incurred in connection with an expenditure covered by some specific road and equipment account or accounts, such interest, premium, or discount shall be charged directly to the specific accounts to which it is related.

[¶ 16,227]

§ 103.77 Other expenditures—general

This account shall include all expenditures of a special and incidental nature in connection with the acquisition and construction of original road and equipment, road extensions, additions, and betterments which cannot properly be included in any other account in this classification.

Chair
 Club
 Colonist
 Dining
 Express
 Immigrant
 Library
 Mail
 Milk
 Observation
 Parlor
 Parlor-baggage
 Passenger
 Passenger-baggage
 Passenger-baggage-mail
 Postal
 Refrigerator-express
 Sleeping
 Smoking
 Tourist

LIST OF APPURTENANCES TO PASSENGER-TRAIN CARS

(See general instructions, § 103 02-13)

Air-brake equipment, including hose
 Bedding
 Chairs
 Coat hooks
 Curtains and fixtures
 Cushions
 Electric bells
 Floor coverings
 Heating equipment
 Ice boxes
 Ice tanks
 Kitchen equipment and utensils
 Lighting equipment
 Mail catchers

11,978

Regulations

43 9-30-80

Parcel racks
Ranges and boilers
Seats
Speed recorders
Steam-heat hose
Table china
Table glassware
Table linen
Table silver
Toilet equipment
Train-signal equipment, including hose
Water tanks

NOTE The cost of motor equipment on cars shall be included in Account 55, "Motor equipment of cars "

[¶ 16,195]

§ 103 55 Motor equipment of cars

This account shall include the cost of motor equipment of all cars, including the wiring for such electric equipment

DETAILS OF MOTOR EQUIPMENT

(See general instructions, § 103 02-13)

Batteries, storage
Circuit breakers
Controllers
Engines, internal-combustion
Generators
Lightning arresters
Motors
Overload switches
Rheostats
Switches
Third-rail contact
Trolley poles
Trolleys

¶ 16,194 § 103.54

[¶ 16,196]

§ 103.56 Floating equipment

This account shall include the cost of marine or floating equipment, of all kinds except work equipment, purchased or built by the carrier, including all appurtenances, furniture, and fixtures necessary to equip it for service, and cost of inspection and transportation charges to the carrier's line

LIST OF FLOATING EQUIPMENT

(See general instructions, § 103.02-13)

Barges
 Canal boats
 Car and other floats
 Ferryboats
 Lighters
 Power launches
 Power lighters
 Scows
 Steamboats
 Steamships
 Transfer boats
 Tugboats

LIST OF APPURTENANCES TO FLOATING EQUIPMENT

(See general instructions, § 103.02-13)

Anchors
 Axes
 Barometers
 Beds and bedding
 Binnacle lamps
 Blocks and tackle
 Boilers and foundations
 Cables
 Capstan bars
 Carpets
 Charts
 China, crockery, and glassware
 Chronometers
 Clocks
 Compasses

11,980

Regulations

43 9 30-80

Counters
Desks
Engines and foundations
Fire buckets
Fire extinguishers
Floor coverings
Flue cleaners
Furniture
Gangplanks
Hatchets
Heating equipment
Hoisting equipment
Hooks
Keys
Kitchen equipment
Life preservers
Lighting equipment
Linen
Lines
Logs
Machinery and foundations
Masts
Oil cans
Pianos and other musical instruments
Pumps
Racks
Railings
Rakes
Rigging
Safes
Sails
Scales
Seats, chairs, and cushions
Shovels
Slice bars and pokers
Spyglasses
¶ 16,196 § 103.56

Steam distribution systems
 Steering equipment
 Telescopes
 Ticket cases
 Tool boxes
 Tools, miscellaneous
 Tracks on car floats
 Ventilating equipment
 Wrenches

[¶ 16,197]

§ 103 57 Work equipment

This account shall include the cost of work equipment, including motor-driven equipment, purchased or built by the carrier, cost of appurtenances, furniture, and fixtures necessary to equip it for service, and cost of inspection and transportation charges to the carrier's line

LIST OF RAIL WORK EQUIPMENT

(See general instructions, § 103 02-13)

Air-brake instruction cars
 Ballast cars
 Ballast unloader cars
 Boarding cars
 Bridge cars
 Business cars
 Camp cars
 Cinder cars
 Concrete mixers (mounted)
 Derrick cars
 Dirt spreaders (mounted)
 Ditching cars
 Dump cars
 Dynamometer cars
 Gas tank cars
 Grading cars
 Gravel cars
 Indicator cars
 Locomotive tanks used permanently as water cars

§ 103.57 ¶ 16,197

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Regulations

43 9 30-80

Locomotives
Officers' cars
Outfit cars
Painters' cars
Pay cars
Pile drivers (mounted)
Rail saws (mounted)
Salt cars
Sanding cars
Scale test cars
Scraper cars
Snow dozers
Snow drags
Snow plows (moved by but not attached to locomotives)
Sprinkling cars
Steam shovels
Steam wrecking derricks
Supply cars
Sweeper cars
Tool cars
Tool and block cars
Water cars
Weed burners (mounted)
Wrecking cars

LIST OF FLOATING WORK EQUIPMENT

(See general instructions, § 103 02-13)

Derricks
Dredges
Pile drivers

APPURTENANCES TO FLOATING WORK EQUIPMENT

(See general instructions, § 103 02-13)

Anchors
Axes
Barometers
Beds and bedding
Blocks and tackle

¶ 16,197 § 103.57

Boilers and foundations
Cables
China, crockery, and glassware
Compasses
Cushions
Desks
Engines and foundations
Fire extinguishers
Fire buckets
Floor coverings
Flue cleaners
Gangplanks
Hatchets
Heating equipment
Hoisting equipment
Hooks
Keys
Life preservers
Lighting equipment
Linen
Lines
Machinery and foundations
Masts
Oil cans
Pumps
Rakes
Rigging
Sails
Seats and chairs
Shovels
Slice bars and pokers
Steam distribution systems
Steering equipment
Tool boxes
Tools, miscellaneous
Wrenches

§ 103.57 ¶ 16,197

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Regulations

43 9 30-80

NOTE The cost of motor equipment of cars shall be included in Account 55, "Motor equipment of cars "

[¶ 16,198]

§ 103 58 Miscellaneous equipment.

This account shall include the cost of horses and harness, and cost of wagons, automobiles, and other highway vehicles

[The next page is 11,987.]

¶ 16,197 § 103.57

[¶ 16,220]

General Expenditures

NOTE The primary accounts of this general account are designed to include expenditures made in connection with the acquisition and construction of original road and equipment, and with extensions, additions, and betterments to road and equipment property, when such expenditures can not properly be included in any of the foregoing accounts as a part of the cost of any specific work. When assignable, such expenditures shall be included in the cost of the property in connection with which the expenditures occur

[¶ 16,221]

§ 103 71 Organization expenses

This account shall include all fees paid to governments for the privilege of incorporation, and office and other expenditures incident to organizing the corporation and putting it in readiness to do business, cost of preparing and distributing prospectuses, cost of soliciting subscriptions for stock, cash fees paid to promoters, and the actual cash value (at the time of the organization) of securities paid to promoters for their services in organizing the enterprise, special counsel fees, cost of preparing and issuing certificates of stock, cost of procuring the necessary certificates from State authorities, and other like costs

NOTE Cost of soliciting for loans or for the sale of bonds or other evidences of indebtedness shall be charged to Balance-sheet Account 725, "Discount on funded debt "

[¶ 16,222]

§ 103 72 General officers and clerks

This account shall include the pay and expenses of executive and general officers and of general office clerks engaged exclusively in connection with the construction of new road and extensions

NOTE The salaries and expenses of executive and general officers and of general office clerks engaged in connection with the conduct of commercial operations during the period before the regular operation of revenue trains shall be included in Account 40, "Revenues and operating expenses during construction "

[¶ 16,223]

§ 103 73 Law

This account shall include specific and distinct expenditures, not provided for elsewhere, for law service in connection with the acquisition of new road, road extensions, additions, and betterments, such as pay and expenses of counsel, solicitors, and attorneys, their clerks and attendants, and expenses of their offices

§ 103.73 ¶ 16,223

11,988

Regulations

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ITEMS OF EXPENSE

(See general instructions, § 103 02-13)

Arbitrators' services in settlement of disputed questions
Cost of taking depositions
Cost of testimony
Costs of suits
Court bonds
Court expenses
Express charges
Fees and retainers of attorneys not regularly employed
Law books
Legal forms
Legal reports
Notarial fees not provided for elsewhere
Office expenses
Printing of briefs, testimony, etc
Rent of offices
Special fees
Telegraph service
Telephone service
Traveling expenses
Witness fees not provided for elsewhere

NOTE Court costs and special counsel fees in connection with the acquisition of land for transportation operations shall be included in Account 2, "Land for transportation purposes"

[¶ 16,224]

§ 103 74 Stationery and printing.

This account shall include the cost of stationery, stationery supplies, postage, office devices, and printed matter used by any class of employees in connection with construction and not provided for elsewhere

ITEMS OF STATIONERY AND PRINTING

(See general instructions, § 103 02-13)

Adding machines
Addressographs and supplies
Arm rests
Binders
Blank books

¶ 16,123 § 103.73

Blotters
Blotting paper
Bristol board
Calculating machines
Calendars
Carbon paper
Cardboard
Cards, blank and printed
Circulars
Computing tables
Copy (impression) books
Copying brushes
Copying presses
Crayons
Cross-section books
Cross-section paper
Cyclostyles
Dating stamps and ribbons
Dictaphones
Dictographs
Drawing paper
Duplicators
Electric pens
Envelopes
Erasers, rubber and steel
Eyelet punches
Eyelets
File boxes
Forms, blank and printed
Fuel tickets
Glass pens
Hectographs
Indexes
Ink for writing and drawing
Inkstands
Invoice books

§ 103.74 ¶ 16,224

11,990

Regulations

43 9 30-80

Legal cap paper
Letter paper
Manifold paper
Manifold pens
Mimeographs
Mucilage
Mucilage brushes
Neostyles
Note paper
Notices
Numbering stamps
Oil paper
Paper
Paper baskets
Paper clips
Paper cutters
Paper fasteners
Paper files
Paper weights
Papyrographs
Parchment paper
Pencil sharpeners
Pencils for writing and drawing
Penholders
Penracks
Pens for writing and drawing
Phonographs and records
Pins
Postage
Punches (not conductors' or baggagemen's)
Rubber bands
Rubber stamps
Rulers
Ruling pens
Scrapbooks
Sealing wax
¶ 16,224 § 103.74

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Seals
 Shears
 Shipping tags
 Shorthand notebooks
 Sponge cups
 Sponges
 Stamps, impression
 Stylographs
 Tablets, blank and printed
 Tape
 Telegraph blanks
 Timetables
 Tissue (impression) paper
 Tracing cloth
 Tracing paper
 Twine
 Typewriters and ribbons
 Wage tables
 Wastebaskets
 Watercolors
 Water holders
 Waybills
 Wrapping paper
 Wringers for copying presses

NOTE A The cost of printing bonds, etc , in connection with the carrier's funded debt shall be included in Balance-sheet account 725, "Discount on funded debt "

NOTE B The cost of stationery and printing when assignable, shall be included in the cost of the property in connection with the acquirement or construction of which the expenditure occurs

[¶ 16,225]

§ 103 75 Taxes.

This account shall include State, county, township, city, school, road, annual franchise, and all other taxes and assessments levied and paid on property belonging to the carrier during construction and before the facilities are used for commercial operations, except special assessments for street and other improvements chargeable to Account 36, "Paving," or 39, "Assessments for public improvements "

§ 103.75 ¶ 16,225

NOTE Taxes during construction, when assignable, shall be included in the cost of the property acquired or constructed

[¶ 16,226]

§ 103.76 Interest during construction

(a) When any bonds, notes, or other evidences of indebtedness are sold, or any interest-bearing debt is incurred for acquisition and construction of original road and equipment, extensions, additions, and betterments, the interest accruing on the part of the debt representing the cost of property chargeable to road and equipment accounts (less interest, if any, allowed by depositaries on unexpended balances) after such funds become available for use and before the receipt or the completion or coming into service of the property so acquired shall be charged to this account

(b) When such securities are sold at a premium the proportion of such premium assignable to the time between the date of the actual issuance of the securities and the time when the property acquired or the improvement made becomes available for service shall be credited to this account

(c) This account shall also include such proportion of the discount and expense on funded debt issued for the acquisition of original road, original equipment, road extensions, additions, and betterments, as is equitably assignable to the period between the date of the actual issuance of securities and the time when the property acquired or the improvement made becomes available for the service for which it is intended. The proportion of discount and expense thus chargeable shall be determined by the ratio between the period prior to the completion or coming into service of the facilities or improvements acquired and the period of the entire life of the securities issued

(d) This account shall also include reasonable charges for interest, during the construction period before the property becomes available for service, on the carrier's own funds expended for construction purposes

NOTE A Interest on bonds, notes, or other evidences of indebtedness accruing before the proceeds from the sale of the securities become available for use shall not be included in this account, nor shall there be included any interest accruing after the property with respect to which the proceeds are expended is received or becomes available for use in connection with commercial service

NOTE B If any securities which have been issued or assumed by the carrier are sold or exchanged by or for the carrier for a consideration the actual money value of which at the time of such sale or exchange is less than the value of the securities at par and the accrued interest thereon, if any, the difference between the money value of the consideration received and the par value of the securities plus the accrued interest shall be deemed a discount. In no case (except as provided in the third and fourth paragraphs of this account) shall discounts be included as part of the cost of anything charged to any account prescribed in this classification

¶ 16,225 § 103.75

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NOTE C For definition of securities actually issued, see Note B, under General Balance-sheet Account 755, "Funded debt unmatured "

NOTE D Whenever interest, premium, or discount assignable to the construction period is incurred in connection with an expenditure covered by some specific road and equipment account or accounts, such interest, premium, or discount shall be charged directly to the specific accounts to which it is related

[¶ 16,227]

§ 103 77 Other expenditures—general

This account shall include all expenditures of a special and incidental nature in connection with the acquisition and construction or original road and equipment, road extensions, additions, and betterments which cannot properly be included in any other account in this classification

[Part 104 begins on page 12,001]

§ 103.77 ¶ 16,227

Part 104—[Reserved]

[¶ 16,500]

Note For the Uniform System of Accounts for all Public Utilities, see Part 101 of this Subchapter

[The next page is 12,301]

¶ 16,500

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Part 116—Units of Property for Use in Accounting For Additions and Retirements of Electric Plant

[¶ 17,500]

AUTHORITY Department of Energy Organization Act, 42 U S C 7102-7352 (1982), Executive Order 12,009, 3 CFR 1978 Comp p 142, Federal Power Act, 16 U S C 791a-828c (1982), Public Utility Regulatory Policies Act, 16 U S C 2601-2645 (1982)

SOURCE Order 235, 26 FR 9887, Oct 21, 1961, Order 390, 49 F R 32496 (August 14, 1984), Order 484, 52 F R 45167 (November 25, 1987) and 52 F R 49157 (December 30, 1987)

Instructions

[¶ 17,501]

1 The retirement units listed herein are prescribed and are to be accounted for in accordance with Electric Plant Instruction 10, Additions and Retirements of Electric Plant, of the Uniform System of Accounts Prescribed for Public Utilities and Licensees

2 The list of units may be expanded by any utility without other authorization from this Commission, but it shall not be condensed This, the retirement units listed herein are of maximum size and while a subdivision thereof, or the addition of other units, is permitted, the combination or the increase in size of such units is not permitted without the approval of the Commission

3 Whenever appropriate, the retirement of any unit of property in the structures or equipment account shall include all costs of associated items which pertain solely to that unit, such as the cost of foundations, supports, ladders, runways, enclosures, guards, driving mechanisms, indicating, recording, and measuring devices with their mountings, starting, control, regulating, protective, and safety devices, switchboards, special lighting conduits and wiring, pipes, ducts, spouts, chutes, hoppers, etc

4 The appearance of a retirement unit under an account warrants the inclusion of the unit in the account mentioned only when the text of the account also indicates the inclusion as the same unit frequently appears under more than one account

The omission of an item from the list in an account or its inclusion in a functional system does not preclude its treatment as a retirement unit if it is relatively costly and not an integral part of a larger retirement unit The list of General Retirement Units, instruction 6 below, should be read in connection with the lists under the respective accounts since in some cases retirement units have not been separately listed because they appear in the List of General Retirement Units and are common to more than one account Likewise the List of General Retirement Units and these instructions should be considered in connection with listed retirement units designated as "system," etc In these cases, particularly if "system," etc , be extensive, a component of such system, such as a relative costly piece of apparatus not an integral part

of a larger retirement unit, or a unit specified in the List of General Retirement Units, should be separately treated as a retirement unit

5 It is contemplated that the list of units contained herein will be revised and amended from time to time as experience and conditions warrant

6 List of General Retirement Units

In all accounts where they occur, the following shall be considered a retirement unit, if relatively costly and not an integral part of the retirement unit specifically listed

The term "relatively costly" applies to the relationship of the cost of the item to the cost of other items in that particular account or sub-account for the particular station or plant

- (1) Assembly for two or more retirement units
- (2) Blower or fan
- (3) Control installation, automatic, semi-automatic, or remote (such as, pressure, voltage, current, speed, level, weight and volume regulators)
- (4) Coupling device, i e , speed reducer, speed increaser, clutch coupling, etc
- (5) Driving unit, i e , prime mover, motor, gas engine, etc
- (6) Enclosure for two or more retirement units (fence, guard, railing, etc)
- (7) Foundation for a unit of equipment, when not an integral part of the building and its usefulness is not intended to outlast the equipment for which provided
- (8) Instrument or device for indicating measuring, recording or weighing
- (9) Instrument transformer
- (10) Landscaping (complete at one location)
- (11) Plant piping, a run of any system (gas, oil, steam, water, etc), 6 inches or over in size, with or without valves, between two or more retirement units of property, and/or a header (See Note A and Item 17)
- (12) Piping header, 6 inches or over in size, with or without valves or blocking (See Note A and Item 17)
- (13) Platforms, ladders, stairs, runways (complete section)
- (14) Pump
- (15) Road, walk, parking lot, etc
- (16) Tank, vessel, etc
- (17) Valve, power operated, pressure reducing, atmospheric relief, or relatively costly valve

NOTE A Whenever appropriate, the "piping" costs of additions and retirements shall include all costs for pipes, valves, fittings, specials, covering, hangers, supports, etc , pertaining to the run or header in question

[The next page is 12,311]

LIST OF RETIREMENT UNITS

[¶ 17,502]

(The article a, an, or the, as appropriate, should be read in connection with each retirement unit of property listed herein)

[¶ 17,510]

Steam Production

[¶ 17,511]

311 Structures and Improvements

1 Air conditioning system, ventilating system, heating system, or any combination thereof

2 Bin or bunker (when part of structure framework)

3 Bridge, trestle, etc

4 Bulkhead, retaining wall, etc

5 Canal, dam, dock, pier, wharf

6 Drainage and sewerage system

7 Elevator, crane, hoist, etc , complete with operating mechanism

8 Equipment item, such as, a generator, engine, turbine, compressor, or similar item of equipment includible in structures, with or without associated wiring, control equipment, etc

9 Fence, complete with gates

10 Fire escape system

11 Fire protection system

12 Foundation (equipment) when includible in structure

13 Light and power system

14 Plumbing system

15 Refrigeration system

16 Railroad or track system, including culverts, etc

17 Roof, with or without supporting members (A structure of irregular shape having more than one roof level may have several isolated roofs, each of which shall be considered an entire roof In the case of structures to which lateral extensions have been made, even though having but one roof level, that part of the roof covering an entire section built at one time shall be considered an entire roof)

18 Structure, complete, with or without stack or chimney

19 Tunnel, pipe line, etc

20 Vacuum cleaning system

21 Water basin or reservoir

22 Water supply system, including well

¶ 17,511

23 Yard drainage system

24 Yard lighting system

[¶ 17,512]

312 Boiler Plant Equipment

A Steam Boiler Installation

1 Boiler complete with furnace, boiler setting, grates, etc

2 Desuperheater

3 Foundation, boiler, when independent of structure

4 Fuel burning equipment for one boiler (grates, stokers, stoker drive, burners, etc)

5 Reheater, when separate from boiler

6 Soot blower system for one boiler

7 Superheater, when separate from boiler

B Draft Equipment

1 Air duct system

2 Air heater

3 Breeching system

4 Cinder or fly ash collecting equipment, such as, cinder catcher, precipitator, hopper, concentrator, etc

5 Stack, with or without foundation

C Feed Water System

1 Deaerator

2 Economizer, when separate from boiler

3 Heat exchanger

4 Heater, feed water (main or stage)

5 Regulator, feed water

D Coal Fuel Equipment

1 Bin or bunker not includible in structures

2 Bin unloader

3 Barge

4 Capstan, winch or power moving equipment

5 Car, lorry

6 Car dumper, puller, shaker, thawing system, etc

7 Chutes or spouts, system of

8 Coal moving equipment (bulldozer, carry-all, tractor, drag scraper, etc)

¶ 17,511

- 9 Conveyor system (belt, cable way, portable, screw, etc)
- 10 Crane (locomotive, gantry or monorail)
- 11 Crusher
- 12 Dust collecting unit
- 13 Electric trolley or third rail system
- 14 Elevator (vertical, bucket, skip hoist)
- 15 Gates, chutes, downtakes, spreaders, or hoppers, for one boiler
- 16 Hoist or derrick
- 17 Hopper, track or weigh
- 18 Locomotive
- 19 Sampling system
- 20 Screening or sizing installation
- 21 Separator, magnetic
- 22 Structure, fuel handling (not includible in structures account)
- 23 Track system
- 24 Trestle
- 25 Weighing device, including track scale, coal meter, etc

E Pulverized Fuel Equipment

- 1 Air filter or washer
- 2 Air preheater
- 3 Air compressor
- 4 Conveyor
- 5 Chutes, ducts or transport pipes, system of
- 6 Coal feeder, raw or powdered
- 7 Crusher
- 8 Dryer
- 9 Hopper or bin
- 10 Pulverizer
- 11 Screening or sizing installation
- 12 Separator, electric or mechanical (dust collector or concentrator)

F Oil Fuel Equipment

- 1 Heater

NOTE See list of general retirement units

G Gas Fuel Equipment

655

NOTE See list of general retirement units

H Ash Handling Equipment

1 Ash hopper (when not includible in structures account)

2 Car

3 Clinker grinder (when a separate unit)

4 Conveyor or elevator

5 Crane hoist or derrick

6 Dust collecting system

7 Electric trolley or third rail system

8 Locomotive

9 Removal system (vacuum, steam jet, or hydraulic)

10 Sluiceway or piping system

11 Storage bin or pit

12 Sump dredge

13 Track system

I Water Supply and Purification System

1 Pipe, intake or discharge (when not includible in structures account)

2 Tunnel, intake or discharge (when not includible in structures account)

3 Water softener or purification system, including demineralizer, etc

4 Well

NOTE See list of general retirement units

J Ventilating Equipment

1 Air duct system

2 Cooler or heater

3 Washer

K Instruments and Meters

1 Automatic control installation

2 Master controller installation

3 Panel or panels, devoted to a single purpose, with equipment associated thereto

L Boiler Plant Piping

NOTE See list of general retirement units

M Process Steam Equipment

1 Separator or purifier

¶ 17,512

- 2 Accumulator
- 3 Automatic control for accumulator
- 4 Trap, high pressure
- N Wood Fuel Equipment
 - 1 Hopper or bin
 - 2 Fuel hogs
 - 3 Elevator, conveyors, etc

[¶ 17,513]

313 Engines and Engine-Driven Generators

[¶ 17,514]

314 Turbogenerator Units

- A Engine-Driven Generating Installation (Account 313)
 - 1 Drive or connection between engine and generator
 - 2 Engine
 - 3 Exciter
 - 4 Foundation, independent of structure
 - 5 Generator
 - 6 Governor control system
- B Turbogenerator Installation (Account 314)
 - 1 Equipment, starting and turning
 - 2 Exciter
 - 3 Foundation, independent of structure
 - 4 Generator
 - 5 Governor control system
 - 6 Turbine
- C Condensing and Cooling Water System (Accounts 313 and 314)
 - 1 Air ejector apparatus for one condenser
 - 2 Condenser
 - 3 Condenser tube protective system (chemical, electric, electrolytic, etc)
 - 4 Cooling tower
 - 5 Intake or discharge, screen and mechanism
 - 6 Pump, circulating, condensate, vacuum, etc
 - 7 Spraying system
 - 8 Tunnel, intake, or discharge (when not includible in structures account)

¶ 17,514

D Central Generator Cooling System (Accounts 313 and 314)

- 1 Air duct system
- 2 Air washer
- 3 Cooler
- 4 Hydrogen system, including storage cylinder, etc

E Central Lubricating System (Accounts 313 and 314)

- 1 Accumulator
- 2 Cooler
- 3 Purifier or filter

F Instruments and Meters (Accounts 313 and 314)

1 Panel or panels, devoted to a single purpose, with equipment associated thereto

G Engine and Turbine Plant Piping (Accounts 313 and 314)

NOTE See list of general retirement units

[¶ 17,515]

315 Accessory Electric Equipment

(See Account 353 for applicable retirement units of property)

[¶ 17,516]

316 Miscellaneous Power Plant Equipment

Each principal item, system or set of equipment, such as

- 1 Air compressor
- 2 Air conditioning or ventilating equipment (portable unit)
- 3 Barge, boat, or similar item of marine equipment
- 4 Car, railway
- 5 Communication system, station signal or call
- 6 Compressed air system
- 7 Crane, hoist or derrick
- 8 Fire protection equipment (general station use)
- 9 Laboratory equipment, principal item, such as drying oven, calorimeter, etc
- 10 Locomotive
- 11 Oil-reclaiming installation
- 12 Refrigeration system
- 13 Tool, each principal item such as forge, lathe, drill press, steam hammer, welding equipment, etc

¶ 17,514

14 Vacuum cleaning system

NOTE If any of the units of property listed above are a part of a structure and includible in account 311, Structures and Improvements, they shall be accounted for through that account

[The next page is 12,331]

Regulations

12,331

[¶ 17,520]

Nuclear Production

[¶ 17,521]

321 Structures and Improvements

(See Account 311 for applicable retirement units of property)

[¶ 17,522]

322 Reactor Plant Equipment

Boiling Water Reactor

A Reactor

- 1 Reactor vessel internals
- 2 Reactivity control systems
- 3 Reactor vessels and appurtenances
- 4 Reactor trip systems

B Reactor Coolant System and Connected Systems

- 1 Coolant recirculation systems and controls
- 2 Main steam systems and controls
- 3 Main steam isolation systems and controls
- 4 Reactor core isolation cooling systems and controls
- 5 Residual heat removal systems and controls
- 6 Feedwater systems and controls
- 7 Reactor coolant pressure boundary leakage detection system (when not part of another retirement unit)
- 8 Other coolant subsystems and controls (not included as an item elsewhere)

9 Engineered safety feature instrument systems

- 10 Systems required for safe shutdown
- 11 Safety related display instrumentation
- 12 Coolant injection systems
- 13 Other instrument systems

C Containment System

- 1 Reactor containment
- 2 Containment heat removal systems and controls
- 3 Containment air purification and cleanup systems and controls
- 4 Containment isolation systems and controls
- 5 Containment combustible gas control systems and controls
- 6 Other containment systems and controls

- D Fuel Storage and Handling Systems
 - 1 New Fuel storage equipment and/or racks
 - 2 Spent fuel storage equipment and/or racks
 - 3 Spent fuel pool cooling and cleanup systems and controls
 - 4 Fuel handling systems
- E Auxiliary Water Systems
 - 1 Cooling systems for reactor auxiliaries and controls
- F Auxiliary Process Systems
 - 1 Process sampling system
 - 2 Failed fuel detection systems
 - 3 Reactor coolant cleanup systems and controls
 - 4 Liquid poison systems and controls
- G Radioactive Waste Management Systems
 - 1 Liquid radioactive waste management systems
 - 2 Gaseous radioactive waste management systems
 - 3 Process and effluent radiological monitoring systems
 - 4 Solid radioactive waste management systems
- H Radiation Protection Systems
 - 1 Area monitoring systems
 - 2 Airborne radioactivity monitoring systems
 - 3 Control room habitability systems and controls
- I Other Systems
 - 1 Auxiliary boiler system
 - 2 Control air systems
 - 3 Service water system
 - 4 Vent and drain system
 - 5 Ventilating equipment
 - 6 Water supply and purification or cleanup system

NOTE See list of general retirement units

Pressurized Water Reactor

- A Reactor
 - 1 Reactor vessel internals
 - 2 Reactivity control systems
 - 3 Reactor vessels and appurtenances
 - 4 Reactor trip systems
- B Reactor Coolant System and Connected Systems

- 1 Coolant recirculation systems and controls
- 2 Main steam systems and controls
- 3 Main steam isolation systems and controls
- 4 Emergency core cooling systems and controls
- 5 Residual heat removal systems and controls
- 6 Feedwater systems and controls
- 7 Reactor coolant pressure boundary leakage detection systems (when not part of another retirement unit)
- 8 Other coolant subsystems and controls (not included as an item elsewhere)
 - 9 Engineered safety feature instrument systems
 - 10 Systems required for safe shutdown
 - 11 Safety related display instrumentation
 - 12 Other instrument systems
- C Containment Systems
 - 1 Reactor containment
 - 2 Containment heat removal systems and controls
 - 3 Containment air purification and cleanup systems and controls
 - 4 Containment isolation systems and controls
 - 5 Containment combustible gas control systems and controls
 - 6 Other containment systems and controls
- D Fuel Storage and Handling Systems
 - 1 New fuel storage equipment and/or racks
 - 2 Spent fuel storage equipment and/or racks
 - 3 Spent fuel cooling and cleanup systems and controls
 - 4 Fuel handling systems
- E Auxiliary Water Systems
 - 1 Cooling systems for reactor auxiliaries and controls
- F Auxiliary Process System
 - 1 Process sampling system
 - 2 Failed fuel detection system
 - 3 Chemical and volume control systems and controls
- G Radioactive Waste Management Systems
 - 1 Liquid radioactive waste management systems
 - 2 Gaseous radioactive waste management systems
 - 3 Process and effluent radiological monitoring systems
 - 4 Solid radioactive waste management systems

H Radiation Protection Systems

- 1 Area monitoring systems
- 2 Airborne radioactivity monitoring systems
- 3 Control room habitability systems and controls

I Other Systems

- 1 Auxiliary boiler system
- 2 Control air systems
- 3 Service water system
- 4 Vent and drain system
- 5 Ventilating equipment
- 6 Water supply and purification or cleanup system

Note See list of general retirement units

High Temperature Gas Reactor**A Reactor**

- 1 Reactor
 - 2 Reactor reflector system
- B Reactor Coolant System and Connected Systems**
- 1 Primary coolant systems and controls
 - 2 Secondary coolant systems and controls
 - 3 Feedwater and condensate system and controls
 - 4 Reactor plant piping
 - 5 Hydraulic power system and controls
 - 6 Moisture monitoring control system
 - 7 Linear neutron flux monitor and control rod calibration
 - 8 Analytical depressurization box controls
 - 9 Analytical liquid sampling control system
 - 10 Analytical gaseous sampling control system
 - 11 Tritium monitoring control system

C Fuel Storage and Handling System

- 1 Fuel storage systems and controls
 - 2 Fuel handling systems and controls
- D Radioactive Waste Management Systems**

D Radioactive Waste Management Systems

- 1 Radioactive liquid waste management systems and controls
- 2 Radioactive gaseous waste management systems and controls
- 3 Decontamination system and controls

E Radiation Protection Systems

1 Air monitor control system and controls

F Auxiliary Boiler System

G Alternate Cooling Method

Note See list of general retirement units

[¶ 17,523]

323 Turbogenerator Units

(See Account 314 for applicable retirement units of property)

[¶ 17,524]

324 Accessory Electric Equipment

(See Account 353 for applicable retirement units of property)

[¶ 17,525]

325 Miscellaneous Power Plant Equipment

(See Account 316 for applicable retirement units of property)

[The next page is 12,341]

[¶ 17,530]

Hydraulic Production

[¶ 17,531]

331 Structures and Improvements.

(See Account 311 for applicable retirement units of property)

[¶ 17,532]

332 Reservoirs, Dams and Waterways

- 1 Apron
- 2 Boom
- 3 Bridge or draw span
- 4 Bulkhead
- 5 Cribbing, system of, when not a part of a dike, embankment, road, etc
- 6 Dam
- 7 Dike or embankment, with or without riprap or core wall
- 8 Fence, complete
- 9 Fish ladder, elevator or lock system
- 10 Forebay
- 11 Flume, tunnel, or canal
- 12 Gate
- 13 Gate hoist
- 14 Gate hoist track
- 15 Gate house and equipment
- 16 Gate section
- 17 Gravity section
- 18 Heating or thawing system
- 19 Intake house, when not a part of structure
- 20 Lighting system, including wire, supports, fixtures, etc
- 21 Lock, navigation
- 22 Penstock
- 23 Pier
- 24 Piling, system of, to protect any of the structures
- 25 Power and control system
- 26 Road
- 27 Sluice or wasteway
- 28 Sewer complete

¶ 17,532

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- 29 Stability testing equipment
- 30 Substructure, power plant
- 31 Tailrace
- 32 Tank, surge (complete with surge pipe, viser, housing, heating system, etc)
- 33 Trash rack
- 34 Trash rake with mechanism
- 35 Valve, power operated or other relatively costly valve
- 36 Walkway
- 37 Wall, wing, cut-off baffle, retaining

[¶ 17,533]**333 Water Wheels, Turbines and Generators****A Hydro-Generating Installation**

- 1 Drive or connection between water wheel and generator
- 2 Exciter
- 3 Foundation, independent of structure
- 4 Generator
- 5 Governor control system
- 6 Valve, penstock, main or by-pass
- 7 Water turbine or water wheel, with or without draft tube, scroll case or housing

B Central Generator Cooling System

- 1 Air duct system
- 2 Air washer
- 3 Cooler

C Central Lubricating or Bearing Pressure System

- 1 Accumulator
- 2 Cooler
- 3 Piping system
- 4 Purifier or filter

D Instruments and Meters

- 1 Panel or panels, devoted to a single purpose, with equipment associated thereto

[¶ 17,534]**334 Accessory Electric Equipment**

(See Account 353 for applicable retirement units of property)

¶ 17,532

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Regulations

12,343

[¶ 17,535]

335 Miscellaneous Power Plant Equipment

(See Account 316 for applicable retirement units of property)

[¶ 17,536]

336 Roads, Railroads and Bridges

- 1 Bridge
- 2 Culvert
- 3 Draw span
- 4 Railroad
- 5 Road or trail
- 6 Trestle

[The next page is 12,351]

¶ 17,536

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[¶ 17,540]

Other Production

[¶ 17,541]

341 Structures and Improvements

(See Account 311 for applicable retirement units of property)

[¶ 17,542]

342 Fuel Holders, Producers and Accessories

A Fuel Oil System

- 1 Boiler, heating
- 2 Heater, not a part of tank
- 3 Meter, fuel oil
- 4 Piping system, fuel oil
- 5 Purifier
- 6 Tank, including foundations, supports and fire protection

B Gas Fuel System

- 1 Ash handling equipment for a producer
- 2 Boiler
- 3 Booster
- 4 Compressor
- 5 Fuel handling equipment for a producer
- 6 Holder
- 7 Meter
- 8 Piping system, gas
- 9 Producer
- 10 Regenerator
- 11 Scrubber or washer
- 12 Vaporizing unit for butane gas

[¶ 17,543]

343 Prime Movers

A Combustion Engines and Equipment

- 1 Air intake equipment for one engine
- 2 Drive or connection between engine and generator
- 3 Engine, with or without foundation
- 4 Governor control system
- 5 Heat exchanger

¶ 17,543

- 6 Muffler
- 7 Panel or panels and instruments for one engine
- 8 Stack
- 9 Starting and turning device
- B Central Lubricating System
 - 1 Cooler
 - 2 Piping system, oil
 - 3 Purifier or filter
- C Central Cooling Water System
 - 1 Heat exchanger
 - 2 Piping system, cooling water
 - 3 Purification system, water
 - 4 Spraying system
 - 5 Tank, storage, surge, or hot-well
 - 6 Tower, cooling
- D Central Starting System
 - 1 Compressor
 - 2 Piping system, starting
- E Central Intake Air Supply
 - 1 Air duct system
 - 2 Air filter or screen
 - 3 Silencer
- F Central Exhaust Gas System
 - 1 Heat exchanger (or waste heat boiler)
 - 2 Muffler
 - 3 Piping system, exhaust
 - 4 Stack

[¶ 17,544]

344 Generators

- 1 Exciter
- 2 Generator
- 3 Panel or panels, devoted to a single purpose, with equipment accessory thereto

[¶ 17,545]

345 Accessory Electric Equipment.

(See Account 353 for applicable retirement units of property)

¶ 17,543

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Regulations

12,353

[¶ 17,546]

346 Miscellaneous Power Plant Equipment

(See Account 316 for applicable retirement units of property)

[The next page is 12,361]

¶ 17,546

Regulations

12,361

[¶ 17,550]

Transmission Plant

[¶ 17,552]

352 Structures and Improvements

(See Account 311 for applicable retirement units of property)

[¶ 17,553]

353 Station Equipment

- 1 Air compressor
- 2 Air duct system
- 3 Auxiliary generator set
- 4 Battery charging set
- 5 Bus and Wiring—Power
 - a Bus compartment or cubicle for equipment
 - b Bus—wires, cables, shapes, and insulators
 - c Cable or conductor, each continuous circuit run
 - d Conduit, duct or cable trench, each continuous run, bank or section
- 6 Capacitor, static, bank of
- 7 Condenser, synchronous
- 8 Control installation, system operator's
- 9 Converter, synchronous or rotary
- 10 Crane or hoist
- 11 Exciter
- 12 Fire protection system or equipment
- 13 Frequency changer
- 14 Frequency control system
- 15 Fuse equipment, set of high tension
- 16 Generator voltage regulator system
- 17 Lighting system
- 18 Lighting arrester, 23 kv or higher, set of
- 19 Manhole
- 20 Motor generator set
- 21 Oil purifier or filter
- 22 Oil switch or circuit breaker
- 23 Panel or panels, devoted to a single purpose, with equipment accessory thereto
- 24 Reactor or resistor

¶ 17,553

- 25 Rectifier
- 26 Storage battery, set or bank for station control and power
- 27 Structure forming or support for one or more units of equipment
- 28 Switches, airbreak, grounding or set of disconnecting
- 29 Switchgear (compartment, cubicle, etc), complete assembly
- 30 Telemetering equipment, each installation
- 31 Testing equipment, set of
- 32 Track system, transformer
- 33 Transformer, not accessory to a panel
- 34 Truck switch with wiring and instruments
- 35 Truck, transformer
- 36 Unit station
- 37 Voltage regulator (see also item 16)
- 38 Wave trap, carrier current

[¶ 17,554]

354 Towers and Fixtures

- 1 Tower, with or without foundation

[¶ 17,555]

355 Poles and Fixtures

- 1 Frame, A or H, with or without associated cross- arms, guys, anchors, etc
- 2 Pole, i e , line pole, brace pole, or guy pole, with or without associated crossarms, guys, anchors, etc
- 3 Special structure, such as, bridge fixture, river crossing, long-span fixture, with or without associated crossarms, guys, anchors, etc

[¶ 17,556]

356 Overhead Conductors and Devices

- 1 Conductor, two continuous spans of one circuit
- 2 Circuit breaker
- 3 Lightning arresters, set of
- 4 Line switches, set of

[¶ 17,557]

357 Underground Conduit

- 1 Conduit, section of, between two manholes, or between a manhole and a pole
- 2 Manhole, splicing chamber or vault (not including handholes)

¶ 17,553

- 3 Ventilating equipment, complete installation at one location
- 4 Tunnel

[¶ 17,558]**358 Underground Conductors and Devices**

- 1 Circuit breaker
- 2 Cable (buried), with or without potheads, section between two terminal points
- 3 Cable (in conduit), with or without potheads, circuit between two manholes or vaults or between a manhole and a terminal
- 4 Cable (submarine), with or without potheads, between terminal chambers or manholes
- 5 Lightning arresters, set of
- 6 Line switches, set of
- 7 Pump house, complete structure (oil filled cables)
- 8 Pumping equipment, storage tank, etc , each installation (oil filled cables)

[¶ 17,559]**359 Roads and Trails**

(See Account 336 for applicable retirement units of property)

[The next page is 12,371.]

Regulations

12,371

[¶ 17,560]

Distribution Plant

[¶ 17,561]

361 Structures and Improvements

(See Account 311 for applicable retirement units of property)

[¶ 17,562]

362 Station Equipment

(See Account 353 for applicable retirement units of property)

[¶ 17,563]

363 Storage Battery Equipment

(See Account 353 for applicable retirement units of property)

[¶ 17,564]

364 Poles, Towers and Fixtures

1 Frame, A or H, with or without associated crossarms, guys, anchors, etc

2 Pole, i e , line pole, brace pole, or guy pole, with or without associated crossarms, guys, anchors, etc

3 Tower, with or without foundation

[¶ 17,565]

365 Overhead Conductors and Devices

1 Conductor, two continuous spans of one circuit

2 Circuit breaker

3 Lightning arresters, set of

4 Line switches, set of

NOTE At option of utility, on distribution lines of low voltage, the retirement unit may comprise two continuous spans of one circuit including all associated line equipment

[¶ 17,566]

366 Underground Conduit

1 Conduit, section of, between two manholes or between a manhole and a pole

2 Manhole, splicing chamber or vault (not including handholes)

3 Ventilating equipment, complete installation at one location

4 Tunnel

¶ 17,566

[¶ 17,567]

367 Underground Conductors and Devices

- 1 Circuit breaker
- 2 Conductor (buried), section of cable between two terminal points
- 3 Conductor (in conduit), circuit between two manholes or between a manhole and a pole
- 4 Conductor (submarine), submerged length of cable between terminal chambers or manholes
- 5 Lightning arresters, set of
- 6 Line switches, set of
- 7 Pump house, complete structure (oil filled cables)
- 8 Pumping equipment, storage tank etc , each installation (oil filled cables)

[¶ 17,568]

368 Line Transformers

- 1 Transformer, capacitor bank, voltage regulator or network protector, with or without associated control and protective devices

(See also text of Account 583, Overhead Line Expenses and Account 584 Underground Line Expenses)

[¶ 17,569]

369 Services

- 1 Overhead service
- 2 Underground service, with or without duct

[¶ 17,570]

370 Meters

- 1 Current limiting device
- 2 Instrument transformers, set of
- 3 Meter
- 4 Time switch

(See also text of Account 586, Meter Expenses)

[¶ 17,571]

371 Installation on Customers' Premises

- 1 Cable vault
- 2 Commercial lighting equipment installation on one premise
- 3 Equipment installation, such as a frequency changer, a motor a motor generator set, etc

¶ 17,567

4 Switchboard and wire or cable connections on one premise

NOTE See also other accounts for appropriate units of property

[¶ 17,572]

372 Leased Property on Customers' Premises

1 Equipment installation, such as a motor, a transformer, etc

NOTE See also other accounts for appropriate units of property

[¶ 17,573]

373 Street Lighting and Signal Systems

1 Capacitor, bank of

2 Control equipment, such as, contactor, protector, clock operated switch, etc

3 Post, standard or bracket, with or without luminaire or suspension lamp fixture

4 Signal installations at one location

5 Transformer

NOTE See also units as listed under accounts 365, Overhead Conductors and Devices, 366, Underground Conduit, 367, Underground Conductors and Devices, and 368, Line Transformers, when such property is included in this account

[The next page is 12,391]

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[¶ 17,590]

General Plant

[¶ 17,590A]

390 Structures and Improvements

(See account 311 for applicable retirement units of property)

[¶ 17,591]

391 Office Furniture and Equipment

Each principal item of equipment such as

1 Office equipment, accounting machine, adding machine, calculating machine, coin counters, signature writer, typewriter

2 Office furniture, desk, cabinet, safe, file

3 Duplicating equipment, blueprint machine, photostat machine, offset press, photocopy machine, transcopy machine

4 Mechanical processing equipment, key punch, sorters, tabulators, electronic calculators

[¶ 17,592]

392 Transportation Equipment

Each principal item of equipment such as

1 Airplane

2 Automobile

3 Boat

4 Electrical vehicle

5 Motor truck

6 Motorcycle

7 Tractor

8 Trailer, wagon, etc

[¶ 17,593]

393 Stores Equipment

Each principal item of equipment such as

1 Counter, shelving, bins or racks, each location

2 Crane, hoist, or chainfall

3 Portable elevating and stacking equipment

4 Truck

[¶ 17,594]

394 Tools, Shop and Garage Equipment.

Each principal item of equipment such as

¶ 17,594

12,392

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42 9 23-80

1 Shop equipment and tools, drill press, welding machine, forge, furnace, lathe, planer, shaper

2 Garage and repair equipment, gasoline or oil pump, battery charging set, car lift, power-driven greasing machine

3 Tools and work equipment, pneumatic tool, welding set, power saw, transmit, level, concrete mixer

[¶ 17,595]

395 Laboratory Equipment

Each principal item of equipment such as

1 Centrifuge

2 Dynamometer

3 Oscillograph

4 Meter testing equipment

5 Transformer, testing and loading

[¶ 17,596]

396 Power Operated Equipment

Each principal item of equipment such as

1 Air compressor including driving unit and vehicle

2 Back filling machine

3 Boring machine

4 Brush grinder

5 Bulldozer

6 Crane or hoist

7 Digger

8 Locomotive

9 Pile driver

10 Pipe coating or wrapping machine

11 Pipe cleaning machine

12 Tractor

13 Trencher

[¶ 17,597]

397 Communication Equipment

Each principal item or set of equipment such as

1 Antenna and supporting structure

2 Carrier current coupling capacitor

3 Carrier current transmitting and receiving set

¶ 17,594

Regulations**12,393**

- 4 Intercommunicating telephone apparatus
- 5 Microwave apparatus
- 6 Receiver, stationary or mobile
- 7 Storage battery set or motor generator set
- 8 Teletype apparatus
- 9 Transmitter, stationary or mobile

NOTE Units of conductors, supports, and duct lines shall be identical with those prescribed for Accounts 354, 355, 356, 357, 358, 364, 365, 366 and 367

[¶ 17,598]**398 Miscellaneous Equipment.**

Each principal item of equipment if includible in this amount

[¶ 17,599]**399 Other Tangible Property.**

Units to be assigned as items of property are included herein (OMB Control Number 1902-0021)

[The next page is 12,401]

¶ 17,599

Part 125—Preservation of Records of Public Utilities and Licensees

[¶ 17,700]

Sec

125 1 Promulgation

125 2 General instructions

125 3 Schedule of records and periods of retention

AUTHORITY Secs 301, 304, 309, 49 Stat 854, 855, 856, 858, 859, 16
U S C 825, 825c, 825h, unless otherwise noted

SOURCE Order 450, 37 FR 6293, Mar 28, 1972, Order 567, 42 FR
30615, June 16, 1977, Order 258, 47 F R 42720, September 29, 1982

(OMB Control Number 1902-0098)

¶ 17,700

Part 125—Preservation of Records of Public Utilities and Licensees

[¶ 17,701]

§ 125 1 Promulgation

(a) This Part is prescribed and promulgated as the regulations governing the preservation of records by public utilities subject to the jurisdiction of the Commission and by licensees holding licenses issued by the Commission, to the extent and in the manner set forth therein,

(b) This Part shall, as to all public utilities now subject to the jurisdiction of the Commission and as to all present licensees, become effective as herein revised on January 1, 1972. As to any public utility or licensee which may hereafter become subject to the jurisdiction of the Commission, this Part shall become effective as of the date when such public utility becomes subject to the jurisdiction of the Commission or on the effective date of the license of such licensee

[¶ 17,702]

§ 125 2 General instructions.

(a) *Scope of this Part* (1) The regulations in this Part apply to all books of account and other records prepared by or on behalf of the public utility or licensee. See subsection 64 of the schedule for those records which come into possession of the public utility or licensee in connection with the acquisition of property, such as purchase, consolidation, merger, etc

(2) The regulations in this Part shall not be construed as excusing compliance with any other lawful requirement for the preservation of records for periods longer than those prescribed herein

(3) Unless otherwise specified in the schedule (§ 125 3), duplicate copies of records may be destroyed at any time. *Provided, however,* That such duplicate copies contain no significant information not shown on the originals

(4) Records other than those listed in the schedule may be destroyed at the option of the public utility or licensee. *Provided, however,* That records which are used in lieu of those listed shall be preserved for the periods prescribed for the records used for substantially similar purposes. And, *provided further,* That retention of records pertaining to added services, functions, plant, etc., the establishment of which cannot be presently foreseen, shall conform to the principles embodied herein

(5) Notwithstanding the provisions of the Records Retention Schedule, the Commission may, upon the request of the Company, authorize a shorter period of retention for any record listed therein upon a showing by the Company that preservation of such record for a longer period is not necessary or appropriate in the public interest or for the protection of investors or consumers

(b) *Designation of supervisory official* Each public utility or licensee subject to the regulations in this Part shall designate one or more persons with

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official responsibility to supervise the utility's or licensee's program for preservation and the authorized destruction of its records

(c) *Protection and storage of records* The public utility or licensee shall provide reasonable protection for records subject to the regulations in this Part from damage by fire, floods, and other hazards and, in the selection of storage spaces, safeguards the records from unnecessary exposure to deterioration from excessive humidity, dryness, or lack of proper ventilation

(d) *Definition of record media* (1) For the purpose of these regulations, the data constituting the records listed in the schedule may be retained in any of the media forms in Figure 1 of this section, provided that the media selected has a standard life expectancy equal to or in excess of the specified retention period However, records supporting plant and licensed project cost shall be retained in their original form, unless microfilmed (See general instruction (j), for periods of retention) In no instance, except in emergencies, will media regeneration to achieve the full length of period retention be allowed without Commission approval of the request of the company In emergency cases management shall take such action as prudence calls for and notify the Commission immediately thereafter

(2) If the media form of the record retained is other than a readable paper copy, then reader and/or printer equipment and related printout programs, if required, shall be provided by the utility for data reference

(3) The media form initially selected for the record becomes the "original" for that particular record If subsequent conditions (e g improved media life expectancy, increased utility resources, environmental factors) require and the remaining retention period permits a change in the media forms, the utility may convert to another media and dispose of its old equipment, provided the certification processes described in paragraph (e) of this section are observed and data referencing capability is maintained

FIGURE 1 —RECORD MEDIA

Record media/form	Media expected life	Comments and standards
1 Paper and card stock (hardcopy)	Archival permanency	For each document, paper stock should be selected with a life expectancy equal to or greater than the retention period specified for that document
2 Tape magnetic (including video tape)	5 years	Assumes storage in a controlled environment with a temperature and humidity range of 60°-80° F and 40-60%, respectively (Ref Instruction (G) for specific storage conditions)
Punched	Archival permanency	For each record, tape media (paper, mylar, metallic base) should be selected with a life expectancy equal to or greater than the retention period specified for that record
3 Microforms		
a Microfilm, including Computer Output Microfilm (COM) microfiche jackets, and aperture cards	do	Assumes processing to standards and storage in a controlled environment with a temperature and humidity

¶ 17,702 § 125.2

Record media/form	Media expected life	Comments and standards
b Updatable type	Dependent on use of Media	range of 60-80 degrees F and 40-50% respectively (Ref American National Standards Institute (ANSI), standards PH 5.4—1970, PH 1.41—1976, PH 1.28—1979, PH 1.43—1981, or most current standards as accepted by the National Archives for use by federal agencies See 41 CFR 101-11.5) For temporary records not requiring archival permanency so long as the microform or film selected has a life expectancy equal to, or greater than, the retention period for that record Same storage conditions as for microfilm
c Metallic recording data strips	Archival permanency	Same storage conditions as for microfilm

(e) *Microform and tape certification* (1) As the initial recording media—

(i) Except as provided in paragraph (e)(1)(ii) of this section each microform record series

(A) shall contain, at the beginning, a microform introduction stating the title of the record series, the date prepared, the name of the official responsible for validating or confirming the data contained therein, and

(B) shall be closed with a clear and standard microform notation indicating the completion of the series and the date

(ii) If an official permanent record series is a computer output product (*i.e.*, output paper or microfilm, jacketed microfiche, or aperture cards), any certification that may otherwise be required under paragraph (e)(1)(i) of this section is not required if

(A) The series is prepared in accordance with written standard procedures developed, or accepted general business practices followed, by the company that ensure the integrity of record series that are the product of computer output, and

(B) Such procedures or practices include the name or title of the official responsible for validating or confirming the data contained in the record series and confirming that a particular computer output record series was produced in accordance with the standard procedures or practices

(iii) If after validation, supplemental data and/or corrections (*i.e.*, resulting from computer programming) are required, said microform may be produced separately or as a part of the series rerun, but shall be affixed to the original microform certificate as described in paragraph (e)(1)(i) of this section

(iv) Each tape record series shall be externally labeled and shall include, as a basic part of the program, at the beginning of that series an introduction stating the record series title, date prepared, the name of the official responsible for validating or confirming the data contained therein and an index where appropriate. Each record series shall be closed with a clear and standard notation indicating the completion of that series and the date

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(2) Conversion from other media—

(i) Each microform record series shall include, as an integral part, a certificate(s) stating that the microforms are direct and facsimile reproductions of the original records and that they have been made in accordance with prescribed instructions. Such certificate(s) shall be executed by a person(s) having personal knowledge of the facts covered thereby.

(ii) Each microform record series shall commence and end with a statement as to the nature and arrangement of the records reproduced, and the date. Rolls of film shall not be cut except to produce jacketed microfiche. Supplemental or retaken film, whether of misplaced or omitted documents or of portions of microform found to be defective, shall be attached to the beginning of the microform record series. However, if a retrieval system using such methods as, for example, image count indexing or "blipping" is used, the supplemental or retaken film may be attached at the end of the series, if provisions at the beginning of the series advise the viewer of the location of the problem frames and the location of the supplemental or retaken frames. If supplemental or retaken film of misplaced or omitted documents, or of portions of microform found to be defective, are attached to the microform record series, the certificate described in paragraph (e)(1)(i) of this section shall cover the supplemental or retaken film and shall state the reasons for the attachment.

(iii) If, in accordance with the provisions of paragraph (f) of this section, the utility or licensee elects to convert records to the tape media, the same certification provisions specified in paragraph (e)(1)(iii) of this section must be provided in the conversion program.

(f) *Change of media for existing records* Those records prepared and maintained under previous regulations in a paper media and whose remaining retention period falls within the life expectancy range of any of the media detailed in Figure 1, may be converted to that media at the public utility's and/or licensee's option, provided the applicable certification processes described in paragraph (e) of this section are observed and an audit referencing capability maintained.

(g) *Media* (1) All records created or maintained in a media and a format other than readable entries on paper shall

(i) Be prepared, arranged, classified, identified, and indexed as to permit the subsequent location, examination, and reproduction of the record to a readable media,

(ii) Be stored in such a manner as to provide reasonable protection from hazards such as fire, flood, theft, etc., and be maintained in a controlled environment,

(iii) Be regenerated, including proper certification, when damaged (Also see § 125.2(d)(1))

(2) The company shall be prepared to furnish, at its own expense, standard facilities for reading media and shall additionally provide, if the Commission so directs, copies of record in a readable form.

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(3) All film stock shall be of approved operationally-permanent-record microcopying type, which meets the current specifications of the American National Standards Institute

(h) *Destruction of records* The destruction of the records permitted to be destroyed under the provisions of the regulations in this part may be performed in any manner elected by the public utility or licensee concerned. Precautions should be taken, however, to macerate or otherwise destroy the legibility of records, the content of which is forbidden by law to be divulged to unauthorized persons

(i) *Premature destruction or loss of records* When records are destroyed or lost before the expiration of the prescribed period of retention, a certified statement listing, as far as may be determined, the records destroyed and describing the circumstances of accidental or other premature destruction or loss shall be filed with the Commission within ninety (90) days from the date of discovery of such destruction

(j) *Schedule of records and periods of retention* The schedule of records, § 125.3, shows the period of time that designated records shall be preserved. However, records related to plant shall be retained a minimum of 25 years unless accounting adjustments resulting from reclassification and original cost studies have been approved by the regulatory commission having jurisdiction, and either (1) continuing plant inventory records are maintained (see Definition No. 8, "Continuing Plant Inventory Records", Parts 101 and 104 of this Subchapter), or (2) unitization of construction costs appear in work orders, except that those relating to the construction of licensed projects, or additions or betterments thereto for which the Commission has not determined the actual legitimate original cost are to be retained until such cost has been determined. Additionally, all records which affect the determination of amortization reserves related to licensed projects shall be retained until Commission determination and final adjudication is made

(k) *Retention periods designated "Destroy at option"* Use of the retention period, "Destroy at option," in the regulations in this Part constitutes authorization for such destruction under the conditions specified for the particular types of records, only if such optional destruction is appropriate to limited managerial interest in such records and if such optional destruction is not in conflict with other legal retention requirements or usefulness of such records in satisfying pending regulatory actions or directives

(l) *Records of services performed by associated companies* The public utility or licensee to which the regulations in this Part apply shall assure the availability of records of services performed by associated companies for the periods indicated herein, as are necessary, to support the cost of services rendered to it by an associated company

(m) *Index of records* At each office of the public utility or licensee where records are kept or stored, such records as are herein required to be preserved shall be so arranged, filed and currently indexed that they may be readily identified and made available to representatives of the Commission

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(n) *Schedule of notes*

(1) For the purpose of the regulation, a stockholder's account may be treated as a closed account at the time that such stockholder ceases to be a holder of record of the particular class and series of stock of the company and the 6-year retention period prescribed herein shall run from that date. If such person subsequently acquires shares of capital stock of the company and thus again becomes a stockholder of the company, the record of such acquisition shall be treated as a new stockholder account.

(2) The terms "bonds" and "debentures," as used in captions (a) through (f) of this item, shall include all debt securities, such as bonds, debentures or notes other than debt securities which evidence temporary borrowings and which are expected to be repaid out of the proceeds of the sale of longer term securities. Typical of such temporary debt securities as described in 4(1) would be notes issued to banks evidencing temporary working capital and construction loans.

(3) Canceled bonds and debentures and paid interest coupons pertaining thereto may be destroyed, provided that a certificate of destruction giving full descriptive reference to the documents destroyed shall be made by the person or persons authorized to perform such destruction and shall be retained by the company for the period herein prescribed. The certificate of destruction evidencing the destruction of paid interest coupons pertaining to bonds or debentures need not contain a listing of the bond or debenture serial numbers pertaining to such paid interest coupons. When documents represent debt secured by mortgage, the certificate of destruction shall also be authorized by a representative of the trustee(s) acting in conjunction with the person or persons destroying the documents or shall have the trustee(s) acceptance thereon. The certificate of destruction above described may be destroyed 6 years after the payment and discharge of the bonds or debentures or interest coupons described in such certificate.

(4) If a retention period is prescribed elsewhere in the schedule with respect to any document which is included as an exhibit to any filing retained pursuant to the requirements of this item, the company need retain only one copy of such document in its files provided appropriate cross references are established.

(5) Life or mortality study data for depreciation purposes shall be retained for 25 years or for 10 years after plant is retired, whichever is longer.

01 Subsections (a)-(d), 47 F.R. 42720 (September 29, 1982), subsection (e), 48 F.R. 44477 (September 29, 1983), subsection (f), 47 F.R. 42720 (September 29, 1982), subsection (g), 48 F.R. 44477 (September 29, 1983), subsections (h)-(n), 47 F.R. 42720 (September 29, 1982)

05 *Historical record*—Figure 1 in subsection (d) read as follows until it was amended in 47 F.R. 42720 (9/29/82), effective 10/29/82

FIGURE 1
RECORD MEDIA

Record media/form	Media expected life	Comments and standards
1 Paper and card stock (hardcopy)	Archival permanency	For each document, paper stock should be selected with a life expectancy equal to or greater than the retention period specified for that document
2 Tape Magnetic (including video tape)	5 years	Assumes storage in a controlled environment with a temperature and humidity range of 60°-80° F and 40-60%, respectively (Ref Instruction (G) for specific storage conditions)
Punched	Archival permanency	For each record, tape media (paper, mylar, metallic base) should be selected with a life expectancy equal to or greater than the retention period specified for that record
3 Microforms		
a Microfilm (including COM, microfiche, jackets and aperture cards)	do	Assumes storage in a controlled environment with a temperature and humidity range of 60°-80° F and 40-50%, respectively (Ref American National Standards Institute (ANSI) standard # PH 1.28-1969 and PH 5 4-1970)
b Metallic recording data strips	do	Same storage conditions as for microfilm

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Subsection (e) read as follows until it was amended in 47 F R 42720 (9/29/82), effective 10/29/82

(e) *Microform and tape certification* (1) As the initial recording media—

(i) Each microform record series shall contain, at the beginning, a microform introduction stating the title of the record series, the date prepared, the name of the official responsible for validating or confirming the data contained therein. Each microform record series shall be closed with a clear and standard microform notation indicating the completion of the series and the date.

(ii) If after validation, supplemental data and/or corrections (i.e., resulting from computer programming) are required, said microform may be produced separately or as a part of the series rerun, but shall be affixed to the original microform certificate as described in paragraph (e)(1)(i) of this section.

(iii) Each tape record series shall be externally labeled and shall include, as a basic part of the program, at the beginning of that series an introduction stating the record series title, date prepared, the name of the official responsible for validating or confirming the data contained therein and an index where appropriate. Each record series shall be closed with a clear and standard notation indicating the completion of that series and the date.

(2) Conversion from other media—

(i) Each microform record series shall include, as an integral part, a certificate(s) stating that the microforms are direct and facsimile reproductions of the original records and that they have been made in accordance with prescribed instructions. Such certificate(s) shall be executed by a person(s) having personal knowledge of the facts covered thereby.

(ii) Each microform record series shall commence and end with a statement as to the nature and arrangement of the records reproduced, and the date. Rolls of film shall not be cut. Supplemental or retaken film whether of misplaced or omitted documents or of portions of microform found to be defective, shall be attached to the beginning of the microform record series and in such an event, the aforementioned certificate shall cover the supplemental or retaken film and shall state the reasons for the subsequent actions.

(iii) If, in accordance with the provisions of paragraph (f) of this section, the utility or licensee elects to convert records to the tape media, the same certification provisions specified in paragraph (e)(1)(iii) of this section must be provided in the conversion program.

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Subsection (e), appearing in 47 F R 42720 (9/29/82), effective 10/29/82 read as follows until it was amended in 48 F R 44477 (9/29/83), effective 12/9/83 as per 48 F R 55121 (12/9/83)

(e) *Microform and tape certification* (1) As the initial recording media—

(i) Except as provided in paragraph (e)(1)(ii) of this section each microform record series

(A) shall contain, at the beginning, a microform introduction stating the title of the record series, the date prepared, the name of the official responsible for validating or confirming the data contained therein, and

(B) shall be closed with a clear and standard microform notation indicating the completion of the series and the date.

(ii) If the microform record series is a product of Computer Output Microfilm (COM), the certification required under paragraph (e)(1)(i) of this section is not required if

(A) the series is prepared in accordance with written standard procedures developed by the company that ensure the integrity of record series which are the product of COM, and

(B) such procedures include the name of the official responsible for validating or confirming the data contained in the record series and confirming that a particular COM record series was produced in accordance with the standard procedures.

(iii) If after validation, supplemental data and/or corrections (i.e., resulting from computer programming) are required, said microform may be produced separately or as a part of the series rerun, but shall be affixed to the original microform certificate as described in paragraph (e)(1)(i) of this section.

(iv) Each tape record series shall be externally labeled and shall include, as a basic part of the program, at the beginning of that series an introduction stating the record series title, date prepared, the name of the official responsible for validating or confirming the data contained therein and an index where appropriate. Each record series shall be closed with a clear and standard notation indicating the completion of that series and the date.

(2) Conversion from other media—

(i) Each microform record series shall include, as an integral part, a certificate(s) stating that the microforms are direct and facsimile reproductions of the original records and that they have been made in accordance with prescribed instructions. Such certificate(s) shall be executed by a person(s)

having personal knowledge of the facts covered thereby

(ii) Each microform record series shall commence and end with a statement as to the nature and arrangement of the records reproduced, and the date Rolls of film shall not be cut except to produce jacketed microfiche Supplemental or retaken film, whether of misplaced or omitted documents or of portions of microform found to be defective, shall be attached to the beginning of the microform record series However, if a retrieval system using such methods as, for example, image count indexing or "blipping" is used, the supplemental or retaken film may be attached at the end of the series, if provisions at the beginning of the series advise the viewer of the location of the problem frames and the location of the supplemental or retaken frames If supplemental or retaken film of misplaced or omitted documents, or of portions of microform found to be defective, are attached to the microform record series, the certificate described in paragraph (e)(1)(i) of this section shall cover the supplemental or retaken film and shall state the reasons for the attachment

(iii) If, in accordance with the provisions of paragraph (f) of this section, the utility or licensee elects to convert records to the tape media, the same certification provisions specified in paragraph (e)(1)(iii) of this section must be provided in the conversion program

Subsection (g) was amended in 48 F.R. 44477 (9/29/83), effective 12/9/83 as per 48 F.R. 55121 (12/9/83), in paragraph (3), by removing the words "National Bureau of Standards" and inserting, in their place, the words "American National Standards Institute"

Subsection (j) read as follows until it was amended in 47 F.R. 42720 (9/29/82), effective 10/29/82

(j) *Schedule of records and periods of retention* The schedule of records, § 125.3, shows the period of time that designated records shall be preserved However, records related to plant shall be retained a minimum of 25 years unless accounting adjustments resulting from reclassification and original cost studies have been approved by the regulatory commission having jurisdiction, and either (1) continuing plant inventory records are maintained, or (2) unitization of construction costs appear in work orders, except that those relating to the construction of licensed projects, or additions or betterments thereto for which the Commission has not determined the actual legitimate original cost are to be retained until such cost has been determined Additionally, all records which affect the determination of amortization reserves related to licensed projects shall be retained until

Commission determination and final adjudication is made

Subsection (n) read as follows until it was amended in 47 F.R. 42720 (9/29/82), effective 10/29/82

(n) *Schedule of notes*

(1) For the purpose of the regulation, a stockholder's account may be treated as a closed account at the time that such stockholder ceases to be a holder of record of the particular class and series of stock of the company and the 6-year retention period prescribed herein shall run from that date If such person subsequently acquires shares of capital stock of the company and thus again becomes a stockholder of the company, the record of such acquisition shall be treated as a new stockholder account

(2) The terms "bonds" and "debentures," as used in captions (a) through (f) of this item, shall include all debt securities, such as bonds, debentures or notes other than debt securities which evidence temporary borrowings and which are expected to be repaid out of the proceeds of the sale of longer term securities Typical of such temporary debt securities as described in 4(i) would be notes issued to banks evidencing temporary working capital and construction loans

(3) Canceled bonds and debentures and paid interest coupons pertaining thereto may be destroyed, provided that a certificate of destruction giving full descriptive reference to the documents destroyed shall be made by the person or persons authorized to perform such destruction and shall be retained by the company for the period herein prescribed The certificate of destruction evidencing the destruction of paid interest coupons pertaining to bonds or debentures need not contain a listing of the bond or debenture serial numbers pertaining to such paid interest coupons When documents represent debt secured by mortgage, the certificate of destruction shall also be authorized by a representative of the trustee(s) acting in conjunction with the person or persons destroying the documents or shall have the trustee(s) acceptance thereon The certificate of destruction above described may be destroyed 6 years after the payment and discharge of the bonds or debentures or interest coupons described in such certificate

(4) If a retention period is prescribed elsewhere in the schedule with respect to any document which is included as an exhibit to any filing retained pursuant to the requirements of this item, the company need retain only one copy of such document in its files provided appropriate cross references are established

(5) Life or mortality study data for depreciation purposes shall be retained for the life of the corporation

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§ 125.3 Schedule of records and periods of retention

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SCHEDULE OF RECORDS AND PERIODS OF RETENTION

Description	Retention Period
CORPORATE AND GENERAL	
1. (Reserved)	
2. (Reserved)	
3. Reports to stockholders:	
(a) Annual reports or statements to stockholders	Retain until receipt of FEC audit report or two years after auditor's exit conference, whichever occurs first.
(b) (Reserved)	
4. (Reserved)	
5. (Reserved)	
6. Organizational documents	
(a) Minute books of stockholders', directors' and directors' committee meetings	50 years or termination of the corporation's existence, whichever occurs first.
(b) Titles, franchises, and licenses:	
(1) (Reserved)	
(2) (Reserved)	
(3) (Reserved)	
(4) (Reserved)	
(5) Copies of formal orders of regulatory commissions served upon the utility	6 years after final non-appealable order.
(c) (Reserved)	
(d) (Reserved)	
7. Contracts and agreements (except contracts provided for elsewhere):	
(a) Service contracts, such as for management, accounting and financial services	6 years after expiration or cancellation. See §125.2(j)
(b) Contracts with other utilities for the purchase, sale or interchange of product	6 years after expiration or cancellation.
(c) (Reserved)	
(d) (Reserved)	
(e) (Reserved)	
(f) (Reserved)	
(g) Memoranda essential to clarifying or explaining provisions of contracts listed above	For the same periods as contracts to which they relate.
(h) Card or book records of contracts, leases, and agreements made, showing dates of expirations and of renewals, memoranda of receipts and payments under such contracts, etc.	Do.
8. Accountants' and auditors' reports:	
(a) Reports of examinations and audits by accountants and auditors not in the regular employ of the utility (such as reports of public accounting firms and regulatory commission accountants)	7 years after date of report or Commission audit, whichever comes last.
(b) Internal audit reports and work papers	Do.
AUTOMATIC DATA PROCESSING	
9. Automatic data processing records (retain original source data used as input for data processing and data processing report printouts for the applicable periods prescribed elsewhere in the schedule):	
(a) (Reserved)	
(b) Program documentation and revisions thereto	Retain as long as it represents an active viable program or for periods prescribed for related output data, whichever is shorter.

Description	Retention Period
GENERAL ACCOUNTING RECORDS	
10. General and subsidiary ledgers:	
(a)(1) General ledgers	50 years.
(2) Ledgers subsidiary or auxiliary to general ledgers except ledgers provided for elsewhere	Do.
(b)(1) Indexes to general ledgers	Do.
(2) Indexes to subsidiary ledgers except ledgers provided for elsewhere	Do.
(c) Trial balance sheets of general and subsidiary ledgers	2 years.
11. Journals: General and subsidiary	50 years.
12. Journal vouchers and journal entries including supporting detail:	
(a) Journal vouchers and journal entries	Do.
(b) Analyses, summarizations, distributions, and other computations which support journal vouchers and journal entries:	
(1) Charging plant accounts	6 years. See §125.2(j).
(2) Charging all other accounts	6 years.
(c) (Reserved)	
(d) (Reserved)	
13. Cash books: General and subsidiary or auxiliary books	10 years after close of fiscal year. See §12(a).
14. Voucher registers: Voucher registers or similar records when used as a source document.	6 years. See §125.2(j).
15. Vouchers:	
(a) paid and cancelled vouchers (1 copy - analysis sheets showing detailed distribution of charges on individual vouchers and other supporting papers)	Do.
(b) Original bills and invoices for materials, services, etc., paid by vouchers	Do.
(c) Paid checks and receipts for payments by voucher or otherwise	6 years.
(d) Authorization for the payment of specific vouchers	6 years. See §125.2(j).
(e) Lists of unaudited bills (accounts payable), lists of vouchers transmitted and memoranda regarding changes in unaudited bills	Destroy at option.
(f) Voucher indexes	Do.
16. (Reserved)	
17. (Reserved)	
18. (Reserved)	
19. (Reserved)	
INSURANCE	
20. Insurance records:	
(a) Records of insurance policies in force, showing coverage, premiums paid, and expiration dates	Destroy at option after expiration of such policies.
(b) (Reserved)	
(c) Records of amounts recovered from insurance companies in connection with losses and of claims against insurance companies, including reports of losses and supporting papers	6 years. See §125.2(j).
(d) (Reserved)	
(e) (Reserved)	
(f) (Reserved)	
21. (Reserved)	
OPERATIONS AND MAINTENANCE	
22.1 Production — Electric (see nuclear):	
(a) (Reserved)	
(b) (Reserved)	
(c) Boiler-tube failure report	Do.
(d) Generation and output logs with supporting data	6 years.

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Description	Retention Period
(e)(1) Hydro-electric	25 years. See § 125.2(j)
(2) Steam and others	6 years. See § 125.2(j).
(f) Generating high-tension and low-tension load records	3 years.
(g) (Reserved)	
(h) Load curves, temperature logs, coal and water logs	Do. 2 years, except riverflow data collection in connection with hydro-operation shall be retained for life of corporation.
(i) Gage-reading reports	1 year, except where the basic chart information is transferred to another record, the charts need only be retained 6 months provided the record containing the basic data is retained 1 year.
(j) Recording, instrument charts	
(k) (Reserved)	
22.2 For information purposes, refer to the document retention requirements of the Nuclear Regulatory Commission (NRC)	
23. Transmission and distribution -- Electric: n5	
(a) Substation and transmission line logs	3 years.
(b) System operator's daily logs and reports of operation	Do.
(c) (Reserved)	
(d) (Reserved)	
(e) (Reserved)	
(f) (Reserved)	
(g) (Reserved)	
(h) (Reserved)	
(i) (Reserved)	
(j) (Reserved)	
(k) (Reserved)	
(l) (Reserved)	
(m) (Reserved)	
(n) Transformer history records	For life of transformer.
(o) Records of transformer inspections, oil tests, etc.	Destroy at option.
(p) (Reserved)	
24. (Reserved)	
25. (Reserved)	
26. Maintenance work orders and job orders:	
(a) Authorizations for expenditures for maintenance work to be covered by work orders, including memoranda showing the estimates of costs to be incurred.	6 years
(b) Work order sheets to which are posted in detail the entries for labor, material, and other charges in connection with maintenance, and other work pertaining to utility operations	Do.
(c) Summaries of expenditures on maintenance and job orders and clearances to operating and other accounts (exclusive of plant accounts)	Do.
PERSONNEL	
27. (Reserved)	
28. (Reserved)	
29. (Reserved)	
PLANT AND DEPRECIATION	
30. Plant ledgers:	
(a) Ledgers of utility plant accounts including land and other detailed ledgers showing the cost of utility plant by classes	50 years.

Description	Retention Period
(b) Continuing plant inventory ledger, book or card records showing description, location, quantities, cost, etc., of physical units (or items) of utility plant owned	6 years after plant is retired provided mortality data are retained n5
31. Construction work in progress ledgers, work orders, and supplemental records	
(a) Construction work in progress ledgers	10 years after clearance to the plant accounts, provided continuing plant inventory records are maintained, otherwise 6 years after plant is retired.
(b) Work order sheets to which are posted in summary form or in detail the entries for labor, materials, and other charges for utility plant additions and the entries closing the work orders to utility plant in service at completion.	Do.
(c) Authorizations for expenditures for additions to utility plant, including memoranda showing the detailed estimates of cost and the bases therefor (including original and revised or subsequent authorizations)	10 years.
(d) Requisitions and registers of authorizations for utility plant expenditures	Do.
(e) Completion or performance reports showing comparison between authorized estimates and actual expenditures for utility plant additions	
(f) Analysis or cost reports showing quantities of materials used, unit costs, number of man-hours, etc., in connection with completed construction project	Do. 10 years after clearance to the plant account, provided continuing property plant inventory records are maintained; otherwise, 6 years after plant is retired.
(g) Records and reports pertaining to progress of construction work, the order in which jobs are to be completed, and similar records which do not form a basis of entries to the accounts	
32. Retirement work in progress ledgers, work orders, and supplemental records	Destroy at option.
(a) Work order sheets to which are posted the entries for removal costs, materials recovered, and credits to utility plant accounts for cost of plant retired	10 years after plant is retired. n5
(b) Authorizations for retirement of utility plant, including memoranda showing the basis for determination of cost of plant to be retired and estimates of salvage and removal costs	10 years after clearance to the plant account, provided continuing plant inventory records are maintained; otherwise 6 years after plant is retired. n5
(c) Registers of retirement work orders	10 years.
33. Summary sheets, distribution sheets, reports, statements, and papers directly supporting debits and credits to utility plant accounts not covered by construction or retirement work orders and their supporting records	10 years after clearance to the plant account, provided continuing plant inventory records are maintained; otherwise 6 years after plant is retired.
34. Appraisals and valuations: Appraisals and valuations made by the company of its properties or investments or of the properties or investments of any associated companies. (Includes all records essential thereto.)	3 years after disposition, termination or lease, or write-off of property or investment.
35. (Reserved)	
36. The original or reproduction of engineering records, drawings and other supporting data for proposed as-constructed utility facilities:	

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Description	Retention Period
(a) Maps, diagrams, profiles, photographs, field survey notes, plot plan, detail drawings, records of engineering studies and similar records showing the location of proposed or as-constructed facilities:	Retain until receipt of FERC audit report or two years after auditor's exit conference, whichever occurs first 5/ See §125.2(j).
(1) If construction of facilities results wholly, or in part	
(2) (Reserved)	
37. Contracts and other agreements relating to utility records:	
(a) Contracts relating to acquisition or sale of plant	6 years after plant is retired.
(b) Contracts and other agreements relating to services performed in connection with construction of utility plant (including contracts for the construction of plant by others for the utility and for supervision and engineering relating to construction work)	6 years. See §125.2(j).
38. Records pertaining to reclassifications of utility plant accounts to conform to prescribed systems of accounts, including supporting papers showing the bases for such reclassifications	Do.
39. Records of accumulated provisions for depreciation and depletion of utility plant and supporting computation of expenses:	
(a) Detailed records or analysis sheets segregating the accumulated depreciation according to functional classification of plant	25 years.
(b) Records reflecting the service life of property and the percentage of salvage and cost of removal for property retired from each account for depreciable utility plant	Do. 5/
PURCHASES AND STORES	
40. Procurements:	
(a) Agreements entered into for the acquisition of goods for the performance of services. Includes all forms of agreements not specifically set forth in Subsection 7 such as but not limited to: letters of intent, exchange of correspondence, master agreements, term contracts, rental agreements and the various types of purchase orders:	
(1) For goods or services relating to plant construction	6 years. See §125.2(j).
(2) For other goods or services	6 years.
(b) Supporting documents including accepted and unaccepted bids or proposals (summaries of unaccepted bids or proposals may be kept in lieu of originals) evidencing all relevant elements of the procurement.	6 years. See §125.2(j).
(c) (Reserved)	
41. Material ledgers:	
(a) Ledger sheets of materials and supplies received, issued, and on hand	Retained until receipt of FERC audit report or two years after auditor's exit conference, whichever occurs first.
(b) (Reserved)	
42. Materials and supplies received and issued:	
(a) (Reserved)	
(b) (Reserved)	
(c) Records showing the detailed distribution of materials and supplies issued during accounting periods	6 years. See §125.2(j).

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Description	Retention Period
(d) (Reserved)	
(e) (Reserved)	
43 Records of sales of scrap and materials and supplies	
(a) Authorization for sale of scrap and materials and supplies	3 years.
(b) Contracts for sale of scrap and materials and supplies	Do.
(c) (Reserved)	
44. (Reserved)	
REVENUE ACCOUNTING AND COLLECTING	
45. Customers' service applications and contracts	
(a) (Reserved)	
(b) (Reserved)	
(c) (Reserved)	
(d) (Reserved)	
(e) (Reserved)	
(f) (Reserved)	
(g) (Reserved)	
(h) Contracts for extensions of service for which contributions are made by customers or others.	Retain until receipt of FERC audit report or two years after auditor's exit conference, whichever occurs first.
46 Rate Schedules	
(a) General files of published rate sheets and schedules of utility service (Including schedules suspended or superseded)	Retain until receipt of FERC audit report or two years after auditor's exit conference, whichever occurs first.
(b) (Reserved)	
47. (Reserved)	
48. (Reserved)	
49. Maximum demand, and demand meter record cards	1 year, except where the basic chart information is transferred to another record the charts need only be retained 6 months, provided the record containing the basic data is retained 1 year.
50 Miscellaneous billing data	
(a) Billing department's copies of contracts with customers (in addition to contracts in general files)	Destroy at option
(b) (Reserved)	
(c) (Reserved)	
(d) (Reserved)	
51. Revenue summaries.	
(a) Summaries of monthly operating revenues according to classes of service for entire utility	6 years.
(b) Summaries of monthly operating revenues according to classes of service by towns, districts or divisions. (Including summaries of forfeited discounts and penalties.)	Do.
52. (Reserved)	
53. (Reserved)	
54. (Reserved)	
55. (Reserved)	
56. (Reserved)	
TAX	
57. Tax records:	
(a) Copies of returns and schedules filed with taxing authorities, supporting work papers, records of appeals, tax bills and receipts for payment. (See Subsection 15(b) for vouchers evidencing disbursements):	
(1) Income tax returns	7 years after settlement
(2) Property tax returns	2 years after settlement.

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Description	Retention Period
(3) Sales and use taxes	3 years.
(4) Other taxes	2 years after settlement.
(5) Agreements between associated companies as to allocation of consolidated income taxes	7 years after settlement.
(6) Schedule of allocation of consolidated Federal income taxes among associated companies	Do.
(b) Summaries of taxes paid	Destroy at option.
(c) Filings with taxing authorities to qualify employee benefit plans	7 years after settlement of Federal return or discontinuance of plan, whichever is later.
(d) Information returns and reports to taxing authorities	3 years, or for the period of any extensions granted for audit.
TREASURY	
58. Statements of funds and deposits	
(a) Summaries and periodic statements of cash balances on hand and with depositories	Destroy at option.
(b) Statement of managers' and agents' cash balances on hand and with depositories	Do.
(c) (Reserved)	
(d) (Reserved)	
(e) (Reserved)	
(f) (Reserved)	
59. Records of deposits with banks and others-	
(a) (Reserved)	
(b) (Reserved)	
(c) Statements from depositories showing the details on funds received, disbursed, transferred and balances on deposit	Do.
(d) (Reserved)	
(e) (Reserved)	
(f) Check stubs, registers, or other records of checks issued	6 years.
(g) (Reserved)	
60. (Reserved)	
MISCELLANEOUS	
61. Statistics	
(a) Annual financial, operating and statistical reports regularly prepared in the course of business for internal administrative or operating purposes (and not used as the basis for entries to accounts of the companies concerned) to show the results of operations and the financial condition of the utility	10 years after date of report.
(b) Quarterly, monthly or other periodic financial, operating and other statistical reports as above	2 years after date of report.
(c) (Reserved)	
62. Budgets and other forecasts	
(Prepared for internal administrative or operating purposes) of estimated future income, receipts and expenditures in connection with financing, construction and operations and acquisitions or disposals of properties or investments by the company and its associated companies, including revisions of such estimates and memoranda showing reasons for revisions; also records showing comparison of actual income and receipts and expenditures with estimates.	3 years.
63. (Reserved)	

Description	Retention Period
64. Records of predecessors and former associates	Retain until the records of utility plant acquired have been integrated with the utility's plant records and the original cost of the acquired plant is adequately supported by cost details and until it is ascertained that such records are not necessary to fulfillment of any unsatisfied regulatory requirement, such as: (a) Approval and recording of accounting adjustments resulting from reclassification and original cost studies and acceptance of property acquisition journal entries, (b) cost, depreciation and amortization reserve determinations for licensed projects, (c) establishment of continuing plant inventory records or accounting evidence of the cost of long-lived property in the absence of such continuing plant inventory records.
65. Reports to Federal and State regulatory commissions: (a) Annual financial, operating and statistical reports: (1) Federal agencies	Retain until receipt of FERC audit report or two years after auditor's exit conference, whichever occurs first Retain as long as the active tariffs or rates are in effect.
(2) State commissions	
(b) (Reserved) (c) Special or periodic reports on the following subjects:	
(1) Transactions with associated companies	6 years.
(2) Budgets of expenditures	3 years.
(3) (Reserved)	
(4) Employees and wages	5 years.
(5) Loans to officers and employees	3 years after fully paid.
(6) Issues of securities	Data filed with the SEC retain 25 years or until all securities covered are retired, whichever is shorter; other reports retain until securities covered are retired.
(7) Purchases and sales, utility properties	10 years after the plant is retired. See §125(2)(j).
(8) Plant changes—units added and retired	Do.
(9) (Reserved)	
(d) Cost of service reports filed under Section 133 of the Public Utility Regulatory Policies Act (PURPA) (See 18 C.F.R. Part 290).	5 years.

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Description	Retention Period
<p>66. Other miscellaneous records: (a) Copies of advertisements by the company in behalf of itself or any associate company in newspapers, magazines and other publications including records thereof (excluding advertising of product, appliances, employment opportunities, services, territory, routine notices and invitations for bids for securities, all of which may be destroyed at option.) (b) (Reserved)</p>	6 years.
<p>n1 See §125.2 General Instructions (n) — Schedule of Notes (1). n2 See §125.2 General Instructions (n) — Schedule of Notes (2). n3 See §125.2 General Instructions (n) — Schedule of Notes (3). n4 See §125.2 General Instructions (n) — Schedule of Notes (4). n5 See §125.2 General Instructions (n) — Schedule of Notes (5).</p>	
<p>01 48 F R. 44477 (September 29, 1983)</p>	<p>(9/29/82), effective 10/29/82, was amended in 48 F. R. 44477 (9/29/83), effective 12/9/83 as per 48 F R 55121 (12/9/83)</p>
<p>05 <i>Historical Record</i> — Section 125.3, appearing in 47 F R. 42720</p>	

Part 141—Statements and Reports (Schedules)

[¶ 18,200]

Sec.	
141.1	FERC Form No 1, Annual Report of major electric utilities, licensees and others
141.2	Form No 1-F, Annual Report for nonmajor public utilities and licensees
141.7	Form 1-M, Annual Report for municipal electric utilities having annual electric operating revenues of \$250,000 or more [Revoked]
141.11	Form No 6, Initial cost statement for licensed projects [Revoked]
141.12	Form No 7, Statement of actual legitimate original cost of construction [Revoked]
141.13	Form No 9, Annual Report Form for Licensees of Privately Owned Major Projects (Utility and Industrial) [Revoked]
141.14	Form No 80, Licensed Hydropower Development Recreation Report
141.15	Annual Conveyance Report
141.21	Form No 3, Typical net monthly bills
141.22	Form No 4, Monthly report of generation of electric energy consumption and stocks of fuel (multiple plant utilities) [Revoked]
141.23	Form No 4A, Monthly report of generation of electric energy consumption and stocks of fuel (single plant utilities) [Revoked]
141.24	Form No 4 (Industrial), Monthly report of industrial generation of electric energy [Revoked]
141.25	Form No 5, Monthly statement of electric operating revenue and income [Revoked]
141.26	Form No 13, Summary for National Electric Rate Book [Revoked]
141.27	Form No 82, Report of changes in retail rates [Revoked]
141.28	Form No 3-P, Residential Electric Bill Data for the US Bureau of Labor Statistics [Revoked]
141.51	Form No FERC-714, Annual Electric Power System Report
141.52	Form No 12-A, Power system statements for Class III, IV, and V systems [Revoked]
141.53	Form No 12B, Industrial electric generating capacity (detailed information) [Revoked]
141.54	Form No 12C, Industrial electric generating capacity (limited information) [Revoked]
141.55	Form 12-D, Power system statement for Class III systems having annual energy requirements of less than 5,000,000 kWh and Class IV and V systems where requested [Revoked]
141.56	Form No 12E-2, Supplemental Power Statement [Revoked]
141.57	Form No 12F, Power Line Construction Data [Revoked]
141.58	Report of impending emergencies, load reductions, and/or service interruptions in bulk electric power supply and related power supply facilities [Revoked]
141.59	Form No EIA-767, Steam-Electric Plant Air and Water Quality Control Data [Revoked]
141.60	Form No 237A (Coal) and Form No 237B (Oil) [Revoked]
141.61	FERC Form No. 423, Monthly Report of Cost and Quality of Fuels for Electric Plants
141.100	Original cost statement of utility property
141.300	Form No 23B, Quarterly Electric Utility Generation and Fuel Planning Report [Revoked]

AUTHORITY 16 U S C 791a-828c, 2601-2645, 42 U S C 7102-7352

[¶ 18,201]

§ 141.1 FERC Form No 1, Annual Report of Major Electric Utilities, Licensees and Others

(a) *Prescription* The Form of Annual Report for Major electric utilities, licensees and others, designated herein as FERC Form No 1, is prescribed for the reporting year 1981 and each year thereafter

(b) *Filing Requirements*—(1) *Who must file* (i) *Generally* Each Major electric utility (as defined in Part 101 of Subchapter C of this chapter), and other entity, *i e*, each corporation, person, or licensee as defined in section 3 of the Federal Power Act (16 USC 792 *et seq*), including any agency, authority or other legal entity or instrumentality engaged in generation, transmission, distribution, or sale of electric energy, however produced, throughout the United States and its possessions, having sales or transmission service equal to Major as defined above, whether or not the jurisdiction of the Commission is otherwise involved, shall prepare and file with the Commission an original and conformed copies of the FERC Form No 1 pursuant to the General Instructions set out in that form

(ii) *Exceptions* This report form is not prescribed for any agency, authority or instrumentality of the United States, nor is it prescribed for municipalities as defined in section 3 of the Federal Power Act, (*i e*, a city, county, irrigation district, drainage district, or other political subdivision or agency of a State competent under the laws thereof to carry on the business of developing, transmitting, utilizing, or distributing power)

(2) *When to file* This report shall be filed on or before April 30 of each year for the previous calendar year, beginning April 30, 1982 for the 1981 calendar year

01 49 F R 32496 (August 14, 1984)

05 *Historical record*—Section 141.1 read as follows until it was amended in 46 F R. 29459 (6/2/81), effective 12/31/81

§ 141.1 Form No 1, Annual report for electric utilities, licensees and others (Class A and Class B)

(a) The Form of Annual Report for Classes A and B electric utilities, licensees and others, designated herein as FPC Form No 1¹ prescribed for the year 1961 and thereafter

¹ Form filed as part of original document

(b)(1) Each Class A electric utility, licensee, and other, *i e*, each corporation, person, or licensee as defined in section 3 of the Federal Power Act, including any agency, authority or other legal entity or instrumentality and any agency, authority or instrumentality of the United States engaged in generation, transmission, distribution, or sale of electric energy, however produced, throughout the United States and its possessions, having annual electric operating revenues of \$2,500,000 or more, whether or not the

jurisdiction of the Commission is otherwise involved, shall prepare and file with the Commission for the year beginning January 1, 1961, or subsequently during the calendar year 1961 if its established fiscal year is other than the calendar year, and for each year thereafter, on or before the last day of the third month following the close of the calendar year or other established fiscal year, an original and such number of conformed copies of the above designated FPC Form No 1 as are indicated in the General Instructions set out in that form, all properly filled out and verified One copy of said report should be retained by the correspondent in its files The conformed copies may be carbon copies, if legible

(2) This report form is not prescribed for municipalities as defined in section 3 of the Federal Power Act, *i e*, a city, county, irrigation district, drainage district, or other political subdivision or agency of a State competent under the laws thereof to carry on the business of developing, transmitting, utilizing, or distributing power

§ 141.1 ¶ 18,201

(c)(1) Each Class B electric utility licensee, and others, i.e., each corporation, person, or licensee as defined in section 3 of the Federal Power Act, including any agency, authority or other legal entity or instrumentality and any agency, authority or instrumentality of the United States engaged in generation, transmission, distribution, or sale of electric energy, however produced, throughout the United States and its possessions, having annual electric operating revenues of more than \$1,000,000 but less than \$2,500,000, whether or not the jurisdiction of the Commission is otherwise involved, shall prepare and file with the Commission for the year beginning January 1, 1961, or subsequently during the calendar year 1961 if its established fiscal year is other than the calendar year or other established fiscal year, an original and such number of conformed copies of the above-designated FPC Form No 1 as are indicated in the General Instructions set out in that form, all properly filled out and verified. One copy of said report should be retained by the correspondent in its files. The conformed copies may be carbon copies, if legible.

(2) This report form is not prescribed for municipalities as defined in section 3 of the Federal Power Act, i.e., a city, county, irrigation district, drainage district, or other political subdivision or agency of a State competent under the laws thereof to carry on the business of developing, transmitting, utilizing, or distributing power.

(d) This annual report contains the following schedules

Identification
 General Instruction
 General Information
 Control Over Respondent
 Corporations Controlled by Respondent
 Officers
 Directors
 Security Holders and Voting Powers
 Important Changes During the Year
 Comparative Balance Sheet—Statement A
 Notes to Balance Sheet—Statement A
 (Continued)
 Summary of Utility Plant and Accumulated Provisions for Depreciation, Amortization, and Depletion—Statement B
 Statement of Income for the Year—Statement C
 Notes to Statement of Income—Statement C
 (Continued)

¶ 18,201 § 141.1

Statement of Retained Earnings for the Year—Statement D
 Statement of Changes in Financial Position—Statement E
 Nuclear Fuel Materials
 Nonutility Property
 Accumulated Provision for Depreciation and Amortization of Nonutility Property
 Investments
 Investment in Subsidiary Companies
 Notes and Accounts Receivable
 Accumulated Provision for Uncollectible Accounts—Cr
 Receivables from Associated Companies
 Materials and Supplies
 Production Fuel and Oil Stocks
 Miscellaneous Current and Accrued Assets
 Extraordinary Property Losses
 Unamortized Debt Disc and Exp and Unamort Premium on Debt
 Preliminary Survey and Investigation Charges
 Miscellaneous Deferred Debits
 Deferred Losses from Disposition of Utility Plant
 Unamortized Loss and Gain on Reacquired Debt
 Capital Stock
 Capital Stock Subscribed, Capital Stock Liability for Conversion, Premium on Capital Stock, and Installments Received on Capital Stock
 Other Paid-in Capital
 Discount on Capital Stock
 Capital Stock Expense
 Long Term Debt
 Securities Issued or Assumed and Securities Refunded or Retired During the Year
 Notes Payable
 Payables to Associated Companies
 Taxes Accrued, Prepaid and Charged During Year
 Reconciliation of Reported Net Income with Taxable Income for Federal Income Taxes
 Miscellaneous Current and Accrued Liabilities
 Customer Advances for Construction
 Deferred Gains from Disposition of Utility Plant
 Other Deferred Credits
 Operating Reserves
 Accumulated Deferred Income Taxes
 Investment Tax Credits Generated and Utilized
 Accumulated Deferred Investment Tax Credits
 Gain or Loss on Disposition of Property

Income from Utility Plant Leased to Others	Steam-Electric Generating Plant Statistics (Large Plants) (Continued)
Particulars Concerning Certain Other Income Accounts	Steam-Electric Generating Plant Statistics (Large Plants) Average Annual Heat Rates and Corresponding Net kwh Output for Most Efficient Generating Units
Particulars Concerning Certain Income Deduction and Interest Charges Accounts	Hydroelectric Generating Plant Statistics (Large Plants)
Expenditures for Certain Civic, Political and Related Activities	Hydroelectric Generating Plant Statistics (Large Plants) (Continued)
Extraordinary Items	Pumped Storage Generating Plant Statistics (Large Plants)
Common Utility Plant and Expenses	Generating Plant Statistics (Small Plants)
Regulatory Commission Expenses	Changes Made or Scheduled to be Made in Generating Plant Capacities
Charges for Outside Professional and Other Consultative Services	Steam Electric Generating Plants
Distribution of Salaries and Wages	Steam Electric Generating Plants (Continued)
Electric Plant in Service	Hydroelectric Generating Plants
Fish and Wildlife and Recreation Plants	Hydroelectric Generating Plants (Continued)
Electric Plant Leased to Others	Pumped Storage Generating Plants
Electric Plant Held for Future Use	Internal-Combustion Engine and Gas-Turbine Generating Plants
Construction Work in Progress and Completed Construction Not Classified—Electric	Internal-Combustion Engine and Gas Turbine Generating Plants (Continued)
Electric Plant Acquisition Adjustments and Accumulated Provision for Amortization of Electric Plant Acquisition Adjustments	Transmission Line Statistics
Accumulated Provision for Depreciation of Electric Utility Plant	Transmission Lines Added During Year
Electric Operating Revenues	Substations
Sales of Electricity—By Communities	Electric Distribution Meters and Line Transformers
Sales for Resale	Research, Development, and Demonstration Activities
Sales of Electricity by Rate Schedules	Environmental Protection Facilities
Sales to Railroads and Railways and Interdepartmental Sales	Environmental Protection Expenses
Rent from Electric Property and Interdepartmental Rents	Attestation
Sales of Water and Water Power	
Miscellaneous Service Revenues and Other Electric Revenues	
Operation and Maintenance Expenses of Fish and Wildlife and Recreation Operations	
Electric Operation and Maintenance Expenses	
Number of Electric Department Employees	
Lease Rentals Charged	
Purchased Power	
Interchange Power	
Transmission of Electricity for or by Others	
Franchise Requirements	
Miscellaneous General Expenses	
General Description of Construction Overhead Procedure	
Construction Overheads—Electric	
Depreciation and Amortization of Electric Plant.	
Electric Energy Account.	
Monthly Peaks and Output.	
Steam Electric Generating Plant Statistics (Large Plants)	
	Copies of the revised form may be obtained from the Federal Power Commission (now known as the Federal Energy Regulatory Commission), Washington, D C 20426
	Section 141.1, appearing in 46 F R. 29459 (6/2/81), effective 12/31/81, read as follows until it was amended in 47 F R. 1267 (1/12/82), effective 2/5/82
	§ 141.1 Form No 1, Annual report for electric utilities, licensees and others (Class A and Class B).
	(a) The Form of Annual Report for Classes A and B electric utilities, licensees and others, designated herein as F P C Form No 1 ¹ prescribed for the year 1961 and thereafter
	¹ Form filed as part of original document
	(b)(1) Each Class A electric utility, licensee, and other entity, <i>i e</i> , each corporation, person, or licensee as defined in section 3 of the

§ 141.1 ¶ 18,201

Federal Power Act (16 USC 792, *et seq.*), including any agency, authority or other legal entity or instrumentality engaged in generation, transmission, distribution, or sale of electric energy, however produced, throughout the United States and its possessions, having annual electric operating revenues of \$2,500,000 or more, whether or not the jurisdiction of the Commission is otherwise involved, shall prepare and file with the Commission for the year beginning January 1, 1961, or subsequently during the calendar year 1961 if its established fiscal year is other than the calendar year, and for each year thereafter, on or before the last day of the third month following the close of the calendar year or other established fiscal year, an original and such number of conformed copies of the above designated FPC Form No 1 as are indicated in the General Instructions set out in that form, all properly filled out and verified. One copy of said report should be retained by the correspondent in its files. The conformed copies may be carbon copies, if legible.

(2) This report form is not prescribed for any agency, authority or instrumentality of the United States, nor is it prescribed for municipalities as defined in section 3 of the Federal Power Act, *i.e.*, a city, county, irrigation district, drainage district, or other political subdivision or agency of a State competent under the laws thereof to carry on the business of developing, transmitting, utilizing, or distributing power.

(c)(1) Each Class B electric utility, licensee, and other entity *i.e.*, each corporation, person, or licensee as defined in section 3 of the Federal Power Act, including any agency, authority or other legal entity or instrumentality engaged in generation, transmission, distribution or sale of electric energy, however produced, throughout the United States and its possessions, having annual electric operating revenues of more than \$1,000,000 but less than \$2,500,000, whether or not the jurisdiction of the Commission is otherwise involved, shall prepare and file with the Commission for the year beginning January 1, 1961, or subsequently during the calendar year 1961 if its established fiscal year is other than the calendar year, and for each year thereafter, on or before the last day of the third month following the close of the calendar year or other established fiscal year, an original and such number of conformed copies of the above-designated FPC Form No 1 as are indicated in the General Instructions set out in that form,

all properly filled out and verified. One copy of said report should be retained by the correspondent in its files. The conformed copies may be carbon copies, if legible.

(2) This report form is not prescribed for any agency, authority or instrumentality of the United States, nor is it prescribed for municipalities as defined in section 3 of the Federal Power Act, *i.e.*, a city, county, irrigation district, drainage district, or other political subdivision or agency of a State competent under the laws thereof to carry on the business of developing, transmitting, utilizing, or distributing power.

(d) This annual report contains the following schedules

- Identification
- General Instruction
- General Information
- Control Over Respondent
- Corporations Controlled by Respondent
- Officers
- Directors
- Security Holders and Voting Powers
- Important Changes During the Year
- Comparative Balance Sheet—Statement A
- Notes to Balance Sheet—Statement A
- (Continued)
- Summary of Utility Plant and Accumulated Provisions for Depreciation, Amortization, and Depletion—Statement B
- Statement of Income for the Year—Statement C
- Notes to Statement of Income—Statement C
- (Continued)
- Statement of Retained Earnings for the Year—Statement D
- Statement of Changes in Financial Position—Statement E
- Nuclear Fuel Materials
- Nonutility Property
- Accumulated Provision for Depreciation and Amortization of Nonutility Property
- Investments
- Investment in Subsidiary Companies
- Notes and Accounts Receivable
- Accumulated Provision for Uncollectible Accounts—Cr
- Receivables from Associated Companies
- Materials and Supplies
- Production Fuel and Oil Stocks
- Miscellaneous Current and Accrued Assets
- Extraordinary Property Losses
- Unamortized Debt Disc and Exp and

Unamort Premium on Debt	Construction Not Classified—Electric
Preliminary Survey and Investigation Charges	Electric Plant Acquisition Adjustments and
Miscellaneous Deferred Debits	Accumulated Provision for Amortization of
Deferred Losses from Disposition of Utility Plant	Electric Plant Acquisition Adjustments
Unamortized Loss and Gain on Reacquired Debt	Accumulated Provision for Depreciation of
Capital Stock	Electric Utility Plant
Capital Stock Subscribed, Capital Stock Liability for Conversion, Premium on Capital Stock, and Installments Received on Capital Stock.	Electric Operating Revenues
Other Paid-in Capital	Sales of Electricity—By Communities
Discount on Capital Stock	Sales for Resale
Capital Stock Expense	Sales of Electricity by Rate Schedules
Long-Term Debt	Sales to Railroads and Railways and
Securities Issued or Assumed and Securities Refunded or Retired During the Year	Interdepartmental Sales
Notes Payable	Rent from Electric Property and
Payables to Associated Companies	Interdepartmental Rents
Taxes Accrued, Prepaid and Charged During Year	Sales of Water and Water Power
Reconciliation of Reported Net Income with Taxable Income for Federal Income Taxes	Miscellaneous Service Revenues and Other Electric Revenues
Miscellaneous Current and Accrued Liabilities	Operation and Maintenance Expenses of Fish and Wildlife and Recreation Operations
Customer Advances for Construction	Electric Operation and Maintenance Expenses
Deferred Gains from Disposition of Utility Plant	Number of Electric Department Employees
Other Deferred Credits	Lease Rentals Charged
Operating Reserves	Purchased Power
Accumulated Deferred Income Taxes	Interchange Power
Investment Tax Credits Generated and Utilized	Transmission of Electricity for or by Others
Accumulated Deferred Investment Tax Credits.	Franchise Requirements
Gain or Loss on Disposition of Property	Miscellaneous General Expenses
Income from Utility Plant Leased to Others	General Description of Construction Overhead Procedure
Particulars Concerning Certain Other Income Accounts.	Construction Overheads—Electric
Particulars Concerning Certain Income Deduction and Interest Charges Accounts	Depreciation and Amortization of Electric Plant.
Expenditures for Certain Civic, Political and Related Activities	Electric Energy Account
Extraordinary Items	Monthly Peaks and Output
Common Utility Plant and Expenses	Steam-Electric Generating Plant Statistics (Large Plants)
Regulatory Commission Expenses	Steam-Electric Generating Plant Statistics (Large Plants) (Continued)
Charges for Outside Professional and Other Consultative Services	Steam Electric Generating Plant Statistics (Large Plants) Average Annual Heat Rates and Corresponding Net kwh Output for Most Efficient Generating Units
Distribution of Salaries and Wages	Hydroelectric Generating Plant Statistics (Large Plants)
Electric Plant in Service	Hydroelectric Generating Plant Statistics (Large Plants) (Continued)
Fish and Wildlife and Recreation Plants.	Pumped Storage Generating Plant Statistics (Large Plants)
Electric Plant Leased to Others.	Generating Plant Statistics (Small Plants)
Electric Plant Held for Future Use	Changes Made or Scheduled to Be Made in Generating Plant Capacities
Construction Work in Progress and Completed	Steam-Electric Generating Plants
	Steam Electric Generating Plants (Continued)

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Hydroelectric Generating Plants
 Hydroelectric Generating Plants (Continued)
 Pumped Storage Generating Plants
 Internal-Combustion Engine and Gas-Turbine
 Generating Plants
 Internal-Combustion Engine and Gas-Turbine
 Generating Plants (Continued)
 Transmission Line Statistics
 Transmission Lines Added During Year
 Substations
 Electric Distribution Meters and Line
 Transformers
 Research, Development, and Demonstration
 Activities
 Environmental Protection Facilities
 Environmental Protection Expenses
 Attestation

Copies of the revised form may be obtained from the Federal Power Commission (now known as the Federal Energy Regulatory Commission), Washington, D C 20426

Section 141.1, appearing in 47 F.R. 1267 (1/12/82), effective 2/5/82, read as follows until its amendment in 49 F.R. 32496 (8/14/84), effective 1/1/84

§ 141.1 FERC Form No 1, Annual Report of Electric Utilities, Licensees and Others (Class A and Class B).

(a) *Prescription* The Form of Annual Report for Class A and Class B electric utilities, licensees and others, designated herein as FERC Form No 1, is prescribed for the reporting year 1981 and each year thereafter

(b) *Filing Requirements*—(1) *Who must file* (i) *Generally* Each Class A and Class B¹ electric utility, license, and other entity, *i.e.*, each corporation, person, or licensee as defined in section 3 of the Federal Power Act (16 USC 792 *et seq.*), including any agency, authority or other legal entity or instrumentality engaged in generation, transmission, distribution, or sale of electric energy, however produced, throughout the United States and its possessions, having annual electric operating revenues of \$1,000,000 or more, whether or not the jurisdiction of the Commission is otherwise involved, shall prepare and file with the Commission an original and conformed copies of the FERC Form No 1 pursuant to the General Instructions set out in that form

¹ See 18 CFR Part 101, revised as of April 1, 1981

¶ 18,201 § 141.1

(ii) *Exceptions* This report form is not prescribed for any agency, authority or instrumentality of the United States, nor is it prescribed for municipalities as defined in section 3 of the Federal Power Act, (*i.e.*, a city, county, irrigation district, drainage district, or other political subdivision or agency of a State competent under the laws thereof to carry on the business of developing, transmitting, utilizing, or distributing power)

(2) *When to file* This report shall be filed on or before April 30 of each year for the previous calendar year, beginning April 30, 1982 for the 1981 calendar year

(c) This annual report contains the following schedules

Instructions for Filing the FERC Form No 1
 Identification
 Attestation
 List of Schedules
 General Information
 Control Over Respondent
 Corporations Controlled by Respondent
 Officers
 Directors
 Security Holders and Voting Powers
 Important Changes During the Year
 Comparative Balance Sheet
 Statement of Income for the Year
 Statement of Retained Earnings for the Year
 Statement of Changes in Financial Position
 Notes to Financial Statements
 Summary of Utility Plant and Accumulated
 Provisions for Depreciation, Amortization
 and Depletion
 Nuclear Fuel Material
 Electric Plant in Service
 Electric Plant Leased to Others
 Electric Plant Held for Future Use
 Construction Work in Progress—Electric
 Construction Overhead—Electric
 General Description of Construction Overhead
 Procedure
 Accumulated Provision for Depreciation of
 Electric Utility Plant
 Nonutility Property
 Investments in Subsidiary Companies
 Extraordinary Property Losses
 Materials and Supplies
 Miscellaneous Deferred Debits
 Accumulated Deferred Income Taxes (190)
 Capital Stock
 Capital Stock Subscribed, Capital Stock
 Liability for Conversion, Premium on
 Capital Stock and Installments Received on
 Capital Stock

Other Paid-in Capital	Distribution of Salaries and Wages
Discount on Capital Stock	Common Utility Plant and Expenses
Capital Stock Expense	Electric Energy Account
Long-Term Debt	Monthly Peaks and Output
Taxes Accrued, Prepaid and Charged During Year	Steam-Electric Generating Plant Statistics (Large)
Reconciliation of Reported Net Income with Taxable Income for Federal Income Taxes	Steam-Electric Generating Plant Statistics (Large Plant) Average Annual Heat Rates and Corresponding New MWh Output for Most Efficient Generating Units/Total System Steam Plants
Accumulated Deferred Investment Tax Credits	Hydroelectric Generating Plant Statistics (Large)
Other Deferred Credits	Pumped Storage Generating Plant Statistics (Large)
Accumulated Deferred Income Taxes—Accelerated Amortization Property (Account 281)	Generating Plant Statistics (Small)
Accumulated Deferred Income Taxes—Other Property (Account 282)	Changes Made or Scheduled to Be Made in Generating Plant Capacities
Accumulated Deferred Income Taxes—Other (Account 283)	Steam-Electric Generating Plants
Electric Operating Revenues	Hydroelectric Generating Plants
Sales of Electricity by Rate Schedules	Pumped Storage Generating Plants
Sales for Resale	Internal-Combustion Engine and Gas Turbine Generating Plants
Electric Operation and Maintenance Expenses	Transmission Line Statistics
Number of Electric Department Employees	Transmission Lines Added During Year
Purchased Power	Substations
Interchange Power	Electric Distribution Meters and Line Transformers
Transmission of Electricity for or by Others	Environmental Protection Facilities
Miscellaneous General Expenses—Electric Depreciation and Amortization of Electric Plant	Environmental Protection Expenses
Particulars Concerning Certain Income Deductions and Interest Charges Accounts	Footnote Data
Regulatory Commission Expenses	Stockholders Reports
Research, Development and Demonstration Activities	Index

[¶ 18,202]

§ 141.2 Form No. 1-F, Annual Report for Nonmajor public utilities and licensees.

(a) *Prescription* The form of Annual Report for Nonmajor Public Utilities and Licensees designated herein as FERC Form No 1-F, is prescribed for the year 1980 and each year thereafter

(b) *Filing Requirements*—(1) *Who must file* (i) *Generally* Each public utility and licensee as defined by the Federal Power Act, which is considered Nonmajor as defined in Part 101 of this Chapter, shall prepare and file with the Commission an original and conformed copies of FERC Form No 1-F pursuant to the General Instructions set out in that form

(ii) *Exceptions* FERC Form No 1-F is not prescribed for any municipality as defined in Section 3 of the Federal Power Act, i e , a city, county, irrigation district, drainage district, or other political subdivision or agency of a State competent under the laws thereof to carry on the business of developing, transmitting, utilizing, or distributing power

§ 141.2 ¶ 18,202

(2) *When to file* Such report shall be filed on or before March 31 of each year for the previous calendar year, beginning with a filing by March 31, 1981 for the 1980 calendar year

01 49 F R 32496 (August 14, 1984)

05 *Historical record*.—Section 141.2 read as follows until its amendment in 45 F R 60898 (9/15/80), effective 10/6/80

(a)(1) The form of Annual Report for public utilities and licensees, Class C and Class D, designated as FPC Form No 1-F¹ in the Commission's regulations under the Federal Power Act is prescribed for the year 1961 and thereafter

(2) This report form is not prescribed for municipalities as defined in section 3 of the Federal Power Act, i.e., a city, county, irrigation district, drainage district, or other political subdivision or agency of a State competent under the laws thereof to carry on the business of developing, transmitting, utilizing, or distributing power

(b) Each public utility or licensee, as defined in the Federal Power Act which is included in Class C or Class D as defined in the Commission's Uniform System of Accounts Prescribed for Public Utilities and Licensees, effective January 1, 1961 shall prepare and file with the Commission for the year beginning January 1, 1961, or subsequently during the calendar year 1961 if its established fiscal year is other than the calendar year, and for each year thereafter, on or before the last day of the third month following the close of the calendar year or other established fiscal year (except that such reports for the calendar year 1961 or a fiscal year beginning during 1961 may be filed on or before July 16, 1962, or one month after the end of the fiscal year whichever is later) an original and one conformed copy of the above-designated FPC Form 1-F, all properly filled out and verified. One copy of said report should be retained by the correspondent in its files. The conformed copy may be a carbon copy if legible

(c) This annual report contains the following schedules

Identification
 General Instructions
 General Information
 Security Holders and Voting Powers
 Officers and Directors
 Comparative Balance Sheet
 Accumulated Provision for Depreciation and Amortization of Utility Plant
 Capital Stock
 Long Term Debt
 Electric Sales Data for the Year

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Sales of Electricity for Resale

Utility Plant

Generating Station Statistics

Transmission Line Statistics

Transmission Lines Added During Year

Investment Tax Credits Generated and Utilized

Accumulated Deferred Investment Tax Credits

Electric Operation and Maintenance Expenses

Statement of Income for the Year

Statement of Retained Earnings

Purchased Power

Expenditures for Certain Civic, Political and Related Activities

Attestation

¹ Form filed as part of original document

Section 141.2, appearing in 45 F R 60898 (9/15/80), effective 10/6/80, read as follows until its amendment in 49 F R. 32496 (8/14/84), effective 1/1/84

§ 141.2 Form No 1-F, Annual Report for public utilities and licensees, (Class C and Class D)

(a) *Prescription* The form of Annual Report for Public Utilities and Licensees (Class C and Class D), designated herein as FERC Form No 1-F, is prescribed for the year 1980 and each year thereafter

(b) *Filing Requirements*—(1) *Who must file* (i) *Generally* Each public utility and licensee, as defined by the Federal Power Act, which is included in Class C or Class D as defined in Part 104 of this chapter,¹ shall prepare and file with the Commission an original and conformed copies of FERC Form No 1 F pursuant to the General Instructions set out in that form

¹ See 18 CFR Part 104, revised as of April 1, 1979

(ii) *Exceptions*. FERC Form No 1-F is not prescribed for any municipality as defined in Section 3 of the Federal Power Act, i.e., a city, county, irrigation district, drainage district, or other political subdivision or agency of a State competent under the laws thereof to carry on the business of developing, transmitting, utilizing, or distributing power

(2) *When to file* Such report shall be filed on or before March 31 of each year for the previous calendar year, beginning with a filing by March 31, 1981 for the 1980 calendar year

(c) This annual report contains the following schedules
 General Information
 General Instructions
 Identification
 Attestation

Comparative Balance Sheet
 Statement of Income for the Year
 Statement of Retained Earnings
 Footnote Data

[¶ 18,207]

§ 141.7 Form 1-M, Annual Report for municipal electric utilities having annual electric operating revenues of \$250,000 or more [Revoked.]

01 44 F R. 61946 (October 29, 1979)

05 *Historical record*.—Section 141.7 read as follows until its amendment in 44 F R. 61946 (10/29/79), effective 1/1/80

(a) The form of Annual Report for municipal electric utilities having annual electric operating revenues of \$250,000 or more, designated herein as FPC Form No 1 M,¹ is prescribed for the calendar year beginning January 1, 1967, or for a year beginning or ending during the calendar year 1967 if an established fiscal year is other than a calendar year commencing January 1, and years thereafter *Provided, however*, That any municipality owning or operating an electric utility system having annual electric operating revenues of \$250,000 or more may, at its election, submit in lieu of FPC Form No 1-M, a report on FPC Form No 1 together with the schedule, Taxes, Tax Equivalents, Contributions and Services During Year, from FPC Form No 1-M

(b) Each "municipality" as defined in section 3 of the Federal Power Act (city, county, irrigation district, drainage district, or other political subdivision or agency of a State competent under laws thereof to carry on the business of developing, transmitting, utilizing, or distributing power) which is engaged in generation, transmission, distribution or sale of electric energy, however produced, throughout the United States and its possessions, having annual electric operating revenues of \$250,000 or more, whether or not the jurisdiction of the Commission is otherwise involved, shall prepare and file with the Commission for the calendar year beginning January 1, 1967, or for a year beginning or ending during the calendar year 1967 if its established fiscal year is other than a calendar year commencing January 1, and for each year thereafter, on or before the last day of the third month following the close of the calendar year or other established fiscal year, an original and three conformed copies all properly filled out and attested. One copy of the report should be

retained by the respondent in its files. The conformed copies may be carbon copies.

(c) This Annual Report contains the following schedules

Identification
 General Instructions
 Excerpts From the Law
 General Information
 Balance Sheet
 Condensed Income Statement
 Earned Surplus
 Electric Sales Data for the Year
 Sales of Electricity for Resale
 Operation and Maintenance Expenses
 Purchased Power
 Utility Plant
 Accumulated Provision for Depreciation of
 Utility Plant
 Long-Term Debt
 Taxes, Tax Equivalents, Contributions and
 Services During Year
 Steam-Electric Generating Plant Statistics
 (Large Plants)
 Hydroelectric Generating Plant Statistics
 (Large Plants)
 Generating Plant Statistics (Small Plants)
 Changes Made or Scheduled To Be Made in
 Generating Plant Capacities
 Steam-Electric Generating Plants
 Hydroelectric Generating Plants
 Internal-Combustion Engine and Gas-Turbine
 Generating Plants
 Transmission Line Statistics
 Transmission Lines Added During the Year
 Electric Energy Account
 Expenditures for Certain Civil, Political, and
 Related Activities
 Attestation

¹ Form 1-M filed as part of original document.

§ 141.7 ¶ 18,207

[¶ 18,211]

§ 141.11 Form No 6, Initial cost statement for licensed projects
[Revoked]

01 44 F R 61946 (October 29, 1979)

05 *Historical record*—Section 141.11 read as follows until its deletion in 44 F R. 61946 (10/29/79), effective 10/19/79

(a) The revised form of initial cost statement showing actual legitimate original cost, designated as FPC Form No 6, be and it is hereby adopted for use by Licensees (other than Licensees of a complete project of not more than 100 hp installed capacity) in preparing and filing initial cost statements, under oath, under § § 4 1, 4 10, and 4 20 of this chapter,

(b) Each Licensee not exempt by license provisions shall hereafter file with the Commission an initial cost statement, under oath, on the form aforesaid, in the manner and number of copies prescribed by § § 4 1, 4 10, and 4 20 of this chapter

(c) This form contains the following schedules

SECTION I—GENERAL DATA

Schedule

- 1 Corporate data
- 2 Description of project
- 3 Manner and method of financing the project
- 4 Chronology of progress of construction
- 5 Comparison of actual cost with estimate

SECTION II—PROJECT COST BY ACCOUNTS
AND COST COMPONENTS

- 6 Project cost—account totals
 - 6-A Intangible plant—direct costs
 - 6-B Production plant—direct costs
 - 6-C Transmission plant—direct costs
 - 6-D General plant—direct costs
 - 6-E Indirect construction costs
 - 6-F Overhead construction costs
 - 6-G Earnings and expenses during construction
 - 6-H Project additions and retirements to effective date of this statement

7 Accrued depreciation of project property

SECTION III—SUPPORTING DATA

8 Reconciliation of cost of project as reported herein to recorded cost of project as of same date

9 A. Land and Land Rights (Production)

9-B Land and Land Rights (Transmission)

9-C Land and Land Rights (General)

10 Engineering and construction fees and expenses

11 Legal fees and expenses

12 Other fees and expenses

13 Taxes during construction

14 Allowance for funds used during construction

14-A Interest, discount, and expense on bonds, debentures, etc

14-A 1 Discount (or premium) and expense on long-term debt

14-B Interest paid on loans from affiliates

14-C Interest paid on loans from non-affiliates

14-D Interest paid on capital stock installment subscriptions.

14-E Interest credited to project during construction

14-F Interest on licensee's own funds during construction

15 Power used in aid of construction

15 A. Cost of system power used in aid of construction

16 Power production and outages during construction

17 Credit for power produced during construction

18 Monthly construction expenditures

19 Contract payments

20 Statement of bids received

Affidavit

[¶ 18,212]

§ 141.12 Form No. 7, Statement of actual legitimate original cost of construction. [Revoked.]

01 44 F R. 61946 (October 29, 1979)

05 *Historical record*—Section 141.12 read as follows until its deletion in 44 F.R. 61946 (10/29/79), effective 10/19/79

List of schedules in report form

GENERAL INSTRUCTIONS

Schedule A Identification and general

Schedule B Original licensed project plant

¶ 18,211 § 141.11

Schedule C Adjusting journal entries
 Schedule D Increases or decreases in original
 project plant accounts resulting from adjusting

journal entries to record actual cost as deter-
 mined by Commission Verification

[¶ 18,213]

§ 141.13 Form No. 9, Annual Report Form for Licensees of Privately Owned Major Projects (Utility and Industrial) [Revoked]

01 44 F.R. 61946 (October 29, 1979)

05 *Historical record.*—Section 141.13 read as follows until its deletion in 44 F.R. 61946 (10/29/79), effective 10/19/79:

(a) The form of Annual Report for licensees of privately owned projects under Commission license (major) whether utility or industrial hereby designated as FPC Form No. 9 is prescribed for the calendar year 1961 and thereafter

(b) Each licensee of a privately owned project under Commission license (major) whether utility or industrial shall prepare and file with the Commission for the years beginning January 1, 1961, and for each year thereafter, on or before the last day of the fourth month following the close of the calendar year (except that such report for the calendar year 1961 may be filed on or before November 1, 1962), unless otherwise authorized or directed by the Commission, an original and two conformed copies, all properly filled out and verified. One copy of said report should be retained by the correspondent in its files

(c) This annual report contains the following schedules

Identification

General Instructions

Information Concerning Licenses and Location of Records

Licensed Project Plant

Additions—Licensed Project Plant

Retirements—Licensed Project Plant

Adjustments—Licensed Project Plant

Accumulated Provisions for Depreciation of Licensed Project Plant

Accumulated Provisions for Amortization of Licensed Project Plant

Depreciation Expense for Licensed Project

Amortization Expense for Licensed Project

Amortization Reserve—Federal

Information Concerning Operation of Licensed Projects and the Sale or Use of Energy Produced

Energy Generated and Energy Delivered by Licensed Projects

Verification

[¶ 18,214]

§ 141.14 Form No. 80, Licensed Hydropower Development Recreation Report.

The form of the report, Licensed Hydropower Development Recreation Report, designated as FERC Form No. 80,¹ for use by licensees in reporting information with respect to existing and potential recreational use at developments within projects under major and minor license, is approved and prescribed for use as provided in § 8.11 of this chapter

¹ Form filed as part of original document

.01 46 F.R. 50055 (October 9, 1981)

05 *Historical record.*—Section 141.14 read as follows until its amendment in 46 F.R. 50055 (10/9/81), effective 10/29/81

§ 141.14 Form No. 80, Licensed Projects Recreation Report.

The form of report, Licensed Projects Recreation Report, designated as FPC Form No. 80, for use by licensees in reporting information with respect to recreational use and development data relating to projects under major and minor license, is approved and prescribed for use as provided in § 8.11 of this chapter

[¶ 18,215]

§ 141.15 Annual Conveyance Report

If a licensee of a hydropower project is required by its license to file with the Commission an annual report of conveyances of easements or rights-of-way across, or leases of, project lands, the report must be filed only if such a conveyance or lease of project lands has occurred in the previous year

01 57 F.R. 21734 (May 22, 1992)

05 *Historical record*—Section 141.15 originated in 57 F.R. 21734 (5/22/92), effective 5/1/92

[¶ 18,221]

§ 141.21 Form No. 3, Typical net monthly bills [Revoked.]

01 45 F.R. 30066 (May 7, 1980)

05 *Historical record*—Section 141.21 read as follows until it was revoked in 45 F.R. 30066 (5/7/80), effective 5/1/80

This form is designed to obtain information concerning monthly bills for specified quanti-

ties of electric service to residential commercial (light), commercial (power), and industrial consumers. At the close of each year, bill data based upon last filed rate schedule are sent to the electric suppliers, who are requested to report any necessary corrections

[¶ 18,222]

§ 141.22 Form No. 4, Monthly report of generation of electric energy consumption and stocks of fuel (multiple plant utilities). [Revoked.]

01 47 F.R. 2083 (January 14, 1982)

05 *Historical record*—Section 141.22 read as follows until it was revoked in 47 F.R. 2083 (1/14/82), effective 1/7/82

This form is designed to obtain monthly information concerning generation of electric en-

ergy and consumption and stocks of fuel from utilities having more than one generating plant.

[¶ 18,223]

§ 141.23 Form No. 4A, Monthly report of generation of electric energy consumption and stocks of fuel (single plant utilities) [Revoked.]

01 47 F.R. 2083 (January 14, 1982)

05 *Historical record*—Section 141.23 read as follows until it was revoked in 47 F.R. 2083 (1/14/82), effective 1/7/82:

This form is designed to obtain the same information as in § 141.22, but from utilities having only one generating plant

[¶ 18,224]

§ 141.24 Form No. 4 (Industrial), Monthly report of industrial generation of electric energy. [Revoked.]

01 47 F.R. 2083 (January 14, 1982)

05 *Historical record*—Section 141.24 read as follows until it was revoked in 47 F.R. 2083 (1/14/82), effective 1/7/82:

(a) This form is designed to obtain information concerning the net generation of electric energy and installed nameplate capacity of industrial plants by type of prime mover

(b) As of January 1, 1977, industrial plants with an installed generating capacity of ten

megawatts or more shall file Form No. 4 (Industrial) with the Commission on the tenth of each month showing net generation for the previous calendar month and the installed generating capacity on the last day of the previous calendar month by type of prime mover

¶ 18,215 § 141.15

[¶ 18,225]

§ 141.25 FERC Form No 5, Electric utility company monthly statement. [Revoked.]

.01 47 F.R. 53724 (November 29, 1982)

05 *Historical record*—Section 141 25 read as follows until its amendment in 45 F.R. 21623 (4/2/80), effective 3/28/80¹

This form is designed to obtain monthly information concerning electric operating revenues, revenue deductions, and income, from all Class A electric utilities, both privately and publicly owned

Section 141 25, appearing in 45 F.R. 21623 (4/2/80), effective 3/28/80, read as follows until it was revoked in 47 F.R. 53724 (11/29/82), effective 1/1/83

(a) This form, which is applicable to the electric utility companies designated therein, is designed to obtain on a monthly basis informa-

tion concerning sales of electric energy and certain other selected items of income and plant.

(b)(1) *Who must file* Each privately and publicly owned electric utility, as designated in the FERC Form No 5, shall prepare and file with the Commission for the month beginning March 1, 1980 and for each month thereafter an original and 2 copies of the FERC Form No 5

(2) *When to file* Such reports shall be filed within 40 days after the end of the reported month and shall be signed by the person authorized to sign such report, but are not required to be filed under oath

[¶ 18,226]

§ 141.26 Form No 13, Summary for National Electric Rate Book [Revoked.]

01 44 F.R. 61946 (October 29, 1979)

05 *Historical record*—Section 141 26 read as follows until it was deleted in 44 F.R. 61946 (10/29/79), effective 10/19/79

This form is designed to obtain information concerning retail rate schedules of electric util-

ities Rate schedules filed with the Commission are summarized on the form and submitted to utilities for approval or correction

[¶ 18,227]

§ 141.27 Form No 82, Report of changes in retail rates [Revoked.]

01 45 F.R. 30066 (May 7, 1980)

05 *Historical record*—Section 141 27 read as follows until it was revoked in 45 F.R. 30066 (5/7/80), effective 5/1/80¹

This form¹ is designed to obtain within 60 days of the effective date of a new retail rate

schedule or change of an existing retail rate schedule the 12 month dollar effect of such change

¹ Filed as part of the original document

[¶ 18,228]

§ 141.28 Form No. 3-P, Residential Electric Bill Data for the U S Bureau of Labor Statistics. [Revoked.]

.01 45 F.R. 30066 (May 7, 1980)

05 *Historical record*—Section 141.28 read as follows until it was revoked in 45 F.R. 30066 (5/7/80), effective 5/1/80:

This form is designed to secure information from electric utilities on a monthly basis covering (a) Residential Electric Bill Data and (b) Commercial and Industrial Electric Bill Data For (1), the data are for a unique set of kilowatt-hour specifications (BLS) and a fixed 500 kilowatt-hour specification (FPC) For (2), the data collected are for the same specifications as previous collected (i.e. Commercial—40 kW,

10,000 kWh Bill, Industrial—500 kW, 200,000 kWh Bill) Data collected include the net base bill, fuel adjustment, other charges, taxes, fuel adjustment per kilowatt-hour (kWh), minimum bill and kWh included, purchased power adjustment per kWh, power cost adjustment per kWh, prompt payment discounts as well as applicable tax rates The data are to be used in computing the Consumer Price Index and the Wholesale Price Index. The fixed 500 kWh bill data will be used by the Federal Power Commission in issuing quarterly news releases on bills in major communities as a supplement to the FPC's "Typical Electric Bills" publication

[The next page is 12,631]

[¶ 18,251]

§ 141.51 Form No FERC-714, Annual Electric Control and Planning Area Report.

(a) *Who must file* (1) Any electric utility, as defined under section 3(4) of the Public Utility Regulatory Policies Act, 16 U S C 2602 (1988), operating a control area, and any group of electric utilities, which by way of contractual arrangements operates as a single control area, must complete and file the applicable schedules in Form No FERC-714 with the Federal Energy Regulatory Commission

(2) Any electric utility, or group of electric utilities, that constitutes a planning area and that has a peak load greater than 200 megawatts (MW) based on net energy for load for the reporting year must complete applicable schedules in Form No FERC-714

(b) *When to file* Form No FERC-714 must be filed on or before each May 1 for the preceding calendar year, beginning with data covering calendar year 1991, which must be filed on or before May 1, 1992

(c) *What to file* An original and three conformed copies of Form No FERC-714, "Annual Electric Control and Planning Area Report," must be filed with the Federal Energy Regulatory Commission, in accordance with the instructions in that form and in this section

01 56 F R. 41453 (August 21, 1991)

05 *Historical record*—Section 141.51, which was suspended at 47 F R 13324 (3/30/82), effective 3/24/82, read as follows until it was amended in 48 F R 6699 (2/15/83), effective 3/17/83

§ 141.51 Form No. 12, Power system statements for Class I and II systems and for Class IV and V systems where requested.

(a) The revised FPC Form No 12 Power System Statement (Class I, II, IV, and V Systems), including the revised instructions and schedules therein contained, be and the same hereby is approved and adopted

(b) Each corporation, person, agency, authority or other legal entity or instrumentality, whether public or private, which operates facilities for the generation or transmission, or distribution of electric energy, and which is in the classification of Class I or Class II Systems or is in the classification of Class IV or V Systems, where Form No 12 is requested (as such classes are defined in the accompanying revised FPC Form No 12), shall hereafter annually prepare and file with the Commission on or before the 1st of May of 1956, and each year thereafter, such statement or statements, and in such form as is required by said instructions and schedules, setting forth the answers to the questions therein stated, and furnishing the information therein called for, for the preceding calendar year

(c) This form contains the following list of schedules

SCHEDULES

- 1 Capacity and output of system generating plants
- 2 System hydroelectric data
- 3 Plant data—small plants
- 4 Conventional hydroelectric plant data
 - 4-A. Pumped storage plant data
- 5 Steam-electric including nuclear plant data
 - 7 Internal-combustion engine and gas-turbine plant data
- 8 Itemized accounting of energy transfers with other electric utility systems and industrial companies during the year
- 9 System energy accounting for the year
- 10 Energy delivered to ultimate consumers
- 11 Energy transferred to or across a state line or international boundary during the year
- 13 Demand on generating plants, power received, and power delivered, for resale, at the time of system peak load of the year
- 14 Net generation, energy received and delivered, and system peaks by months for the year
- 15 System load data for specified weeks
- 16 System dependable and assured capacity

17 Distribution of system load in service area

18 System maps and diagrams

18-B High voltage line data

19 Load estimates

Attestation

Section 141.51, appearing in 48 F.R. 6699 (2/15/83), effective 3/17/83, read as follows until it was amended in 50 F.R. 19912 (5/13/85), effective 6/12/85

§ 141.51 FERC Form No. 12, Power system statement.

(a) *Who must file* Each corporation, person, agency, authority or other legal entity or instrumentality, whether public or private, which operates facilities for the generation or transmission or distribution of electric energy, whose system generates all or part of system requirements, who has an owned operable generating capacity of more than 25 megawatts, and for whom the sum of net energy for system plus firm sales for resale exceeds 100,000 megawatt-hours per year, must prepare and file with the Commission an original and conformed copies of Form No. 12, "Power System Statement" pursuant to the General Instructions set out in that form

(b) *When to file* The completed form must be filed on or before September 1, 1983 for the 1981 calendar year

Section 141.51, appearing in 50 F.R. 19912 (5/13/85), effective 6/12/85, read as follows until its amendment in 55 F.R. 51278 (12/13/90), effective 1/14/91

§ 141.51 Form No. EIA-714, Annual Electric Power System Report.

(a) *Who must file* Any electric utility, as defined under Section 3(4) of the Public Utility Regulatory Policies Act, 16 U.S.C. 2602 (1982), must complete and file with the Energy Information Administration Form No. EIA-714, Annual Electric Power System Report, for every system that

(1) generates all or part of its load requirements,

(2) owns and/or operates operable generating capacity of more than 25 megawatts (MW), and

(3) has net system and firm sales for resale in excess of 100,000 megawatt-hours (MWh) for the reporting year

(b) *When to file*—(1) *General Form No. EIA-714* must be filed on or before each May 1 for the preceding calendar year, beginning with data covering calendar year 1985, which must be filed on or before May 1, 1986

(2) *1982-1984 data* Data covering 1982 are due July 15, 1985. Data covering 1983 are due August 15, 1985. Data covering 1984 are due September 15, 1985

(c) *What to file* An original and three conformed copies of the Form No. EIA-714 must be filed, in accordance with the instruction in that form

Section 141.51, appearing in 55 F.R. 51278 (12/13/90), effective 1/14/91, read as follows until its amendment in 56 F.R. 41453 (8/21/91), effective 8/2/91

§ 141.51 Form No. EIA-714, Annual Electric Control and Planning Area Report.

(a) *Who must file* (1) Any electric utility, as defined under section 3(4) of the Public Utility Regulatory Policies Act, 16 U.S.C. 2602 (1988), operating a control area, and any group of electric utilities, which by way of contractual arrangements operates as a single control area, must complete and file the applicable schedules in Form No. EIA-714 with the Energy Information Administration

(2) Any electric utility, or group of electric utilities, that constitutes a planning area and that has a peak load greater than 200 megawatts (MW) based on net energy for load for the reporting year must complete applicable schedules in Form No. EIA-714

(b) *When to file* Form No. EIA-714 must be filed on or before each May 1 for the preceding calendar year, beginning with data covering calendar year 1991, which must be filed on or before May 1, 1992. Data covering calendar year 1990 must be filed on or before July 1, 1991

(c) *What to file* An original and three conformed copies of Form No. EIA-714, "Annual Electric Control and Planning Area Report," must be filed with the Energy Information Administration, in accordance with the instructions in that form and in this section.

[¶ 18,252]

§ 141.52 Form No. 12-A, Power system statements for Class III, IV and V systems. [Revoked.]

¶ 18,252 § 141.52

Federal Energy Guidelines

.01 45 F.R. 56340 (August 25, 1980)

05 *Historical record.*—Section 141.52 read as follows until its deletion in 45 F.R. 56340 (8/25/80), effective 8/18/80:

(a) The revised FPC Form No 12-A Power System Statement (Class III, IV and V Systems) including the revised instructions and schedules therein contained, be and the same hereby is approved and adopted

(b) Each corporation, person, agency authority or other legal entity or instrumentality, whether public or private which operates facilities for the generation or transmission or distribution of electric energy, and which is in the classification of Class III, IV or V Systems (as the same are defined in the accompanying revised FPC Form No 12-A) shall hereafter annually prepare and file with the Commission on or before the 1st of May of 1956 and each year thereafter such statement or statements, and in such form as is required by said instructions and schedules, setting forth the answers to the questions therein stated, and furnishing the information therein called for, for the preceding calendar year. *Provided, however, That*

said Form shall not be required to be prepared and filed for Class III Systems having "net energy for system" during the year less than 5,000,000 kilowatt-hours (as the same is defined in the accompanying form), or for Class IV and V Systems having energy requirements during the year less than 5,000,000 kilowatt-hours except as specifically directed, or for Class IV and V Systems where Form No 12 or 12-D is requested

(c) This form contains the following schedules

SCHEDULES

- 1 Electric generating equipment as of December 31
- 2 Generation, energy received and delivered, and system peaks
- 3 Electric power received from or delivered to other systems
- 4 Energy delivered to ultimate consumers
- 5 System dependable and assured capacity as of December 31
- 5 B Contemplated changes in capacity
- 6 Map of electric system

[¶ 18,253]

§ 141.53 Form No 12B, Industrial electric generating capacity (detailed information) [Revoked.]

01 45 F.R. 37420 (June 3, 1980)

05 *Historical record.*—Section 141.53 read as follows until its deletion in 45 F.R. 37420 (6/3/80), effective 5/28/80:

This form is designed to obtain information in some detail concerning electric generating equipment owned or operated by industrial establishments, and contains the following schedules

- 1 Electric generating equipment owned or operated by respondent at end of year
- 2 Alterations and additions
- 3 Electric energy transfers and connections of respondent's establishment with others

[¶ 18,254]

§ 141 54 Form No 12C, Industrial electric generating capacity (limited information) [Revoked]

01 45 F R 37420 (June 3, 1980)

05 *Historical record*—Section 141 54 read as follows until its deletion in 45 F R 37420 (6/3/80), effective 5/28/80

(a) This form is designed to obtain information concerning the net generation of electric energy and installed nameplate capacity of industrial plants by type of prime mover

(b) As of January 1, 1977, industrial plants with an installed generating capacity of less than ten megawatts shall file Form No 12C with the Commission on May 1 each year showing net generation for the previous calendar year and the installed generating capacity on the last day of the previous calendar year by type of prime mover

[¶ 18,255]

§ 141 55 Form 12-D Power system statement for Class III systems having annual energy requirements of less than 5,000,000 kwh and Class IV and V systems where requested [Revoked]

01 45 F R 56340 (August 25, 1980)

05 *Historical record*—Section 141 55 read as follows until it was deleted in 45 F R 56340 (8/25/80), effective 8/18/80

(a) The revised FPC Form No 12 D, Power System Statement (Class III, IV and V Systems), including the revised instructions and schedules therein contained, be and the same hereby is approved and adopted

(b) Each corporation, person, agency, authority or other legal entity or instrumentality, whether public or private, which operates facilities for the generation or transmission, or distribution of electric energy and (1) whose system generates all or part of its system requirements and whose net energy for system for the year was less than 5,000,000 kilowatt hours, or (2) whose system is engaged primarily in sales for resale and/or sales to industrials, all other sales being negligible and Form No 12 D is requested, or (3) whose system obtains its entire energy requirements from other systems and Form No 12 D is

requested, shall hereafter annually prepare and file with the Commission on or before the 1st of May of 1956, and each year thereafter, such statement or statements, and in such form as is required by said instructions and schedules, setting forth the answers to the questions therein stated, and furnishing the information therein called for, for the preceding calendar year

(c) This form contains the following schedules

SCHEDULES

- 1 Generation, energy received and delivered, and system peak for the year
- 2 Energy delivered to ultimate consumers
- 3 Contemplated alterations, additions, or retirements in system generating plants
- 4 Electric generating equipment owned or operated as of December 31
- 5 Electric power received from or delivered to other systems
- 6 Maps of electric system

[¶ 18,256]

§ 141 56 Form No. 12E-2, Supplemental Power Statement [Revoked.]

01 45 F R 37420 (June 3, 1980)

05 *Historical record*—Section 141 56 read as follows until its deletion in 45 F R 37420 (6/3/80), effective 10/1/80

(For these systems, all as identified in Appendix A¹ for Order No 544, issued January 14, 1976, and as amended upon notice in the FEDERAL REGISTER)

(a) The FPC Form 12E-2, Supplemental Power Statement including the instructions and schedules therein contained, be the same hereby approved and adopted

(b) FPC Form 12E 2 contains the following schedules

SCHEDULES

- 1 Reporting month energy, capability and peak load data
- 2 Near-Term Summer/Winter capability and peak load data
- 3 Generating Unit additions, revisions and retirements—ten year plans
- 4 Transmission line additions, revisions and retirements—six year plans

§ 141.56 ¶ 18,256

5 Ten year energy and peak load forecast
 (c) Each corporation, person, agency, authority, or other legal entity or instrumentality, whether public or private, which operate facilities for the generation, or transmission, or distribution of electric energy all as identified in Appendix A, Order No 544 issued and as amended upon notice in the FEDERAL REGISTER should hereafter prepare and file Schedule 1 monthly on or

before the 15th day of the following month and Schedule 2 through 5, 30 days after this order becomes effective and on April 1 and October 1 of each year thereafter such statement or statements, in such form as is required by said instructions and schedules, setting forth the answers to the questions therein stated and furnishing the information therein called for

¹ Filed as a part of the original document

[¶ 18,257]

§ 141 57 Form No 12F, Power Line Construction Data. [Revoked]

01 45 F R 37420 (June 3, 1980)

05 *Historical record*—Section 141 57 read as follows until its deletion in 45 F R. 37420 (6/3/80), effective 5/28/80

This form is a supplement to Schedules 16 and 18 of Form No 12 (§ 141 51), and is designed to obtain information concerning power line and generating plant data

[¶ 18,258]

§ 141 58 Report of impending emergencies, load reductions, and/or service interruptions in bulk electric power supply and related power supply facilities. [Revoked]

01 45 F R. 38354 (June 9, 1980)

05 *Historical record*—Section 141 58 read as follows until it was deleted in 45 F R. 38354 (6/9/80), effective 9/1/80

(a) *Definitions* For the purpose of this rule, a bulk electric power supply interruption shall be any interruption or loss of service to customers of any electric utility, licensee or other entity engaged in the generation or transmission of electric energy caused by or involving an outage of any generating unit or of electric facilities operating at a nominal voltage of 69 kv or higher. In determining the aggregate of loads which are interrupted, any load which is interrupted in accordance with the provisions of contracts permitting interruption in service shall not be included. If the interruption affects only a single ultimate customer, the interruption need not be reported. For the purpose of this rule, a report or a part of a report may be made jointly by two or more entities

(b) *Telephonic reports* Every electric utility, licensee or other entity engaged in the generation or transmission of electric energy shall report promptly to the appropriate Regional Office of the Commission by telephone any event as described in paragraph (a)(1), (2), (3), (4), or (5) of this section

(1) Any decision to issue a public request for reduction in use of electricity (FPC is to be notified at the time of issuing any such request)

(2) Any action to reduce firm customer loads by reduction of voltage for reasons of

maintaining adequacy of bulk electric power supply (FPC is to be notified at the time of taking such action)

(3) Any action to reduce firm customer loads by manual switching, operation of automatic load shedding devices, or any other means for reasons of maintaining adequacy of bulk electric power supply (FPC is to be notified at the time of taking such action)

(4) Any bulk supply outage or accident to system facilities of consequence on a regional or national basis or constituting an unusual hazard to the bulk electric power supply system (FPC is to be notified within one hour of occurrence or as soon as practicable after the event is recognized as being applicable for reporting hereunder)

(5) Any loss in service for 15 minutes or more of bulk electric power supply to aggregate loads in excess of 200,000 kw. See paragraph (d) of this section for description of information to be reported (FPC is to be notified as soon as practicable without unduly interfering with service restoration and, in any event, within one hour after the beginning of the interruption)

The above events are to be reported to the appropriate Regional Office of the Commission in accordance with the current directory of FPC representatives and telephone numbers

(c) *Telegraphic or telephonic reports* (1) Every electric utility licensee, and other entity engaged in the generation or transmission of electric energy shall report any event as described below to the appropriate Regional

Office of the Commission by telephone or telegraph addressed to the Regional Engineer, Federal Power Commission, as shown in the current directory

(2) These reports are to be made no later than the beginning of the Commission's next regular work day (Monday-Friday) after the interruption occurred. Events requiring a report are as follows

(i) Any loss in service for 15 minutes or more of bulk electric power supply to aggregate loads exceeding the lesser of 100,000 kw or half of the current annual system peak load, and not required to be reported under paragraph (b) of this section. See paragraph (d) of this section for information to be reported

(d) *Information to be reported* The information supplied in the initial report should include at least the approximate territory affected by the interruption, the time of occurrence, the duration of an appraisal of the likely duration if service is still interrupted, an estimate of the number of customers and amount of load involved, and whether any known critical services, such as hospitals, pumping stations, traffic control systems, etc were interrupted. To the extent known or suspected, the report desirably will include a description of the initial incident resulting in the interruption. The Commission or its representative may require further reports during or after the period of interruption and restoration of service, such reports to be made by telephone, telegraph or letter, as required

(e) *Special investigations and reports* (1) If so directed by the Commission or the Chief, Bureau of Power, an entity experiencing a condition, as described in paragraphs (b) and (c) of this section, shall submit a full report of the circumstances surrounding such occurrence and the conclusions the entity has drawn therefrom. The report shall be filed at such time subsequent to the submittal of the initial report by telephone or telegraph as may be directed by the Commission or the Chief, Bureau of Power

(2) The report shall be prepared in such detail as may be appropriate to the severity and complexity of the incident experienced and should include an account understandable to the informed layman in addition to the following technical and other information.

(i) The cause or causes of the incident clearly described, including the manner in which it was initiated

(ii) A description of any operating conditions of an unusual nature preceding the initiation of the incident.

(iii) If the incident was an interruption and geographically widespread, an enumeration of the sequence of events contributing to its spread.

(iv) An account of the measures taken which prevented further spreading in the loss of service, e.g., manual or automatic load shedding, unit isolation, or system sectionalization. These actions and all chronicled events should be keyed to a record of the coincident power frequencies which occurred

(v) A description of the measures taken to restore service with particular evaluation of the availability of start-up power and the ease or difficulty of restoration

(vi) A statement of the capacity of the transmission lines into the area of load interruption, the generating capacity in operation in the area at the beginning of the disturbance, and the actual loading on the generating units and, where available, the loading on the lines at that time. When actual loadings are not available, estimate the line loadings at the time to the extent possible

(vii) A summary description of any equipment damage and the status of its repair

(viii) A description of the impact of any load reduction or interruption on people and industries in the affected area, including a copy of materials in the printed news media indicative of the impact.

(ix) Information on the steps taken, being taken, or planned by the utility, to prevent recurrence of conditions of a similar nature, to ease problems of service restoration, and to minimize impacts on the public and the customers of any future conditions of a similar nature.

(f) *Generating equipment availability data*
 (1) The Commission takes note that the Edison Electric Institute has for several years collected and summarized information on generating equipment availability and has recently expanded its facilities for recording and processing this information. Recognizing that a large part of the industry, including a number of utilities which are not members of EEI, contribute information to and receive reports from this data system and that it is desirable to avoid duplication, it is anticipated that this source of information may serve to meet the needs of both industry and regulatory commissions for information which is of increasing importance from the standpoint of power supply reliability

(2) It is understood that all electric utilities are eligible to participate in the computerized EEI data storage, retrieval, and analysis sys-

tem, and the Commission encourages participation in order that the data files may be as complete as possible. Therefore, no general

order for reports on generating unit outages is contemplated unless the needed information is unavailable from the EEI records.

[¶ 18,259]

§ 141.59 Form No. EIA-767, Steam-Electric Plant Operation and Design Report. [Revoked.]

01 56 F.R. 41450 (August 21, 1991)

05 *Historical record.*—Section 141.59 read as follows until its deletion in 56 F.R. 41450 (8/21/91), effective 8/2/91

(a) *Requirement to file.* Every electric utility described in paragraph (b) of this section must file form EIA 767, "Steam Electric Plant Operation and Design Report," in conformance with this section on or before May 1st of each year for the previous calendar year.

(b) *Who must file.* Every electric utility company having plants that either presently have, or are projected to have, a steam-electric capacity of 100 megawatts or greater must prepare and file for each such plant an original and conformed copies of EIA-767 pursuant to the General Instructions set out in that form.

[¶ 18,260]

§ 141.60 Form No. 237A (Coal) and Form No. 237B (Oil), Weekly Fuel Emergency Report Form, Revised. [Revoked.]

01 44 F.R. 61946 (October 29, 1979)

05 *Historical record.*—Section 141.60 read as follows until its deletion in 44 F.R. 61946 (10/29/79), effective 10/19/79.

(a) Form No. 237A (Coal) and Form No. 237B (Oil), Revised, are designed to obtain information on a weekly basis from electric utilities or suppliers whether investor owned, publicly owned or cooperatively owned facing fuel emergencies. The report must be filed in the first instance whenever a utility shall determine in the exercise of due diligence that an emergency exists and must be filed weekly thereafter until the emergency terminates. A fuel emergency exists when supplies of fuels for generation are at a level which threatens projected operations or reliability of electric service.

(b) The following factors shall be taken into account to determine whether a fuel emer-

gency exists: (1) Fuel stocks are reduced to 30 days (or less) of normal burn days for coal, 15 days (or less) of normal burn days for residual oil, 15 days (or less) of normal burn days for distillate oil, (2) the utility projection is for a continued downward trend in fuel stocks, and (3) emergency Federal measures are otherwise deemed necessary.

(c) Since fuel stocks of levels smaller than those above indicated are maintained in some plants, an emergency is not determined to exist until their stocks have been depleted to such levels. In such cases no reports need be filed until emergency levels are reached. However, filed reports should indicate fuel stock levels considered to be a desirable minimum supply in responses to questions 12 and 13 on the Coal Form and questions 13 and 14 on the Oil Form.

[¶ 18,261]

§ 141.61 FERC Form No. 423, Monthly Report of Cost and Quality of Fuels for Electric Plants.

Every electric power producer having electric generating plants with a rated steam-electric generating capacity of 50 megawatts or greater during the reporting month must file with the Commission for each such plant an original and conformed copies of FERC Form No. 423, "Monthly Report of Cost and Quality of Fuels for Electric Plants" pursuant to the General Instructions set out in that form. Form No. 423 must be filed on or before the 45th day after the end of each reporting month, beginning with the reporting period of January, 1983.

¶ 18,259 § 141.59

Federal Energy Guidelines

01 47 F.R. 44722 (October 12, 1982)

05 *Historical record.*—Section 141.61 read as follows until it was amended in 47 F.R. 44722 (10/12/82), effective 11/12/82:

§ 141.61 Form No. 423, Monthly review of cost and quality of fuel for steam-electric plant.

Form No. 423 is designed to obtain monthly data on the cost and quality of fuels received

at steam-electric generating plants. A separate form is to be completed by each electric power producer for each of its steam-electric generating plants with a capacity of 25 megawatts or greater during the reporting month. The completed form is due the 45th day after the close of the reference month.

[¶ 18,400]**§ 141.200 Original cost statement of utility property**

Any public utility or licensee becoming subject to the jurisdiction of the Commission shall file, insofar as applicable, the following statements properly sworn to by the officer in responsible charge of their compilation

STATEMENT A

Statement A showing in outline the origin and development of the company including particularly a description (giving names of parties and dates) of each consolidation and merger to which the company, or a predecessor, was a party and each acquisition of an electric operating unit or system

STATEMENT B

Statement B showing for each acquisition by the reporting company or any of its predecessors of an electric operating unit or system, the original cost, estimated, if not known, the cost of such company and the amount entered in the books in respect thereto as of the date of acquisition. If the depreciation, retirement, or amortization reserve was adjusted as of the date of acquisition and in connection therewith, a full disclosure of the pertinent facts should be made. The difference between the original cost and the amount entered in respect thereto of each acquisition of an electric operating unit or system, as of the date of acquisition, should be clearly stated, and a summary of all transactions affecting such difference through the end of the calendar year prior to the year in which the filing is made, and the resultant amount at the latter date, should be set forth. The amount to be included in account 114, Electric Plant Acquisition Adjustments, shall be subdivided so as to show the amounts applicable to (1) electric plant in service, (2) electric plant leased to others, and (3) electric plant held for future use. Whenever practical, such amount shall be classified according to nature, i.e., going value, structural value, etc.

Where estimates are used in arriving at original cost or the amount to be included in account 114, a full disclosure of the method and underlying facts should be given. The method of determining the original cost of the electric plant acquired as operating units or systems should be described in sufficient detail to permit a clear understanding of the nature of the investigations which were made for that purpose.

STATEMENT C

Statement C showing any amounts arrived at by appraisals in the electric plant accounts (and not eliminated) in lieu of cost to the reporting company. This statement should give the full journal entry at the time the appraisal was originally recorded and if the entry had the effect of appreciating or writing up the electric plant account, the amount of the appreciation of writeup should be traced, by proper description and explanation of changes, from the date recorded through the end of the calendar year prior to the year in which the filing is made.

STATEMENT D

Statement D showing electric plant as classified in the books of account immediately prior to reclassification in accordance with the Uniform System of Accounts, including, under a descriptive heading, any unclassified amounts applicable jointly to the electric department and other departments of the utility

STATEMENT E

Statement E showing summary of adjustments necessary to state accounts 101, 103-107, 114, and 116, as prescribed in the Uniform System of Accounts

STATEMENT F

Statement F showing electric plant classified according to the accounts prescribed in the Uniform System of Accounts, and showing also the amount includible in account 116, Other Electric Plant Adjustments

STATEMENT G

Statement G giving a comparative balance sheet showing the accounts and amounts appearing in the books before the adjusting entries have been made and after such entries shall have been made

STATEMENT H

Statement H giving a suggested plan for depreciating, amortizing, or otherwise disposing in whole or in part of the amounts includible in account 114, Electric Plant Acquisition Adjustments, and account 116, Other Electric Plant Adjustments

STATEMENT I

Statement I giving the following statistical information relative to electric plant

PRODUCTION PLANT

Steam production Separately for each steam plant Name of plant, date of construction, nameplate generating capacity (kw) as originally constructed and as at present, also nameplate capacity and date of installation of each addition to generating capacity The original cost, where available, by accounts 310 and 316, of each steam production plant

Hydraulic production Separately for each hydroplant Name of plant, date of construction, capacity of reservoirs (acre-feet), nameplate generating capacity (kw.) as originally constructed and as at present, also nameplate capacity and date of installation of each addition to generating capacity The original cost, where available, by accounts 330 and 336, of each hydraulic production plant.

Internal combustion engine production. For each internal combustion engine plant Name of plant, date of construction, nameplate generating capacity (kw) as originally constructed and as at present, also nameplate capacity and date of installation of each addition to generating capacity The

¶ 18,400 § 141.200

Federal Energy Guidelines

original cost, where available, by accounts 340 to 346, of each internal combustion engine production plant

TRANSMISSION PLANT

Overhead transmission lines For each overhead transmission line or for each group of transmission lines of the same voltage, same general type of construction, and same number of circuits per structure, the voltage, length in miles, type of construction, kind and size of conductor The original cost, where available, by accounts 350, 352, 354, 355, 356, and 359, of each such line or group of lines.

Underground transmission lines For each underground transmission line or for each group of transmission lines of the same voltage, same general type of construction and same number of circuits per structure The voltage length in miles and type of construction The original cost, where available, by accounts 350, 352, 357, 358, and 359, of each such line or group of lines

Transmission substations For each substation Function, capacity (kva), high and low voltages of transformers, description and capacity of special items of equipment

DISTRIBUTION PLANT

Overhead system ¹ Number of pole and circuit miles, number of active meters or services connected (if available), description and number of each type of pole or tower

Underground system ² Number of circuit miles, number of active meters or services connected (if available), description of type of construction and general statement of any special construction problem

Distribution substation General description of number, capacity (kva) and high and low voltages of transformers

Line transformers Number and capacity

Street lighting and signal systems Description and number of each type of street lighting standard, number and wattage of lamps, and description of signal system

GENERAL PLANT

Description of principal structures and improvements

Number and type of transportation vehicles and appurtenant equipment

Description of store, shop, and laboratory equipment

Description of communication equipment.

Description of miscellaneous equipment

¹ If number of active meters or services is not available separately for overhead and underground systems, report totals.

² To be shown on the original when tendered for filing with the Commission of every paper as specified in § 1 17(f) of this chapter

.01 57 F.R. 21730 (May 22, 1992)

.05 *Historical record.*—The original section 141.100 read as follows prior to its removal in 57 F.R. 21730 (5/22/92), effective 5/1/92:

§ 141.100 General requirements for annual reports to stockholders and others.

All annual reports to stockholders and others shall include an appropriate summary of the investment tax credits generated and utilized and a statement of the accounting method elected by the company in connection with the utilization of the credits

Section 141.200 was redesignated as § 141.100 in 57 F.R. 21730 (5/22/92), effective 5/1/92

¶ 18,500

§ 141.300 Form 23B, Quarterly Electric Utility Generation and Fuel Planning Report. [Revoked.]

01 44 F R 61946 (October 29, 1979)

05 *Historical record.*—Section 141.300 read as follows until its deletion in 44 F R. 61946 (10/29/79), effective 10/19/79

(a) This Form, comprised of nine schedules, as identified hereinafter, is designed to secure information from electric utilities on a quarterly basis covering projected energy requirements and production, fuel requirements and consumption, and fuel inventories and deliveries. The report covers four quarters: January-March, April-June, July-September, October-December. Each submittal revised previously reported data for the next three quarters and extends the projections thru the succeeding quarterly period. It is designed to serve analytical, fuel allocation and other regulatory purposes.

(b) The Form, properly completed, shall be mailed in quadruplicate to the Federal Power Commission, commencing with the report for October 1975-September 1976, which report shall be mailed by August 20, 1975, by all electric generating utilities which are required to file Federal Power Commission Form No. 4, Monthly Power Plant Report, except for consolidated reporting of some Federal power projects (by Bonneville Power Administration, Southeastern Power Administration, and Southwestern Power Administration), all such reporting entities being identified specifically in the List of Electric Utility Systems (Appendix A) attached to Federal Power Commission Order 497-B.

(c) An additional conformed copy of the Quarterly Electric Utility Generation and Fuel Planning Report Form is to be mailed on the

same date to Data Collection—Federal Energy Administration—Electric Utilities Reports—Code 47—Washington, D C 20461

(d) Each reporting electric utility shall file one conformed copy of the Quarterly Electric Utility Generation and Fuel Planning Report Form with each of the respective state public service commissions (or Governors in states where there is no established state public service commission with public utility regulatory jurisdiction over the reporting utility) of the state or states which are partly or wholly within the geographic boundaries of the electric reliability council or councils in which the reporting utility participates or is located.

(e) The Quarterly Electric Utility Generation and Fuel Planning Report is comprised of Schedule 1, Projected Energy Requirements and Sources

Schedule 2, Project Fuel Requirements for Generation

Schedule 1A, Actual Energy Projection and Sources

Schedule 2A, Actual Fuel Consumption for Generation

Schedule 3, Effects on System Requirements Due to Scheduled Changes

Schedule 4, Useable Fuel Inventories

Schedules 5A, B, & C, Oil Deliveries

(f) As of October 13, 1976, the reporting requirements stated above are suspended. However, Form 23B is to be maintained in stand-by status to allow reestablishment of reporting in the event that it becomes necessary to resume fuel oil allocation or a fuel emergency occurs.

Accounting Issues

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¶ 40,000
ACCOUNTING ISSUES
Introduction

Accounting releases are informal interpretations of the Uniform Systems of Accounts to be followed in the absence of specific references in the prescribed accounting regulations and other authoritative decisions of the Commission

The interpretations express the views of the Chief Accountant as to the correct application of the provisions of the Uniform Systems of Accounts prescribed by the Commission. As provided for in General Instruction No 5 in the Uniform Systems of Accounts, these interpretations do not preclude any company from submitting questions of doubtful interpretations to the Commission on the matters dealt with in Accounting Releases

¶ 40,001

Release AR-1

Effective December 30, 1964

Question

What is the proper accounting for amounts received by companies subject to the FPC Uniform Systems of Accounts from suppliers of equipment and supplies, arising from claimed overcharges resulting from antitrust violations?

Answer

Any amounts received arising from claimed overcharges resulting from alleged antitrust violations, including any interest factor, less expenses not heretofore charged to operations attributable to obtaining the refunds, whether such amounts are obtained through negotiation or litigation, shall be applied in the year of settlement to reduce the cost of plant or other accounts with which the materials purchased were associated. If the amounts received are minor and/or applicable to numerous items of properties, companies may with the approval of the Chief Accountant of the Federal Power Commission credit the depreciation reserve account or the current year's construction account. If the amounts received are payable on an installment basis over a period of years and the payments include an interest factor attributable to the delay in making settlement, the interest may be treated as other income. Any amounts received less related expenses should be reduced by any related tax liability.

¶ 40,001

40,006

Accounting Issues

50 1-6-81

¶ 40,002

Release AR-2

Effective August 31, 1965

Question

Section 11 of the Internal Revenue Code of 1954 was modified by the Revenue Act of 1964 reducing corporate tax rates effective January 1, 1964. Deferrals of the tax benefits credited to Account 281, Accumulated Deferred Income Taxes—Accelerated Amortization, from accelerated amortization permitted by Section 168 of the Internal Revenue Code of 1954, were based on the superseded income tax rates. What tax rate should be used to credit the deferred amounts to income?

Answer

Amounts accumulated in Account 281, Accumulated Deferred Income Taxes—Accelerated Amortization, shall be credited to Account 411, Income Taxes Deferred in Prior Years—Credit, at the same rate that was originally used to defer the amounts in Account 281. Therefore, the amounts previously deferred will be fully restored to income over the appropriate estimated remaining useful life allowable for tax purposes of the related property.

¶ 40,002

¶ 40,003

Release AR-3

Effective August 31, 1965

Question

What is the proper accounting for recognizing currently nonproductive gas well drilling costs for companies regularly involved in drilling operations?

Answer

As actual drilling costs are incurred on wells classified as gas wells, they shall be recorded through work orders as charges to Account 107, Construction Work in Progress—Gas, in sufficient detail to comply with General Instruction 12, Note B and to permit classification of such costs in Accounts 330, Producing Gas Wells—Well Construction, and 331, Producing Gas Wells—Well Equipment, as appropriate

Based on studies and prior experience, to provide currently for nonproductive well drilling expenses which reasonably may be expected, the Company, at its option, may record monthly charges to operating expenses by crediting an appropriate subdivision of Account 107 and charging a subdivision of Account 796, Nonproductive Well Drilling. Appropriate adjustment of these accounts shall be made annually (at year-end) for actual costs of wells determined nonproductive during the period and for the estimated cost of wells being drilled that are expected to be nonproductive

¶ 40,003

¶ 40,004

Release AR-4

Effective August 31, 1965

Question

What is the proper accounting for expenses incurred by a utility in the investigation of and responses to notices of proposed rulemakings or regulations of the Commission or state authorities?

Answer

Rulemaking proceedings conducted by the Commission or by state authorities are considered to be formal cases before regulatory bodies as set forth in Account 928, Regulatory Commission Expenses, and expenses (except pay of regular employees only incidentally engaged in such work) incurred with respect thereto are to be charged to Account 928 in accordance with the instructions provided in that account

1-6-81

Release AR-5

40,009

¶ 40,005

Release AR-5 (Revised)

Effective January 1, 1968

Question

What is the proper period for capitalization of interest during construction?

Answer

Interest during construction may be capitalized starting from the date that construction costs are continuously incurred on a planned progressive basis. Interest should not be accrued for the period prior to (1) the date of issuance of the preliminary permit by the Commission of a licensed hydroelectric project, and (2) the date of the application to the Commission for a certificate to construct facilities by a natural gas company. Interest accruals may be allowed by the Commission for the period prior to the above dates if so justified by the company. No interest should be accrued during period of interrupted construction unless the company can justify the interruption as being reasonable under the circumstances.

Capitalization of interest stops when the facilities have been tested and are placed in or ready for service. This would include those portions of construction projects completed and put into service although the project is not fully completed. Should the test period exceed thirty days, the company must submit full particulars and justification for an extension of such period to the Commission in accordance with Plant Instruction 9 D.

¶ 40,005

¶ 40,006
Release AR-6

Effective March 13, 1967

Question

Certain items are recorded directly in Account 434, Miscellaneous Credits to Surplus, and Account 435, Miscellaneous Debits to Surplus, respectively. With respect to items credited to surplus, the uniform system provides that the tax consequences of such items shall be treated as charges to Account 435. However, the uniform system is silent on whether the tax consequences of items charged to Account 435 should be credited to Account 434. What is the proper accounting treatment of the tax effect of items charged to Account 435?

Answer

Although Account 434 is silent on the matter of tax consequences of items charged to Account 435, the tax effects of such debits are properly credited to Account 434.

¶ 40,007
Release AR-7

Effective March 6, 1969

Question

A utility installs a gas turbine generating unit or units on its system, or on customers' premises, to provide electric service to some or all of its customers. Exhaust heat or heat produced in the operation of these generating units, is in turn used to produce steam which is also sold for steam heating, cooling or other purposes. Electric service provided is billed at tariff rates and the heating or cooling service provided is billed in accordance with a contract between the parties and, in some cases, paid for partly in cash and partly in fuel supplied the utility by the customer for use in the production of electricity by the utility. What is the proper accounting for this type of operation?

Answer

The exhaust heat sold, or used to produce steam which is sold, is incidental to the main function of producing electricity by the turbine generator and, therefore, is a by-product of such operation. Under the Uniform System of Accounts this should be accounted for by including all items of plant, including any special steam piping and equipment, in the appropriate electric plant accounts, and by including all revenues and expenses resulting from the operation of such equipment, whether stemming from the production and sale of electricity or of heat or steam, in the appropriate electric operations accounts. Specifically, revenues from any of such sale of heat or steam, whether or not they constitute a utility function under applicable state law, should be credited to Account 456, Other Electric Revenues, and contra charges recorded in Account 142, Customer Accounts Receivable. Fuel received as partial payment for electric and/or steam service should be valued in accordance with contract provisions (or at market value if no monetary value is stated in the contract) and charged to Account 501, Fuel, or Account 547, Fuel, as appropriate, with contra credit to Account 142.

¶ 40,007

¶ 40,008
Release AR-8

Effective March 6, 1969

Question

What is the proper accounting treatment for costs incurred in hydrostatic testing of gas mains and pipelines to meet the requirements of the USAS B31 8, 1968 Code, which became Federal standards under legislation passed by Congress August 12, 1968?

Answer

Costs incurred under a planned maintenance program which meet the standards of USAS B31 8, 1968 Code, should be treated as regular maintenance expenses. When a utility had constructed a pipeline and its initial tests did not meet the requirements of the Code making it necessary to retest so that the full capacities could be utilized such costs should be capitalized. When such costs are capitalized all prior testing costs related to the specific property should be retired in accordance with Gas Plant Instruction 10. Testing costs on future construction should be capitalized provided that such testing meets the then prevailing required standards.

¶ 40,008

**THE ROLE OF THE REGULATOR IN THE PROCESS OF
PRIVATIZATION OF THE REGIONAL ELECTRICITY
COMPANIES IN KAZAKHSTAN**

**NIS Institutional Based Services Under the Energy
Efficiency and Market Reform Project
Contract No CCCN-Q-00-93-00192-00**

**Kazakhstan Electricity
Delivery Order No 05**

Prepared for

U S Agency for International Development
Bureau for Europe and NIS
Office of Environment, Energy and Urban Development
Energy and Infrastructure Division

Prepared by

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September 1998

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Attachment 7:

Annual Report Form:

FERC Form No. 1: "Annual Report of Major Electric Utilities, Licensees and Others",

United States Federal Energy Regulatory Commission (FERC)

THIS FILING IS (CHECK ONE BOX FOR EACH ITEM)

Form 1 An Initial (Original) Submission OR Resubmission No. _____

Form Approved
OMB No 1902-0021
(Expires 7/31/98)

Form 2 An Original Signed Form OR Conformed Copy



FERC Form No. 1: ANNUAL REPORT OF MAJOR ELECTRIC UTILITIES, LICENSEES AND OTHERS

BEST AVAILABLE COPY

This report is mandatory under the Federal Power Act, Sections 3, 4(a), 304 and 309 and 18 CFR 141.1. Failure to report may result in criminal fines, civil penalties and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider this report to be of a confidential nature.

Exact Legal Name of Respondent (Company)

Year of Report
Dec. 31, 19____

FERC FORM NO. 1 (REV. 12-96)

INSTRUCTIONS FOR FILING THE

FERC FORM NO 1

GENERAL INFORMATION

I Purpose

This form is a regulatory support requirement (18 CFR 141.1). It is designed to collect financial and operational information from major electric utilities, licensees and others subject to the jurisdiction of the Federal Energy Regulatory Commission. This report is also secondarily considered to be a nonconfidential public use form supporting a statistical publication (Financial Statistics of Selected Electric Utilities), published by the Energy Information Administration.

II Who Must Submit

Each major electric utility, licensee, or other, as classified in the Commission's Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject To the Provisions of The Federal Power Act (18 CFR 101), must submit this form.

Note Major means having, in each of the three previous calendar years, sales or transmission service that exceeds one of the following:

- (1) One million megawatt hours of total annual sales,
- (2) 100 megawatt hours of annual sales for resale,
- (3) 500 megawatt hours of annual power exchanges delivered, or
- (4) 500 megawatt hours of annual wheeling for others (deliveries plus losses)

III What and Where to Submit

- (a) Submit this form on electronic media consisting of two (2) duplicate data diskettes and an original and six (6) conformed paper copies, properly filed in and attested, to

Office of the Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Room 1A-21
Washington, DC 20426

Retain one copy of this report for your files.

Include with the original and each conformed paper copy of this form the subscription statement required by 18 C F R 385.2011(c)(5). Paragraph (c)(5) of 18 C F R 385.2011 requires each respondent submitting data electronically to file a subscription stating that the paper copies contain the same information as contained on the electronic media, that the signer knows the contents of the paper copies and electronic media, and that the contents as stated in the copies and on the electronic media are true to the best knowledge and belief of the signer.

- (b) Submit immediately upon publication, four (4) copies of the latest annual report to stockholders and any annual financial or statistical report regularly prepared and distributed to bondholders, security analysts, or industry associations. (Do not include monthly and quarterly reports. Indicate by checking the appropriate box on Page 4, List of Schedules, if the reports to stockholders will be submitted or if no annual report to stockholders is prepared.) Mail these reports to

Chief Accountant
Federal Energy Regulatory Commission
888 First Street, NE
Room 1A 21
Washington, DC 20426

- (c) For the CPA certification, submit with the original submission, or within 30 days after the filing date for this form, a letter or report (not applicable to respondents classified as Class C or Class D prior to January 1, 1984)

- (1) Attesting to the conformity, in all material aspects, of the below listed (schedules and) pages with the Commission's applicable Uniform Systems of Accounts (including applicable notes relating thereto and the Chief Accountant's published accounting releases), and
- (11) Signed by independent certified public accountants or an independent licensed public accountant, certified or licensed by a regulatory authority of a State or other political subdivision of the U S (See 18 CFR 41.10-41.12 for specific qualifications.)

III What and Where to Submit (Continued)
(c) Continued

Schedules	Reference Pages
Comparative Balance Sheet	110 113
Statement of Income	114 - 117
Statement of Retained Earnings	118 - 119
Statement of Cash Flows	120 - 121
Notes to Financial Statements	122 - 123

When accompanying this form, insert the letter or report immediately following the cover sheet. When submitting after the filing date for this form, send the letter or report to the Office of the Secretary at the address indicated at III (a).

Use the following form for the letter or report unless unusual circumstances or conditions, explained in the letter or report, demand that it be varied. Insert parenthetical phrases only when exceptions are reported.

In connection with our regular examination of the financial statements of _____ for the year ended on which we have reported separately under date of _____ we have also reviewed schedules _____ of FERC Form No. 1 for the year filed with the Federal Energy Regulatory Commission, for conformity in all material respects with the requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases. Our review for this purpose included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Based on our review, in our opinion the accompanying schedules identified in the preceding paragraph (except as noted below) conform in all material respects with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases.

State in the letter or report, which, if any, of the pages above do not conform to the Commission's requirements. Describe the discrepancies that exist.

(d) Federal, State and Local Governments and other authorized users may obtain additional blank copies to meet their requirements free of charge from

Public Reference and Files Maintenance Branch
Federal Energy Regulatory Commission
888 First Street, NE
Room 2A 1 ED-12 2
Washington, DC 20426
(202) 208 2474

IV When to Submit

Submit this report form on or before April 30th of the year following the year covered by this report.

V Where to Send Comments on Public Reporting Burden

The public reporting burden for this collection of information is estimated to average 1,217 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any aspect of this collection of information, including suggestions for reducing this burden, to the Federal Energy Regulatory Commission, 888 First Street NE, Washington, DC 20426 (Attention: Mr. Michael Miller ED-12 3), and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, DC 20503 (Attention: Desk Officer for the Federal Energy Regulatory Commission).

GENERAL INSTRUCTIONS

- I Prepare this report in conformity with the Uniform System of Accounts (18 CFR 101) (U S of A) Interpret all accounting words and phrases in accordance with the U S of A
- II Enter in whole numbers (dollars or MWH) only, except where otherwise noted (Enter cents for averages and figures per unit where cents are important The truncating of cents is allowed except on the four basic financial statements where rounding is required) The amounts shown on all supporting pages must agree with the amounts entered on the statements that they support When applying thresholds to determine significance for reporting purposes, use for balance sheet accounts the balances at the end of the current reporting year, and use for statement of income accounts the current year's amounts
- III Complete each question fully and accurately, even if it has been answered in a previous annual report Enter the word "None" where it truly and completely states the fact
- IV For any page(s) that is not applicable to the respondent, omit the page(s) and enter "NA," "NONE," or "Not Applicable" in column (d) on the List of Schedules, pages 2, 3, and 4
- V Enter the month, day, and year for all dates Use customary abbreviations The "Date of Report" included in the header of each page is to be completed only for resubmissions (see VII below) The date of the resubmission must be reported in the header for all form pages, whether or not they are changed from the previous filing
- VI Generally, except for certain schedules, all numbers, whether they are expected to be debits or credits, must be reported as positive Numbers having a sign that is different from the expected sign must be reported by enclosing the numbers in parentheses ()
- VII For any resubmissions, two (2) new data diskettes and an original and six (6) conformed paper copies of the entire form, as well as the appropriate number of copies of the subscription statement indicated at instruction III (a) must be filed Resubmissions must be numbered sequentially both on the diskettes and on the cover page of the paper copies of the form In addition, the cover page of each paper copy must indicate that the filing is a resubmission Send the resubmissions to the address indicated at instruction III (a)
- VIII Do not make references to reports of previous years or to other reports in lieu of required entries, except as specifically authorized
- IX Wherever (schedule) pages refer to figures from 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 as to why the different figures were used

DEFINITIONS

- I Commission Authorization (Comm Auth) - The authorization of the Federal Energy Regulatory Commission, or any other Commission Name the commission whose authorization was obtained and give date of the authorization
- II Respondent -- The person, corporation, licensee, agency, authority, or other legal entity or instrumentality in whose behalf the report is made

Federal Power Act, 16 U.S.C. 791a-825r)

"Sec 3 The words defined in this section shall have the following meanings for purposes of this Act, to wit

(3) corporation' means any corporation, joint-stock company, partnership, association, business trust, organized group of persons, whether incorporated or not, or a receiver or receivers, trustee or trustees of any of the foregoing. It shall not include municipalities' as hereinafter defined,

(4) person' means an individual or a corporation,

(5) licensee' means any person, State, or municipality licensed under the provisions of section 4 of this Act, and any assignee or successor in interest thereof,

(7) municipality' means a city, county, irrigation district, drainage district, or other political subdivision or agency of a State competent under the laws thereof to carry on the business of developing, transmitting, utilizing, or distributing power, . "

(11) project' means a complete unit of improvement or development, consisting of a power house, all water conduits, all dams and appurtenant works and structures (including navigation structures) which are a part of said unit, and all storage, diverting, or forebay reservoirs directly connected therewith, the primary line or lines transmitting power therefrom to the point of junction with the distribution system or with the interconnected primary transmission system, all miscellaneous structures used and useful in connection with said unit or any part thereof, and all water rights, rights-of-way, ditches, dams, reservoirs, lands, or interest in lands the use and occupancy of which are necessary or appropriate in the maintenance and operation of such unit,

"Sec 4. The Commission is hereby authorized and empowered -

(a) To make investigations and to collect and record data concerning the utilization of the water resources of any region to be developed, the water-power industry and its relation to other industries and to interstate or foreign commerce, and concerning the location, capacity, development costs, and relation to markets of power sites, to the extent the Commission may deem necessary or useful for the purposes of this Act "

"Sec 304 (a) Every licensee and every public utility shall file with the Commission such annual and other periodic or special reports as the Commission may by rules and regulations or other prescribe as necessary or appropriate to assist the Commission in the proper administration of this Act. The Commission may prescribe the manner and form in which such reports shall be made, and require from such persons specific answers to all questions upon which the Commission may need information. The Commission may require that such reports shall include, among other things, full information as to assets and liabilities, capitalization, net investment, and reduction thereof, gross receipts, interest due and paid, depreciation, and other reserves, cost of project and other facilities, cost of maintenance and operation of the project and other facilities, cost of renewals and replacement of the project works and other facilities, depreciation, generation, transmission, distribution, delivery, use, and sale of electric energy. The Commission may require any such person to make adequate provision for currently determining such costs and other facts. Such reports shall be made under oath unless the Commission otherwise specifies "

"Sec 309 The Commission shall have power to perform any and all acts, and to prescribe, issue, make, amend, and rescind such orders, rules and regulations as it may find necessary or appropriate to carry out the provisions of this Act. Among other things, such rules and regulations may define accounting, technical, and trade terms used in this Act, and may prescribe the form or forms of all statements, declarations, applications, and reports to be filed with the Commission, the information which they shall contain, and the time within which they shall be filed "

GENERAL PENALTIES

"Sec 315 (a) Any licensee or public utility which willfully fails, within the time prescribed by the Commission, to comply with any order of the Commission, to file any report required under this Act or any rule or regulation of the Commission thereunder, to submit any information or document required by the Commission in the course of an investigation conducted under this Act, shall forfeit to the United States an amount not exceeding \$1,000 to be fixed by the Commission after notice and opportunity for hearing. "

FERC FORM NO. 1
ANNUAL REPORT OF MAJOR ELECTRIC UTILITIES, LICENSEES AND OTHER

IDENTIFICATION		
01 Exact Legal Name of Respondent	02 Year of Report Dec 31 19____	
03 Previous Name and Date of Change <i>(if name changed during year)</i>		
04 Address of Principal Office at End of Year <i>(Street, City, State Zip Code)</i>		
05 Name of Contact Person	06 Title of Contact Person	
07 Address of Contact Person <i>(Street, City, State, Zip Code)</i>		
08 Telephone of Contact Person, <i>Including Area Code</i>	09 This Report Is (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	10 Date of Report <i>(Mo, Da, Yr)</i>
ATTESTATION		
The undersigned officer certifies that he/she has examined the accompanying report that to the best of his/her knowledge information and belief all statements of fact contained in the accompanying report are true and the accompanying report is a correct statement of the business and affairs of the above named respondent in respect to each and every matter set forth therein during the period from and including January 1 to and including December 31 of the year of the report		
01 Name	03 Signature	04 Date Signed <i>(Mo, Da Yr)</i>
02 Title		
Title 18 U S C 1001 makes it a crime for any person knowingly and willingly to make to any Agency or Department of the United States any false fictitious or fraudulent statements as to any matter within its jurisdiction		

LIST OF SCHEDULES (Electric Utility)

Enter in column (d) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages Omit pages where the respondents are "none," "not applicable," or "NA"

Title of Schedule (a)	Reference Page No (b)	Date Revised (c)	Remarks (d)
GENERAL CORPORATE INFORMATION AND FINANCIAL STATEMENTS			
General Information	101	Ed 12-87	
Control Over Respondent	102	Ed 12-96	
Corporations Controlled by Respondent	103	Ed 12-96	
Officers	104	Ed 12-96	
Directors	105	Ed 12-95	
Security Holders and Voting Powers	106 - 107	Ed 12-96	
Important Changes During the Year	108 - 109	Ed 12-96	
Comparative Balance Sheet	110 - 113	Ed 12-94	
Statement of Income for the Year	114 - 117	Ed 12-96	
Statement of Retained Earnings for the Year	118 - 119	Ed 12-96	
Statement of Cash Flows	120 - 121	Ed 12-96	
Notes to Financial Statements	122 - 123	Ed 12-96	
BALANCE SHEET SUPPORTING SCHEDULES (Assets and Other Debits)			
Summary of Utility Plant and Accumulated Provisions for Depreciation, Amortization, and Depletion	200 - 201	Ed 12-89	
Nuclear Fuel Materials	202 - 203	Ed 12-89	
Electric Plant in Service	204 - 207	Rev 12-95	
Electric Plant Leased to Others	213	Rev 12-95	
Electric Plant Held for Future Use	214	Ed 12-89	
Construction Work in Progress -- Electric	216	Ed 12-87	
Construction Overheads -- Electric	217	Ed 12-89	
General Description of Construction Overhead Procedure	218	Ed 12-88	
Accumulated Provision for Depreciation of Electric Utility Plant	219	Ed 12-88	
Nonutility Property	221	Rev 12-95	
Investment in Subsidiary Companies	224 - 225	Ed 12-89	
Materials and Supplies	227	Ed 12-96	
Allowances	228 - 229	Ed 12-95	
Extraordinary Property Losses	230	Ed 12-93	
Unrecovered Plant and Regulatory Study Costs	230	Ed 12-93	
Other Regulatory Assets	232	Ed 12-95	
Miscellaneous Deferred Debits	233	Ed 12-94	
Accumulated Deferred Income Taxes (Account 190)	234	Ed 12-88	
BALANCE SHEET SUPPORTING SCHEDULES (Liabilities and Other Credits)			
Capital Stock	250 - 251	Ed 12 91	
Capital Stock Subscribed, Capital Stock Liability for Conversion, Premium on Capital Stock, and Installments Received on Capital Stock	252	Rev 12-95	
Other Paid in Capital	253	Ed 12-87	
Discount on Capital Stock	254	Ed 12-87	
Capital Stock Expense	254	Ed 12-86	
Long Term Debt	256 - 257	Ed 12 96	

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LIST OF SCHEDULES (Electric Utility) (Continued)

Title of Schedule (a)	Reference Page No (b)	Date Revised (c)	Remarks (d)
BALANCE SHEET SUPPORTING SCHEDULES (Liabilities and Other Credits) (Continued)			
Reconciliation of Reported Net Income with Taxable Income			
For Federal Income Taxes	261	Ed 12-96	
Assets Accrued, Prepaid and Charged During Year	262 - 263	Ed 12-96	
Accumulated Deferred Investment Tax Credits	266 - 267	Ed 12-89	
For Deferred Credits	269	Ed 12-88	
Accumulated Deferred Income Taxes -- Accelerated Amortization Property	272 - 273	Ed 12-96	
Accumulated Deferred Income Taxes -- Other Property	274 - 275	Ed 12-96	
Accumulated Deferred Income Taxes -- Other	276 - 277	Ed 12-96	
For Regulatory Liabilities	278	Ed 12-94	
INCOME ACCOUNT SUPPORTING SCHEDULES			
Electric Operating Revenues	300 - 301	Ed 12-96	
Costs of Electricity by Rate Schedules	304	Ed 12-95	
Costs of Resale	310 - 311	Ed 12-88	
Electric Operation and Maintenance Expenses	320 - 323	Ed 12-95	
Number of Electric Department Employees	323	Ed 12-93	
Purchased Power	326 - 327	Ed 12-95	
Transmission of Electricity for Others	328 - 330	Ed 12-90	
Transmission of Electricity by Others	332	Ed 12-90	
Other Miscellaneous General Expenses -- Electric	335	Ed 12-94	
Depreciation and Amortization of Electric Plant	336 - 337	Ed 12-95	
Particulars Concerning Certain Income Deduction and Interest Charges Accounts	340	Ed 12-87	
COMMON SECTION			
Laboratory Commission Expenses	350 - 351	Ed 12-96	
Research, Development and Demonstration Activities	352 - 353	Ed 12-87	
Distribution of Salaries and Wages	354 - 355	Ed 12-88	
Costs on Utility Plant and Expenses	356	Ed 12-87	
ELECTRIC PLANT STATISTICAL DATA			
Electric Energy Account	401	Rev 12-90	
Daily Peaks and Output	401	Rev 12-90	
Small Electric Generating Plant Statistics (Large Plants)	402 403	Rev 12-95	
Coal Electric Generating Plant Statistics (Large Plants)	406 - 407	Ed 12-89	
Hydro Electric Generating Plant Statistics (Large Plants)	408 - 409	Ed 12-88	
Other Generating Plant Statistics (Small Plants)	410 411	Ed 12-87	

LIST OF SCHEDULES (Electric Utility) (Continued)

Title of Schedule (a)	Reference Page No (b)	Date Revised (c)	Remarks (d)
ELECTRIC PLANT STATISTICAL DATA (Continued)			
Transmission Line Statistics	422 - 423	Ed 12-87	
Transmission Lines Added During Year	424 - 425	Ed 12-86	
Substations	426 - 427	Ed 12-96	
Electric Distribution Meters and Line Transformers	429	Ed 12-88	
Environmental Protection Facilities	430	Ed 12-88	
Environmental Protection Expenses	431	Ed. 12-88	
Footnote Data	450	Ed. 12-87	
<p>Stockholders' Reports Check appropriate box</p> <p><input type="checkbox"/> Four copies will be submitted</p> <p><input type="checkbox"/> No annual report to stockholders is prepared</p>			

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Name of Respondent	This Report Is <input type="checkbox"/> (1) An Original <input type="checkbox"/> (2) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
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GENERAL INFORMATION

Provide name and title of officer having custody of the general corporate books of account and address office where the general corporate books are kept, and address of the office where any other corporate books are kept, if different from that where the general corporate books are kept

Provide the name of the State under the laws of which respondent is incorporated, and date of incorporation. If incorporated under a special law, give reference to such law. If not incorporated, state that fact and give the type of organization and the date organized.

If at any time during the year the property of respondent was held by a receiver or trustee, give (a) name of receiver or trustee, (b) date such receiver or trustee took possession, (c) the authority by which receivership or trusteeship was created, and (d) date when possession by receiver or trustee ceased.

State the classes of utility and other services furnished by respondent during the year in each State in which respondent operated.

Have you engaged as the principal accountant to audit your financial statements an accountant who is not the principal accountant for your previous year's certified financial statements?

Yes . Enter the date when such independent accountant was initially engaged
 No

Name of Respondent	This Report Is (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
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CONTROL OVER RESPONDENT

1 If any corporation, business trust, or similar organization or combination of such organizations jointly held control over the respondent at end of year, state name of controlling corporation or organization, manner in which control was held, and extent of control. If control was in a holding company organization, show the chain of ownership or control to the main parent company or organization. If control was held by a trustee(s), state name of trustee(s), name of beneficiary or beneficiaries for whom trust was maintained, and purpose of the trust.

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Respondent	This Report Is (1) [] An Original (2) [] A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
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CORPORATIONS CONTROLLED BY RESPONDENT

Report below the names of all corporations, trusts, and similar organizations, controlled directly or indirectly by respondent at any time during year. If control ceased prior to end of year, give particulars (details) in a footnote

2 If control was by other means than a direct holding of voting rights, state in a footnote the manner in which control was held, naming any intermediaries involved

3 If control was held jointly with one or more other interests, state the fact in a footnote and name the other interests

DEFINITIONS

See the Uniform System of Accounts for a definition of control

Direct control is that which is exercised without intervention of an intermediary

Indirect control is that which is exercised by the intervention of an intermediary which exercises direct control

Joint control is that in which neither interest can exercise control or direct action without the consent

of the other, as where the voting control is equally divided between two holders, or each party holds a veto power over the other. Joint control may exist by mutual agreement or understanding between two or more parties who together have control within the meaning of the definition of control in the Uniform System of Accounts, regardless of the relative voting rights of each party

Name of Company Controlled (a)	Kind of Business (b)	Percent Voting Stock Owned (c)	Footnote Ref (d)

Name of Respondent	This Report Is (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
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OFFICERS

1 Report below the name, title and salary for each executive officer whose salary is \$50,000 or more. An "executive officer" of a respondent includes its president, secretary, treasurer, and vice president in charge of a principal business unit, division or function (such as sales, administration or finance), and any other person

who performs similar policymaking functions

2 If a change was made during the year in the incumbent of any position, show name and total remuneration of the previous incumbent, and the date the change in incumbency was made

Line No	Title (a)	Name of Officer (b)	Salary for Year (c)
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Name of Respondent	This Report Is (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
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DIRECTORS

1 Report below the information called for concerning each director of the respondent who held office at any time during the year. Include in column (a), abbreviated titles of the directors who are officers of the respondent

2 Designate members of the Executive Committee by a triple asterisk and the Chairman of the Executive Committee by a double asterisk

Name (and Title) of Director (a)	Principal Business Address (b)
Empty space for reporting	Empty space for reporting

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Name of Respondent	This Report Is (1) [] An Original (2) [] A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
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SECURITY HOLDERS AND VOTING POWERS

1 Give the names and addresses of the 10 security holders of the respondent who, at the date of the latest closing of the stock book or compilation of list of stockholders of the respondent, prior to the end of the year had the highest voting powers in the respondent, and state the number of votes which each would have had the right to cast on that date if a meeting were then in order. If any such holder held in trust, give in a footnote the known particulars of the trust (whether voting trust, etc.) duration of trust, and principal holders of beneficiary interests in the trust. If the stock book was not closed or a list of stockholders was not compiled within one year prior to the end of the year, or if since the previous compilation of a list of stockholders, some other class of security has become vested with voting rights, then show such 10 security holders as of the close of the year. Arrange the names of the security holders in the order of voting power, commencing with the highest. Show in column (a) the titles of officers and directors included in such list of 10 security holders.

2 If any security other than stock carries voting rights, explain in a footnote the circumstances whereby such security became vested with voting rights or give other important particulars (details) concerning the voting rights of such security. State whether voting rights are actual or contingent, if contingent, describe the contingency.

3 If any class or issue of security has any special privileges in the election of directors, trustees or managers, or in the determination of corporate action by any method, explain briefly in a footnote.

4 Furnish particulars (details) concerning any options, warrants, or rights outstanding at the end of the year for others to purchase securities of the respondent or any securities or other assets owned by the respondent, including prices, expiration dates, and other material information relating to exercise of the options, warrants, or rights. Specify the amount of such securities or assets so entitled to be purchased by any officer, director, associated company, or any of the ten largest security holders. This instruction is inapplicable to convertible securities or to any securities substantially all of which are outstanding in the hands of the general public where the options, warrants, or rights were issued on a prorata basis.

1 Give date of the latest closing of the stock book prior to end of year, and state the purpose of such closing	2 State the total number of votes cast at the latest general meeting prior to end of year for election of directors or the respondent and number of such votes cast by proxy	3 Give the date and place of such meeting
	Total	
	By proxy	

Line No	Name (Title) and Address of Security Holder (a)	VOTING SECURITIES			
		Total Votes (b)	Common Stock (c)	Preferred Stock (d)	Other (e)
4	TOTAL votes of all voting securities				
5	TOTAL number of security holders				
6	TOTAL votes of Security holders listed below				
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Name of Respondent	This Report Is (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
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SECURITY HOLDERS AND VOTING POWERS (Continued)

Name (Title) and Address of Security Holder (a)	Total Votes (b)	Common Stock (c)	Preferred Stock (d)	Other (e)

IMPORTANT CHANGES DURING THE YEAR

Give particulars (details) concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquiries. Each inquiry should be answered. Enter "none," "not applicable," or "NA" where applicable. If information which answers an inquiry is given elsewhere in the report, make a reference to the schedule in which it appears.

1 Changes in and important additions to franchise rights. Describe the actual consideration given therefor and state from whom the franchise rights were acquired. If acquired without the payment of consideration, state that fact.

2 Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies. Give names of companies involved, particulars concerning the transactions, name of the Commission authorizing the transaction, and reference to Commission authorization.

3 Purchase or sale of an operating unit or system. Give a brief description of the property, and of the transactions relating thereto, and reference to Commission authorization, if any was required. Give date journal entries called for by the Uniform system of Accounts were submitted to the Commission.

4 Important leaseholds (other than leaseholds for natural gas lands) that have been acquired or given, assigned or surrendered. Give effective dates, lengths of terms, names of parties, rents, and other conditions. State name of Commission authorizing lease and give reference to such authorization.

5 Important extension or reduction of transmission or distribution system. State territory added or relinquished and date operations began or ceased and give reference to Commission authorization, if any was required. State also the approximate number of customers added or lost and approximate annual revenues of each class of service. Each

natural gas company must also state major new continuing sources of gas made available to it from purchase development, purchase contract or otherwise, giving location and approximate total gas volumes available, period of contracts, and other parties to any such arrangements etc.

6 Obligations incurred as a result of issuance of securities or assumption of liabilities or guarantees including issuance of short-term debt and commercial paper having a maturity of one year or less. Give reference to FERC or State Commission authorization, as appropriate, and the amount of obligation or guarantee.

7 Changes in articles of incorporation or amendments to charter. Explain the nature and purpose of such changes or amendments.

8 State the estimated annual effect and nature of any important wage scale changes during the year.

9 State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.

10 Describe briefly any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder reported on page 106, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.

11 (Reserved)

12 If the important changes during the year relating to the respondent company appearing in the annual report to stockholders are applicable in every respect and furnish the data required by instructions 1 to 11 above, such notes may be included on this page.

PAGE 108 INTENTIONALLY LEFT BLANK
SEE PAGE 109 FOR REQUIRED INFORMATION

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Name of Respondent	This Report Is (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
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IMPORTANT CHANGES DURING THE YEAR (Continued)

Name of Respondent		This Report Is () [] An Original (2) [] A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)				
Line No	Title of Account (a)	Ref Page No (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
1	UTILITY PLANT			
2	Utility Plant (101 106, 114)	200 201		
3	Construction Work in Progress (107)	200 201		
4	TOTAL UTILITY PLANT (Enter Total of lines 2 and 3)			
5	(Less) Accum Prov for Depr Amort Depl (108, 111, 115)	200-201		
6	Net Utility Plant (Enter Total of line 4 Less 5)	-		
7	Nuclear Fuel (120 1-120 4, 120 6)	202-203		
8	(Less) Accum Prov for Amort of Nucl Assemblies (120 5)	202-203		
9	Net Nuclear Fuel (Enter Total of lines 7 Less 8)	-		
10	Net Utility Plant (Enter Total of lines 6 and 9)	-		
11	Utility Plant Adjustments (116)	122		
12	Gas Stored Underground-Noncurrent (117)	-		
13	OTHER PROPERTY AND INVESTMENTS			
14	Nonutility Property (121)	221		
15	(Less) Accum Prov for Depr and Amort (122)			
16	Investments in Associated Companies (123)	-		
17	Investment in Subsidiary Companies (123 1)	224-225		
18	(For Cost of Account 123 1, See Footnote Page 224, Line 42)	-		
19	Noncurrent Portion of Allowances	228 229		
20	Other Investments (124)			
21	Special Funds (125 128)	-		
22	TOTAL Other Property and Investments (Total of lines 14-17,19-21)			
23	CURRENT AND ACCRUED ASSETS			
24	Cash (131)	-		
25	Special Deposits (132-134)			
26	Working Fund (135)			
27	Temporary Cash Investments (136)	-		
28	Notes Receivable (141)			
29	Customer Accounts Receivable (142)	-		
30	Other Accounts Receivable (143)			
31	(Less) Accum Prov for Uncollectible Acct Credit (144)			
32	Notes Receivable from Associated Companies (145)			
33	Accounts Receivable from Assoc Companies (146)			
34	Fuel Stock (151)	227		
35	Fuel Stock Expenses Undistributed (152)	227		
36	Residuals (Elec) and Extracted Products (153)	227		
37	Plant Materials and Operating Supplies (154)	227		
38	Merchandise (155)	227		
39	Other Materials and Supplies (156)	227		
40	Nuclear Materials Held for Sale (157)	202-203/227		
41	Allowances (158 1 and 158.2)	228-229		
42	(Less) Noncurrent Portion of Allowances	228-229		
43	Stores Expense Undistributed (163)	-		
44	Gas Stored Underground Current (164 1)	-		
45	Liquefied Natural Gas Stored and Held for Processing (164 2-164 3)			
46	Prepayments (165)			
47	Advances for Gas (166-167)	-		
48	Interest and Dividends Receivable (171)			
49	Rents Receivable (172)			
50	Accrued Utility Revenues (173)			
51	Miscellaneous Current and Accrued Assets (174)			
52	TOTAL Current and Accrued Assets (Enter Total of lines 24 thru 51)			

of Respondent	This Report Is (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, YF)	Year of Report Dec 31, 19
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COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS) (Continued)

Title of Account (a)	Ref Page No (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
DEFERRED DEBITS			
Amortized Debt Expenses (181)	-		
Extraordinary Property Losses (182 1)	230		
Unrecovered Plant and Regulatory Study Costs (182 2)	230		
Other Regulatory Assets (182.3)	232		
Prelim Survey and Investigation Charges (Electric) (183)	-		
Prelim Sur and Invest Charges (Gas) (183 1, 183 2)	-		
Clearing Accounts (184)	-		
Temporary Facilities (185)	-		
Miscellaneous Deferred Debits (186)	233		
Def Losses from Disposition of Utility Plt (187)	-		
Research, Devel and Demonstration Expend (188)	352-353		
Amortized Loss on Reacquired Debt (189)	-		
Accumulated Deferred Income Taxes (190)	234		
Unrecovered Purchased Gas Costs (191)	-		
TOTAL Deferred Debits (Enter Total of lines 54 thru 67)			
TOTAL Assets and other Debits (Enter Total of lines 10,11,12, 52,52, and 68)			

Name of Respondent		This Report Is (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)				
Line No	Title of Account (a)	Ref. Page No (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
1	PROPRIETARY CAPITAL			
2	Common Stock Issued (201)	250-251		
3	Preferred Stock Issued (204)	250-251		
4	Capital Stock Subscribed (202, 205)	252		
5	Stock Liability for Conversion (203, 206)	252		
6	Premium on Capital Stock (207)	252		
7	Other Paid in Capital (208-211)	253		
8	Installments Received on Capital Stock (212)	252		
9	(Less) Discount on Capital Stock (213)	254		
10	(Less) Capital Stock Expense (214)	254		
11	Retained Earnings (215, 215 1, 216)	118-119		
12	Unappropriated Undistributed Subsidiary Earnings (216 1)	118-119		
13	(Less) Reacquired Capital Stock (217)	250-251		
14	TOTAL Proprietary Capital (Enter Total of Lines 2 thru 13)	-		
15	LONG-TERM DEBT			
16	Bonds (221)	256-257		
17	(Less) Reacquired Bonds (222)	256-257		
18	Advances from Associated Companies (223)	256-257		
19	Other Long-Term Debt (224)	256-257		
20	Unamortized Premium on Long-Term Debt (225)	-		
21	(Less) Unamortized Discount on Long-Term Debt Debit (226)	-		
22	TOTAL Long Term Debt (Enter Total of Lines 16 thru 21)	-		
23	OTHER NONCURRENT LIABILITIES			
24	Obligations Under Capital Leases Noncurrent (227)	-		
25	Accumulated Provision for Property Insurance (228 1)	-		
26	Accumulated Provision for Injuries and Damages (228 2)	-		
27	Accumulated Provision for Pensions and Benefits (228 3)	-		
28	Accumulated Miscellaneous Operating Provisions (228 4)	-		
29	Accumulated Provision for Rate Refunds (229)	-		
30	TOTAL OTHER Noncurrent Liabilities (Enter Total of Lines 24 thru 29)			
31	CURRENT AND ACCRUED LIABILITIES			
32	Notes Payable (231)	-		
33	Accounts Payable (232)	-		
34	Notes Payable to Associated Companies (233)	-		
35	Account Payable to Associated Companies (234)	-		
36	Customer Deposits (235)	-		
37	Taxes Accrued (236)	262 263		
38	Interest Accrued (237)			
39	Dividends Declared (238)			
40	Matured Long-Term Debt (239)	-		
41	Matured Interests (240)	-		
42	Tax Collections Payable (241)			
43	Miscellaneous Current and Accrued Liabilities (242)			
44	Obligations Under Capital Leases Current (243)			
45	TOTAL Current and Accrued Liabilities(Enter Total of lines 32 thru 44)			

STATEMENT OF INCOME FOR THE YEAR

1 Report amounts for accounts 412 and 413, Revenue and Expenses from Utility Plant Leased to Others, in another Utility column (i,k,m,o) in a similar manner to a utility department Spread the amount(s) over lines 02 thru 24 as appropriate Include these amounts in columns (c) and (d) totals

2 Report amounts in account 414, Other Utility Operating Income, in the same manner as accounts 412 and 413 above

3 Report data for lines 7,9, and 10 for Natural Gas companies using accounts 404 1, 404 2, 404 3, 407 1 and 407.2

4 Use pages 122-123 for important notes regarding the statement of income or any account thereof

5 Give concise explanations concerning unsettled rate proceedings where a contingency exists such that refi of a material amount may need to be made to the utility's customers or which may result in a material refund to the utility with respect to power or gas purchases State for each year affected the gross revenues or costs to which the contingency relates and the tax effects together with an explanation of the major factors which affect the rights of the utility to retain such revenues or recover amounts paid with respect to power and gas purchases

6 Give concise explanations concerning significant amounts of any refunds made or received during the year

Line No	Account (a)	(Ref) Page No (b)	TOTAL	
			Current Year (c)	Previous Year (d)
1	UTILITY OPERATING INCOME			
2	Operating Revenues (400)	300-301		
3	Operating Expenses			
4	Operation Expenses (401)	320-323		
5	Maintenance Expenses (402)	320-323		
6	Depreciation Expense (403)	336-337		
7	Amort & Depl of Utility Plant (404-405)	336-337		
8	Amort of Utility Plant Acq Adj (406)	336-337		
9	Amort of Property Losses, Unrecovered Plant and Regulatory Study Costs (407)			
10	Amort of Conversion Expenses (407)			
11	Regulatory Debits (407 3)			
12	(Less) Regulatory Credits (407 4)			
13	Taxes Other Than Income Taxes (408 1)	262-263		
14	Income Taxes - Federal (409 1)	262-263		
15	- Other (409 1)	262-263		
16	Provision for Deferred Income Taxes (410 1)	234,272-277		
17	(Less) Provision for Deferred Income Taxes - Cr (411 1)	234,272-277		
18	Investment Tax Credit Adj - Net (411 4)	266		
19	(Less) Gains from Disp of Utility Plant (411 6)			
20	Losses from Disp of Utility Plant (411 7)			
21	(Less) Gains from Disposition of Allowances (411 8)			
22	Losses from Disposition of Allowances (411 9)			
23	TOTAL Utility Operating Expenses (Enter Total of Lines 4 thru 22)			
24	Net Utility Operating Income (Enter Total of line 2 less 23) (Carry forward to page 117, line 25)			

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Name of Respondent	This Report Is (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
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STATEMENT OF INCOME FOR THE YEAR (Continued)

resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purchases, and a summary of the adjustments made to balance sheet, income, and expense accounts

7 If any notes appearing in the report to stockholders are applicable to this Statement of Income, such notes may be included on pages 122-123

8 Enter on pages 122-123 a concise explanation of only those changes in accounting methods made during the year

which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year Also give the approximate dollar effect of such changes

9 Explain in a footnote if the previous year's figures are different from that reported in prior reports

10 If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles, lines 2 to 23, and report the information in the blank space on pages 122-123 or in a footnote

ELECTRIC UTILITY		GAS UTILITY		OTHER UTILITY		Line No
Current Year (e)	Previous Year (f)	Current Year (g)	Previous Year (h)	Current Year (i)	Previous Year (j)	
						1
						2
						3
						4
						5
						6
						7
						8
						9
						10
						11
						12
						13
						14
						15
						16
						17
						18
						19
						20
						21
						22
						23
						24

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STATEMENT OF INCOME FOR THE YEAR (Continued)

Line No	OTHER UTILITY		OTHER UTILITY		OTHER UTILITY	
	Current Year (k)	Previous Year (l)	Current Year (m)	Previous Year (n)	Current Year (o)	Previous (p)
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						

STATEMENT OF INCOME FOR THE YEAR (Continued)

Account (a)	(Ref) Page No (b)	TOTAL	
		Current Year (c)	Previous Year (d)
Net Utility Operating Income (Carried forward from page 114)	--		
Other Income and Deductions			
Other Income			
Nonutility Operating Income			
Revenues From Merchandising, Jobbing and Contract Work (415)			
(Less) Costs and Exp of Merchandising, Job & Contract Work (416)			
Revenues From Nonutility Operations (417)			
(Less) Expenses of Nonutility Operations (417 1)			
Nonoperating Rental Income (418)			
Equity in Earnings of Subsidiary Companies (418 1)	119		
Interest and Dividend Income (419)			
Allowance for Other Funds Used During Construction (419 1)			
Miscellaneous Nonoperating Income (421)			
Gain on Disposition of Property (421 1)			
TOTAL Other Income (Enter Total of lines 29 thru 38)			
Other Income Deductions			
Loss on Disposition of Property (421 2)			
Miscellaneous Amortization (425)	340		
Miscellaneous Income Deductions (426 1-426.5)	340		
TOTAL Other Income Deductions (Total of lines 41 thru 43)			
Taxes Applicable to Other Income and Deductions			
Taxes Other Than Income Taxes (408 2)	262-263		
Income Taxes - Federal (409.2)	262-263		
Income Taxes - Other (409 2)	262-263		
Provision for Deferred Inc Taxes (410 2)	234,272-277		
(Less) Provision for Deferred Income Taxes Cr (411 2)	234,272 277		
Investment Tax Credit Adj - Net (411 5)			
(Less) Investment Tax Credits (420)			
TOTAL Taxes on Other Income and Deduct (Total of 46 thru 52)			
Net Other Income and Deductions (Enter Total of lines 39, 44, 53)			
Interest Charges			
Interest on Long-Term Debt (427)			
Amort of Debt Disc and Expense (428)			
Amortization of Loss on Reacquired Debt (428 1)			
(Less) Amort of Premium on Debt - Credit (429)			
(Less) Amortization of Gain on Reacquired Debt - Credit (429 1)			
Interest on Debt to Assoc Companies (430)	340		
Other Interest Expense (431)	340		
(Less) Allowance for Borrowed Funds Used During Construction-Cr (432)			
Net Interest Charges (Enter Total of lines 56 thru 63)			
Income Before Extraordinary Items (Total of lines 25, 54 and 64)			
Extraordinary Items			
Extraordinary Income (434)			
(Less) Extraordinary Deductions (435)			
Net Extraordinary Items (Enter Total of line 67 less line 68)			
Income Taxes Federal and Other (409 3)	262-263		
Extraordinary Items After Taxes (Enter Total of line 69 less line 70)			
Net Income (Enter Total of lines 65 and 71)			

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STATEMENT OF RETAINED EARNINGS FOR THE YEAR

1 Report all changes in appropriated retained earnings, unappropriated retained earnings, and unappropriated undistributed subsidiary earnings for the the year

2 Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436 - 439 inclusive) Show the contra primary account affected in column (b)

3 State the purpose and amount of each reservation or appropriation of retained earnings

4 List first account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings follow by credit, then debit items in that order

5 Show dividends for each class and series of capital stock

6 Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings

7 Explain in a footnote the basis for determining the amount reserved or appropriated If such reservation or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated

8 If any notes appearing in the report to stockholders are applicable to this statement, include them on pages 122-123

Line No	Item (a)	Contra Primary Account Affected (b)	Amount (c)
	UNAPPROPRIATED RETAINED EARNINGS (Account 216)		
1	Balance - Beginning of Year		
2	Changes (Identify by prescribed retained earnings accounts)		
3	Adjustments to Retained Earnings (Account 439)		
4	Credit		
5	Credit		
6	Credit		
7	Credit		
8	Credit		
9	TOTAL Credits to Retained Earnings (Acc 439) (Total of lines 4 thru 8)		
10	Debit		
11	Debit		
12	Debit		
13	Debit		
14	Debit		
15	TOTAL Debits to Retained Earnings (Acc 439) (Total of lines 10 thru 14)		
16	Balance Transferred from Income (Account 433 less Account 418 1)		
17	Appropriations of Retained Earnings (Account 436)		
18			
19			
20			
21			
22	TOTAL Appropriations of Retained Earnings (Acc 436) (Total of lines 18 thru 21)		
23	Dividends Declared - Preferred Stock (Account 437)		
24			
25			
26			
27			
28			
29	TOTAL Dividends Declared - Preferred Stock (Acct 437) (Total of lines 24 thru 28)		
30	Dividends Declared - Common Stock (Account 438)		
31			
32			
33			
34			
35			
36	TOTAL Dividends Declared - Common Stock (Acct 438) (Total of lines 31 thru 35)		
37	Transfers from Acct 216 1, Unappropriated Undistributed Subsidiary Earnings		
38	Balance - End of Year (Total of lines 01, 09, 15, 16, 22, 29, 36, and 37)		

Name of Respondent	This Report Is (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 19
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STATEMENT OF RETAINED EARNINGS FOR THE YEAR (Continued)

Item (a)	Amount (b)
<p align="center">APPROPRIATED RETAINED EARNINGS (Account 215)</p> <p>State balance and purpose of each appropriated retained earnings amount at end of year and give accounting entries for any applications of appropriated retained earnings during the year</p>	
<p>TOTAL Appropriated Retained Earnings (Account 215)</p>	
<p align="center">APPROPRIATED RETAINED EARNINGS-AMORTIZATION RESERVE, FEDERAL (Account 215 1)</p> <p>State below the total amount set aside through appropriations of retained earnings, as of the end of the year, in compliance with the provisions of Federally granted hydroelectric project licenses held by the respondent. If any reductions or changes other than the normal annual credits hereto have been made during the year, explain such items in a footnote</p>	
<p>TOTAL Appropriated Retained Earnings Amortization Reserve, Federal (Account 215 1)</p>	
<p>TOTAL Appropriated Retained Earnings (Account 215, 215 1) (Enter total of lines 45 and 46)</p>	
<p>TOTAL Retained Earnings (Account 215, 215 1, 216) (Enter total of lines 38 and 47)</p>	
<p align="center">UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS (ACCOUNT 216 1)</p>	
<p>Balance - Beginning of Year (Debit or Credit)</p>	
<p>Equity in Earnings for Year (Credit) (Account 418 1)</p>	
<p>(Less) Dividends Received (Debit)</p>	
<p>Other Changes (Explain)</p>	
<p>Balance - End of Year (Total of Lines 49 Thru 52)</p>	

STATEMENT OF CASH FLOWS

<p>1 If the notes to the cash flow statement in the respondents annual stockholders report are applicable to this statement, such notes should be included in pages 122-123 Information about noncash investing and financing activities should be provided on pages 122-123 Provide also on pages 122-123 a reconciliation between "Cash and Cash Equivalents at End of Year" with related amounts on the balance sheet</p>	<p>2 Under "Other" specify significant amounts and group others</p> <p>3 Operating Activities - Other Include gains and losses pertaining to operating activities only Gains and losses pertaining to investing and financing activities should be reported in those activities Show on pages 122-123 the amount of interest paid (net of amounts capitalized) and income taxes paid</p>
--	--

Line No	Description (See Instruction No 5 for Explanation of Codes) (a)	Amounts (b)
1	Net Cash Flow from Operating Activities	
2	Net Income (Line 72(c) on page 117)	
3	Noncash Charges (Credits) to Income	
4	Depreciation and Depletion	
5	Amortization of (Specify)	
6		
7		
8	Deferred Income Taxes (Net)	
9	Investment Tax Credit Adjustment (Net)	
10	Net (Increase) Decrease in Receivables	
11	Net (Increase) Decrease in Inventory	
12	Net (Increase) Decrease in Allowances Inventory	
13	Net Increase (Decrease) in Payables and Accrued Expenses	
14	Net (Increase) Decrease in Other Regulatory Assets	
15	Net Increase (Decrease) in Other Regulatory Liabilities	
16	(Less) Allowance for Other Funds Used During Construction	
17	(Less) Undistributed Earnings from Subsidiary Companies	
18	Other	
19		
20		
21		
22	Net Cash Provided by (Used in) Operating Activities (Total of lines 2 thru 21)	
23		
24	Cash Flows from Investment Activities	
25	Construction and Acquisition of Plant (Including Land)	
26	Gross Additions to Utility Plant (less nuclear fuel)	
27	Gross Additions to Nuclear Fuel	
28	Gross Additions to Common Utility Plant	
29	Gross Additions to Nonutility Plant	
30	(Less) Allowance for Other Funds Used During Construction	
31	Other	
32		
33		
34	Cash Outflows for Plant (Total of lines 26 thru 33)	
35		
36	Acquisition of Other Noncurrent Assets (d)	
37	Proceeds from Disposal of Noncurrent Assets (d)	
38		
39	Investments in and Advances to Assoc and Subsidiary Companies	
40	Contributions and Advances from Assoc and Subsidiary Companies	
41	Disposition of Investments in (and Advances to)	
42	Associated and Subsidiary Companies	
43		
44	Purchase of Investment Securities (a)	
45	Proceeds from Sales of Investment Securities (a)	

STATEMENT OF CASH FLOWS (Continued)

<p>Investing Activities Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed on pages 122-123. Do not include on this statement the dollar amount of leases capitalized per US of A General Instruction 20, instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost on pages 122-123.</p>	<p>5 Codes used (a) Net proceeds or payments (b) Bonds, debentures and other long term debt (c) Include commercial paper (d) Identify separately such items as investments, fixed assets, intangibles, etc</p> <p>6 Enter on pages 122-123 clarifications and explanations</p>
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Description (See Instruction No 5 for Explanation of Codes) (a)	Amounts (b)
Loans Made or Purchased	
Collections on Loans	
Net (Increase) Decrease in Receivables	
Net (Increase) Decrease in Inventory	
Net (Increase) Decrease in Allowances Held for Speculation	
Net Increase (Decrease) in Payables and Accrued Expenses	
Other	
Net Cash Provided by (Used in) Investing Activities (Total of lines 34 thru 55)	
Cash Flows from Financing Activities	
Proceeds from Issuance of	
Long - Term Debt (b)	
Preferred Stock	
Common Stock	
Other	
Net Increase in Short - Term Debt (c)	
Other	
Cash Provided by Outside Sources (Total of lines 61 thru 69)	
Payments for Retirement of	
Long term Debt (b)	
Preferred Stock	
Common Stock	
Other	
Net Decrease in Short-Term Debt (c)	
Dividends on Preferred Stock	
Dividends on Common Stock	
Net Cash provided by (Used in) Financing Activities (Total of lines 70 thru 81)	
Net Increase (Decrease) in Cash and Cash Equivalents (Total of lines 22, 57, and 83)	
Cash and Cash Equivalents at Beginning of Year	
Cash and Cash Equivalents at End of Year	

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Name of Respondent	This Report Is (1) [] An Original (2) [] A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
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NOTES TO FINANCIAL STATEMENTS

1 Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Cash Flows, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement.

2 Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.

3 For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and plan of disposition contemplated, giving references to Commission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.

4 Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.

5 Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.

6 If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 114-121, such notes may be included herein.

PAGE 122 INTENTIONALLY LEFT BLANK
SEE PAGE 123 FOR REQUIRED INFORMATION

e of Respondent	This Report Is (1) [] An Original (2) [] A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
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NOTES TO FINANCIAL STATEMENTS (Continued)

Name of Respondent		This Report Is (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION				
Line No	Item (a)	Total (b)	Electric (c)	
1	UTILITY PLANT			
2	In Service			
3	Plant in Service (Classified)			
4	Property Under Capital Leases			
5	Plant Purchased or Sold			
6	Completed Construction not Classified			
7	Experimental Plant Unclassified			
8	TOTAL (Enter Total of lines 3 thru 7)			
9	Leased to Others			
10	Held for Future Use			
11	Construction Work in Progress			
12	Acquisition Adjustments			
13	TOTAL Utility Plant (Enter total of lines 8 thru 12)			
14	Accum Prov for Depr, Amort, & Depl			
15	Net Utility Plant (Enter Total of line 13 less 14)			
16	DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION			
17	In Service			
18	Depreciation			
19	Amort and Depl of Producing Natural Gas Land and Land Rights			
20	Amort of Underground Storage Land and Land Rights			
21	Amort of Other Utility Plant			
22	TOTAL In Service (Enter Total of lines 18 thru 21)			
23	Leased to Others			
24	Depreciation			
25	Amortization and Depletion			
26	TOTAL Leased to Others (Enter Total of lines 24 and 25)			
27	Held for Future Use			
28	Depreciation			
29	Amortization			
30	TOTAL Held for Future Use (Enter Total of lines 28 and 29)			
31	Abandonment of Leases (Natural Gas)			
32	Amort of Plant Acquisition Adj			
33	TOTAL Accumulated Provisions (Should agree with line 14 above) (Enter Total of lines 22,26,30,31 and 32)			

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**SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS
FOR DEPRECIATION AMORTIZATION AND DEPLETION**

Gas (d)	Other(Specify) (e)	Other(Specify) (f)	Other(Specify) (g)	Common (h)	Line No.
					1
					2
					3
					4
					5
					6
					7
					8
					9
					10
					11
					12
					13
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					17
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					31
					32
					33

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Name of Respondent		This Report Is {1} [] An Original {2} [] A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
NUCLEAR FUEL MATERIALS (Accounts 120 1 through 120.6 and 157)				
1 Report below the costs incurred for nuclear fuel materials in process of fabrication, on hand, in reactor, and in cooling, owned by the respondent		2 If the nuclear fuel stock is obtained under leasing arrangements, attach a statement showing the amount of nuclear fuel leased, the quantity used		and quantity on hand, and the costs incurred under such leasing arrangements
Line No	Description of item (a)	Balance Beginning of Year (b)	Changes During Year	
			Additions (c)	
1	Nuclear Fuel in process of Refinement, Conversion, Enrichment & Fabrication (120 1)			
2	Fabrication			
3	Nuclear Materials			
4	Allowance for Funds Used during Construction			
5	(Other Overhead Construction Costs)			
6	SUBTOTAL (Enter Total of lines 2 thru 5)			
7	Nuclear Fuel Materials and Assemblies			
8	In Stock (120 2)			
9	In Reactor (120 3)			
10	SUBTOTAL (Enter Total of lines 8 thru 9)			
11	Spent Nuclear Fuel (120 4)			
12	Nuclear Fuel Under Capital Leases (120 6)			
13	(Less) Accum Prov for Amortization of Nuclear Fuel Assemblies (120 5)			
14	TOTAL Nuclear Fuel Stock (Enter Total lines 6, 10, 11, and 12 less line 13)			
15	Estimated net Salvage Value of Nuclear Materials in line 9			
16	Estimated net Salvage Value of Nuclear Materials in line 11			
17	Estimated net Salvage Value of Nuclear Materials in Chemical Processing			
18	Nuclear Materials held for Sale (157)			
19	Uranium			
20	Plutonium			
21	Other			
22	TOTAL Nuclear Materials held for Sale Enter Total of lines 19, 20, and 21			

Name of Respondent	This Report Is (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
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NUCLEAR FUEL MATERIALS (Accounts 120 1 through 120 6 and 157)(Continued)

Changes During the Year		Balance End of Year (f)	Line No
Amortization (d)	Other Reductions (Explain in a footnote) (e)		
			1
			2
			3
			4
			5
			6
			7
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			22

777

ELECTRIC PLANT IN SERVICE (Accounts 101,102,103,and 106)

1 Report below the original cost of electric plant in service according to the prescribed accounts

2 In addition to Account 101, Electric Plant in Service (Classified), this page and the next include Account 102, Electric Plant Purchased or Sold, Account 103, Experimental Electric Plant Unclassified, and Account 106, Completed Construction Not Classified-Electric

3. Include in column (c) or (d), as appropriate, corrections of additions and retirements for the current or preceding year

4 Enclose in parentheses credit adjustments of plant accounts to indicate the negative effect of such accounts

5 Classify Account 106 according to prescribed accounts, on an estimated basis if necessary, and include the entries in column (c) Also to be included in column (c) entries for reversals of tentative distributions of prior year reported in column (b) Likewise, if the respondent has a significant amount of plant retirements which have not been classified to primary accounts at the end of the year, include in column (d) a tentative distribution of such retirements, on an estimated basis, with appropriate contribution to the account for accumulated depreciation provision Include also in column(d) reversals of tentative distributions of prior year of unclassified retirements Show in a footnote the account distributions of these tentative classifications in columns (c) and (d), including the

Line No	Account (a)	Balance at Beginning of Year (b)	Addition (c)
1	1 INTANGIBLE PLANT		
2	(301) Organization		
3	(302) Franchises and Consents		
4	(303) Miscellaneous Intangible Plant		
5	TOTAL Intangible Plant (Enter Total of lines 2, 3, and 4)		
6	2 PRODUCTION PLANT		
7	A Steam Production Plant		
8	(310) Land and Land Rights		
9	(311) Structures and Improvements		
10	(312) Boiler Plant Equipment		
11	(313) Engines and Engine-Driven Generators		
12	(314) Turbogenerator Units		
13	(315) Accessory Electric Equipment		
14	(316) Misc Power Plant Equipment		
15	TOTAL Steam Production Plant (Enter Total of lines 8 thru 14)		
16	B Nuclear Production Plant		
17	(320) Land and Land Rights		
18	(321) Structures and Improvements		
19	(322) Reactor Plant Equipment		
20	(323) Turbo generator Units		
21	(324) Accessory Electric Equipment		
22	(325) Misc Power Plant Equipment		
23	TOTAL Nuclear Production Plant (Enter Total of lines 17 thru 22)		
24	C Hydraulic Production Plant		
25	(330) Land and Land Rights		
26	(331) Structures and Improvements		
27	(332) Reservoirs, Dams, and Waterways		
28	(333) Water Wheels, Turbines, and Generators		
29	(334) Accessory Electric Equipment		
30	(335) Misc Power Plant Equipment		
31	(336) Roads, Railroads, and Bridges		
32	TOTAL Hydraulic Production Plant (Enter Total of lines 25 thru 31)		
33	D Other Production Plant		
34	(340) Land and Land Rights		
35	(341) Structures and Improvements		
36	(342) Fuel Holders, Products, and Accessories		
37	(343) Prime Movers		
38	(344) Generators		
39	(345) Accessory Electric Equipment		

of Respondent	This Report Is (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
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ELECTRIC PLANT IN SERVICE (Accounts 101,102,103,and 106)(Continued)

Results of the prior years tentative account distributions of the amounts. Careful observance of the above instructions the texts of Accounts 101 and 106 will avoid serious omissions of the reported amount of respondent's plant actually in service at end of year

1. Show in column (f) reclassifications or transfers within any plant accounts. Include also in column(f) the additions and deductions of primary account classifications arising from the distribution of amounts initially recorded in Account 102. In making the clearance of Account 102, include in column (e) amounts with respect to accumulated provision for depreciation, acquisition adjustments, etc., and show in col-

umn (f) only the offset to the debits or credits distributed in column (f) to primary account classifications

7 For Account 399, state the nature and use of plant included in this account and if substantial in amount submit a supplementary statement showing subaccount classification of such plant conforming to the requirements of these pages

8 For each amount comprising the reported balance and changes in Account 102, state the property purchased or sold, name of vendor or purchaser, and date of transaction. If proposed journal entries have been filed with the Commission as required by the Uniform System of Accounts, give also date of such filing

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)	Line No
				1
			(301)	2
			(302)	3
			(303)	4
				5
				6
				7
			(310)	8
			(311)	9
			(312)	10
			(313)	11
			(314)	12
			(315)	13
			(316)	14
				15
				16
			(320)	17
			(321)	18
			(322)	19
			(323)	20
			(324)	21
			(325)	22
				23
				24
			(330)	25
			(331)	26
			(332)	27
			(333)	28
			(334)	29
			(335)	30
			(336)	31
				32
				33
			(340)	34
			(341)	35
			(342)	36
			(343)	37
			(344)	38
			(345)	39

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Name of Respondent		This Report Is (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
ELECTRIC PLANT IN SERVICE (Accounts 101, 102, 103, and 106) (Continued)				
Line No	Account (a)	Balance at Beginning of Year (b)	Additions (c)	
40	(346) Misc Power Plant Equipment			
41	TOTAL Other Prod Plant (Enter Total of lines 34 thru 40)			
42	TOTAL Prod Plant (Enter Total of lines 15, 23, 32, and 41)			
43	3 TRANSMISSION PLANT			
44	(350) Land and Land Rights			
45	(352) Structures and Improvements			
46	(353) Station Equipment			
47	(354) Towers and Fixtures			
48	(355) Poles and Fixtures			
49	(356) Overhead Conductors and Devices			
50	(357) Underground Conduit			
51	(358) Underground Conductors and Devices			
52	(359) Roads and Trails			
53	TOTAL Transmission Plant (Enter Total of lines 44 thru 52)			
54	4 DISTRIBUTION PLANT			
55	(360) Land and Land Rights			
56	(361) Structures and Improvements			
57	(362) Station Equipment			
58	(363) Storage Battery Equipment			
59	(364) Poles, Towers, and Fixtures			
60	(365) Overhead Conductors and Devices			
61	(366) Underground Conduit			
62	(367) Underground Conductors and Devices			
63	(368) Line Transformers			
64	(369) Services			
65	(370) Meters			
66	(371) Installations on Customer Premises			
67	(372) Leased Property on Customer Premises			
68	(373) Street Lighting and Signal Systems			
69	TOTAL Distribution Plant (Enter Total of lines 55 thru 68)			
70	5 GENERAL PLANT			
71	(389) Land and Land Rights			
72	(390) Structures and Improvements			
73	(391) Office Furniture and Equipment			
74	(392) Transportation Equipment			
75	(393) Stores Equipment			
76	(394) Tools, Shop and Garage Equipment			
77	(395) Laboratory Equipment			
78	(396) Power Operated Equipment			
79	(397) Communication Equipment			
80	(398) Miscellaneous Equipment			
81	SUBTOTAL (Enter Total of lines 71 thru 80)			
82	(399) Other Tangible Property			
83	TOTAL General Plant (Enter Total of lines 81 and 82)			
84	TOTAL (Accounts 101 and 106) (lines 5, 15, 23, 32, 41, 53, 69, 83)			
85	(102) Electric Plant Purchased (See Instr 8)			
86	(Less) (102) Electric Plant Sold (See Instr 8)			
87	(103) Experimental Plant Unclassified			
88	TOTAL Electric Plant in Service (Enter Total of lines 84 thru 87)			

of Respondent		This Report Is (1) [] An Original (2) [] A Resubmission		Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
ELECTRIC PLANT IN SERVICE (Accounts 101,102,103,and 106)(Continued)					
Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of year (g)		Line No.
				(346)	40
					41
					42
					43
				(350)	44
				(352)	45
				(353)	46
				(354)	47
				(355)	48
				(356)	49
				(357)	50
				(358)	51
				(359)	52
					53
					54
				(360)	55
				(361)	56
				(362)	57
				(363)	58
				(364)	59
				(365)	60
				(366)	61
				(367)	62
				(368)	63
				(369)	64
				(370)	65
				(371)	66
				(372)	67
				(373)	68
					69
					70
				(389)	71
				(390)	72
				(391)	73
				(392)	74
				(393)	75
				(394)	76
				(395)	77
				(396)	78
				(397)	79
				(398)	80
					81
				(399)	82
					83
					84
				(102)	85
					86
				(103)	87
					88

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Name of Respondent Generating Company	This Report Is (1) <input type="checkbox"/> An Original (2) <input checked="" type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 1996
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ELECTRIC PLANT LEASED TO OTHERS (Account 104)

1 Report below the information called for concerning electric plant leased to others. 2 In column (c) give the date of Commission authorization of the lease of electric plant to others.

Name of Lessee (Designate associated companies with a double asterisk) (a)	Description of Property Leased (b)	Commission Author- ization (c)	Expiration Date of Lease (d)	Balance at End of Year (e)
TOTAL				

782

ELECTRIC PLANT HELD FOR FUTURE USE (Account 105)

1 Report separately each property held for future use at future use, give in column (a), in addition to other required information, the date that utility use of such property discontinued, and the date the original cost was transferred to Account 105

2 For property having an original cost of \$ 250,000 or more previously used in utility operations, now held for

Line No	Description and Location of Property (a)	Date Originally Included in This Account (b)	Date Expected to Be Used in Utility Service (c)	Balance at End of Year (d)
1	Land and Rights			
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21	Other Property			
22				
23				
24				
25				
26				
27				
28				
29				
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31				
32				
33				
34				
35				
36				
37				
38				
39				
40				
41				
42				
43				
44				
45				
46				
47	TOTAL			

Name of Respondent AEP Generating Company	This Report Is (1) <input type="checkbox"/> An Original (2) <input checked="" type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 1996
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CONSTRUCTION WORK IN PROGRESS--ELECTRIC (Account 107)

1 Report below descriptions and balances at end of year Development, and Demonstration (see Account 107 of the
of projects in process of construction (107) Uniform System of Accounts)

2 Show items relating to "research, development, and 3 Minor projects (5% of the Balance End of the Year
demonstration" projects last, under a caption Research, Account 107 or \$100,000, whichever is less) may be grouped

Line No	Description of Project (a)	Construction Work in Progress--Electric (Account 107) (b)
1		
2		
3		
4		
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36		
37		
38		
39		
40		
41		
42		
43	TOTAL	

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Name of Respondent Generating Company	This Report Is (1) <input type="checkbox"/> An Original (2) <input checked="" type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 1996
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CONSTRUCTION OVERHEADS-ELECTRIC

1 List in column (a) the kinds of overheads according to the titles used by the respondent. Charges for outside professional services for engineering fees and management or supervision fees capitalized should be shown as separate items.

2 On page 218 furnish information concerning construction overheads.

3 A respondent should not report "none" to the page if no overhead apportionments are made, but rather should explain on page 218 the accounting procedures, employed and the amounts of engineering, supervision and administrative costs, etc which are directly charged to construction.

4 Enter on this page engineering, supervision, administrative, and allowance for funds used during construction, etc, which are first assigned to a blanket work order and then prorated to construction jobs.

Description of Overhead (a)	Total Amount Charged for the Year (b)
TOTAL	

785

GENERAL DESCRIPTION OF CONSTRUCTION OVERHEAD PROCEDURE

1 For each construction overhead explain (a) the nature and extent of work, etc the overhead charges are intended to cover, (b) the general procedure for determining the amount capitalized, (c) the method of distribution to construction jobs, (d) whether different rates are applied to different types of construction, (e) basis of differentiation in rates for different types of construction, and (f) whether the overhead is directly or indirectly assigned

2 Show below the computation of allowance for funds used during construction rates, in accordance with provisions of Electric Plant Instructions 3(17) of the U.S. of A

3 Where a net-of-tax rate for borrowed funds is used show the appropriate tax effect adjustment to the computations below in a manner that clearly indicates the amount of reduction in the gross rate for tax effects

COMPUTATION OF ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION RATES

For line 1(5), column (d) below, enter the rate granted in the last rate proceeding. If such is not available, use the average rate earned during the preceding three years

1 Components of Formula (Derived from actual book balances and actual cost rates)

Line No	Title (a)	Amount (b)	Capitalization Ratio(Percent) (c)	Cost Rate Percentage (d)
(1)	Average Short-Term Debt	S		
(2)	Short-Term Interest			s
(3)	Long-Term Debt	D		d
(4)	Preferred Stock	P		p
(5)	Common Equity	C		c
(6)	Total Capitalization		100%	
(7)	Average Construction Work in Progress Balance	W		

2 Gross Rate for Borrowed Funds $s(\frac{S}{W}) + d(\frac{D}{D+P+C})(1 - \frac{S}{W})$

3 Rate for Other Funds $[1 - \frac{S}{W}][p(\frac{P}{D+P+C}) + c(\frac{C}{D+P+C})]$

4 Weighted Average Rate Actually Used for the Year
 a Rate for Borrowed Funds -
 b Rate for Other Funds -

ACCUMULATED PROVISION FOR DEPRECIATION OF ELECTRIC UTILITY PLANT (Account 108)

- | | |
|--|--|
| <p>1 Explain in a footnote any important adjustments in year</p> <p>2 Explain in a footnote any difference between the amt for book cost of plant retired, line 11, column , and that reported for electric plant in service, as 204-207, column (d), excluding retirements of non-depreciable property.</p> <p>3 The provisions of Account 108 in the Uniform System of Accounts require that retirements of depreciable it be recorded when such plant is removed from service</p> | <p>If the respondent has a significant amount of plant retired at year end which has not been recorded and / or classified to the various reserve functional classifications, make preliminary closing entries to tentatively functionalize the book cost of the plant retired. In addition, include all costs included in retirement work in progress at year end in the appropriate functional classifications</p> <p>4 Show separately interest credits under a sinking fund or similar method of depreciation accounting</p> |
|--|--|

Section A Balances and Changes During Year

Item (a)	Total (c+d+e) (b)	Electric Plant in Service (c)	Electric Plant Held for Future Use (d)	Electric Plant Leased to Others (e)
Balance Beginning of Year				
Depreciation Provisions for Year, Charged to				
(403) Depreciation Expense				
(413) Exp of Elec Plt Leas. to Others				
Transportation Expenses—Clearing				
Other Clearing Accounts				
Other Accounts (Specify)				
Total Deprec. Prov for Year (Enter Total of lines 3 thru 8)				
Net Charges for Plant Retired				
Book Cost of Plant Retired				
Cost of Removal				
Salvage (Credit)				
TOTAL Net Chrgs. for Plant Ret. (Enter Total of lines 11 thru 13)				
Other Debit or Cr Items (Describe)				
Balance End of Year (Enter Total of lines 1, 9, 14, 15, and 16)				

Section B Balances at End of Year According to Functional Classifications

Steam Production				
Nuclear Production				
Hydraulic Production-Conventional				
Hydraulic Production-Pumped Storage				
Other Production				
Transmission				
Distribution				
General				
TOTAL (Enter Total of lines 18 thru 25)				

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Name of Respondent Generating Company	This Report Is (1) An Original (2) <input checked="" type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 1996
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NONUTILITY PROPERTY (Account 121)

- 1 Give a brief description and state the location of nonutility property included in Account 121
- 2 Designate with a double asterisk any property which is used to another company. State name of lessee and whether lessee is an associated company.
- 3 Furnish particulars (details) concerning sales, purchases, or transfers of Nonutility Property during the year

- 4 List separately all property previously devoted to public service and give date of transfer to Account 121, Nonutility Property
- 5 Minor Items (5% of the Balance at the End of the Year), for Account 121 or \$100,000, whichever is less may be grouped by (1) previously devoted to public service (line 44), or (2) other nonutility property (line 45)

Description and Location (a)	Balance of Beginning of Year (b)	Purchases, Sales, Transfers, etc (c)	Balance at End of Year (d)
Minor Item Previously Devoted to Public Service Minor Items-Other Nonutility Property			
TOTAL			

788

INVESTMENTS IN SUBSIDIARY COMPANIES (Account 123 1)

1 Report below investments in Accounts 123 1, Investments in Subsidiary Companies

2 Provide a subheading for each company and list thereunder the information called for below Sub_total by company and give a total in columns (e),(f),(g) and (h)

(a) Investment in Securities - List and describe each security owned For bonds give also principal amount, date of issue, maturity and interest rate

(b) Investment Advances - Report separately amounts of loans or investment advances which are subject to repayment, but which are not subject to current settlement. With respect to each advance show whether the advance is a note or open account List each note giving date of issuance, maturity date, and specifying whether note is a renewal

3 Report separately the equity in undistributed subsidiary earnings since acquisition The total in column(e) should equal the amount entered for Account 418 1

Line No	Description of Investment (a)	Date Acquired (b)	Date of Maturity (c)	Amount of Investment at Beginning of Year (d)
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
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14				
15				
16				
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27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40				
41				
42	TOTAL Cost of Account 123 1 \$		TOTAL	

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Name of Respondent	This Report Is (1) [] An Original (2) [] A Resubmission	Date of Report (MO, Da, Yr)	Year of Report Dec 31, 19
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INVESTMENTS IN SUBSIDIARY COMPANIES (Account 123 1)(Continued)

4 For any securities, notes, or accounts that were pledged, designate such securities, notes, or accounts in a footnote, and state the name of pledgee and purpose of the pledge

5. If Commission approval was required for any advance made or security acquired, designate such fact in a footnote and give name of Commission, date of authorization, and case or docket number

6. Report column (f) interest and dividend revenues from investments, including such revenues from securities disposed of during the year

7 In column (h) report for each investment disposed of during the year, the gain or loss represented by the difference between cost of the investment (or the other amount at which carried in the books of account if difference from cost) and the selling price thereof, not including interest adjustment includible in column (f).

8 Report on Line 42, column (a) the total cost of Account 123 1

Equity in Subsidiary Earnings for Year (e)	Revenues For Year (f)	Amount of Investment at End of Year (g)	Gain or Loss from Investment Disposed of (h)	Line No
				1
				2
				3
				4
				5
				6
				7
				8
				9
				10
				11
				12
				13
				14
				15
				16
				17
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				40
				41
				42

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Name of Respondent	This Report is () An Original (X) A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
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Allowances (Accounts 158 1 and 158 2)

1 Report below the particulars (details) called for concerning allowances
 2 Report all acquisitions of allowances at cost.
 3 Report allowances in accordance with a weighted average cost allocation method and other accounting as prescribed by General Instruction No 21 in the Uniform System of Accounts

4 Report the allowances transactions by the period they are first eligible for use the current year's allowances in col: (b) (c), allowances for the three succeeding years in col: (d) (i), starting with the following year, and allowances for the remaining succeeding years in columns (j)-(k).
 5 Report on Line 4 the Environmental Protection Agency (EPA)

Line No	Allowances Inventory (Account 158 1) (a)	Current Year		19	
		No (b)	Amt (c)	No (d)	Amt. (e)
01	Balance-Beginning of Year				
02	Acquired During Year, Issued (Less Withheld Allow)				
03					
04					
05	Returned by EPA				
06	Purchases/Transfers				
07					
08					
09					
10					
11					
12					
13					
14					
15	Total				
16	Relinquished During Year Charges to Account 509				
18					
19	Other				
20					
21	Cost of Sales/Transfers				
22					
23					
24					
25					
26					
27					
28	Total				
29	Balance-End of Year				
30	Sales Net Sales Proceeds (Assoc Co)				
32					
33	Net Sales Proceeds (Other)				
34	Gains				
35	Losses				
	Allowances Withheld (Account 158 2)				
36	Balance-Beginning of Year				
37	Add Withheld by EPA				
38	Deduct Returned by EPA				
39	Cost of Sales				
40	Balance-End of Year				
41	Sales Net Sales Proceeds (Assoc Co)				
43					
44	Net Sales Proceeds (Other)				
45	Gains				
46	Losses				

of Respondent	This Report Is (1) [] An Original (2) [] A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
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Allowances (Accounts 158 1 and 158 2) (Continued)

d allowances Report withheld portions lines 36-40 System of Accounts)

Report on lines 5 allowances returned by the EPA Report on 8 Report on lines 22 - 27 the name of purchasers/transferees of allowances disposed of and identify associated companies

39 the EPA's sales of the withheld allowances Report on 9 Report the net costs and benefits of hedging transactions, on a separate line under purchases/transfers and sales/transfers

43-46 the net sales proceeds and gains/losses resulting the EPA's sale or auction of the withheld allowances 10 Report on lines 32-35 & 43-46 the net sales proceeds and gains or losses from allowance sales.

Report on lines 8-14 the names of vendors/transfers of ances acquired and identify associated companies (See "Definitions" in the Uniform

19		19		Future Years		Totals		Line No
No (f)	Amt (g)	No (h)	Amt (i)	No (j)	Amt (k)	No (l)	Amt (m)	
								01
								02
								03
								04
								05
								06
								07
								08
								09
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								43
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								45
								46

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EXTRAORDINARY PROPERTY LOSSES (Account 182 1)

Line No	Description of Extraordinary Loss [Include in the description the date of Commission authorization to use Account 182 1 and period of amortization (mo, yr, to mo, yr)] (a)	Total Amount of Loss (b)	Losses Recognized During Year (c)	WRITTEN OFF DURING YEAR		Balance at End of Year (f)
				Account Charged (d)	Amount (e)	
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20	TOTAL					

UNRECOVERED PLANT AND REGULATORY STUDY COSTS (182 2)

Line No	Description of Unrecovered Plant and Regulatory Study Costs [include in the description of costs, the date of Commission authorization to use Account 182 2, and period of amortization (mo, yr, to mo, yr)] (a)	Total Amount of Charges (b)	Costs Recognized During Year (c)	WRITTEN OFF DURING YEAR		Balance at End of Year (f)
				Account Charged (d)	Amount (e)	
21						
22						
23						
24						
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29						
30						
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42						
43						
44						
45						
46						
47						
48						
49	TOTAL					

794

Name of Respondent		This Report Is (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
OTHER REGULATORY ASSETS (Account 182 3)					
1 Report below the particulars (details) called for concerning other regulatory assets which are created through the ratemaking actions of regulatory agencies (and not includable in other accounts)			3 Minor items (5% of the Balance at End of Year for Account 182 3 or amounts less than \$50,000, whichever is less) may be grouped by classes		
2 For regulatory assets being amortized, show period of amortization in column (a)					
Line No	Description and Purpose of Other Regulatory Assets (a)	Debits (b)	CREDITS		Balance at End of Year (e)
			Account Charged (c)	Amount (d)	
1					
2					
3					
4					
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6					
7					
8					
9					
10					
11					
12					
13					
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38					
39					
40					
41					
42					
43					
44	TOTAL				

795

MISCELLANEOUS DEFERRED DEBITS (Account 186)

1 Report below the particulars (details) called for concerning miscellaneous deferred debits

2 For any deferred debit being amortized, show period of amortization in column (a)

3 Minor items (1% of the Balance at End of Year for Account 186 or amounts less than \$50,000, whichever is less) may be grouped by classes

Description of Miscellaneous Deferred Debits (a)	Balance at Beginning of Year (b)	Debits (c)	CREDIT		Balance at End of Year (f)
			Account Charged (d)	Amount (e)	
Misc Work in Progress					
DEFERRED REGULATORY COMM EXPENSES (See pages 350-351)					
TOTAL					

796

Name of Respondent	This Report Is (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
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ACCUMULATED DEFERRED INCOME TAXES (Account 190)

1 Report the information called for below concerning the respondent's accounting for deferred income taxes 2 At Other (Specify), include deferrals relating to other income and deductions

Line No	Account Subdivisions (a)	Balance at Beginning of Year (b)	Balance at End of Year (c)
1	Electric		
2			
3			
4			
5			
6			
7	Other		
8	TOTAL Electric (Enter Total of lines 2 thru 7)		
9	Gas		
10			
11			
12			
13			
14			
15	Other		
16	TOTAL Gas (Enter Total of lines 10 thru 15)		
17	Other		
18	TOTAL (Acct 190)(Total of lines 8,16 and 17)		

NOTES

191

Name of Respondent	This Report Is (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
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CAPITAL STOCK (Accounts 201 and 204)

1 Report below the particulars (details) called for concerning common and preferred stock at end of year, distinguishing separate series of any general class Show separate totals for common and preferred stock If information to meet the stock exchange reporting requirement outlined in column (a) is available from the SEC 10-K Report Form filing, a specific reference to report form (i e year and company) may be reported in column (a) provided the fiscal years for the 10-K report and this report are compatible

2 Entries in column (b) should represent the number of shares authorized by the articles of incorporation as amended to end of year

Line No	Class and Series of Stock and Name of Stock Exchange (a)	Number of Shares Authorized By Charter (b)	Par or Stated Value Per Share (c)	Call Price at End of Year (d)
1				
2				
3				
4				
5				
6				
7				
8				
9				
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798

Name of Respondent	This Report Is (1) [] An Original (2) [] A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
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CAPITAL STOCK (Account 201 and 204)(Continued)

3 Give particulars (details) concerning shares of any class and series of stock authorized to be issued by a regulatory commission which have not yet been issued.

4 The identification of each class of preferred stock should show the dividend rate and whether the dividends are cumulative or noncumulative

5 State in a footnote if any capital stock which has been nominally issued is nominally outstanding at end of year. Give particulars (details) in column (a) of any nominally issued capital stock, reacquired stock, or stock in sinking and other funds which is pledged, stating name of pledgee and purposes of pledge

OUTSTANDING PER BALANCE SHEET Total amount outstanding without reduction for amounts held by respondent)		HELD BY RESPONDENT				Line No
		AS REACQUIRED STOCK (Account 217)		IN SINKING AND OTHER FUNDS		
Shares (e)	Amount (f)	Shares (g)	Cost (h)	Shares (i)	Amount (j)	
						1
						2
						3
						4
						5
						6
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						41
						42

Name of Respondent	This Report Is. (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, YF)	Year of Report Dec 31, 19
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**CAPITAL STOCK SUBSCRIBED, CAPITAL STOCK LIABILITY FOR CONVERSION,
PREMIUM ON CAPITAL STOCK, AND INSTALLMENTS RECEIVED ON CAPITAL STOCK**
(Accounts 202 and 205, 203 and 206, 207, 212)

- | | |
|---|--|
| <p>1 Show for each of the above accounts the amounts applying to each class and series of capital stock</p> <p>2 For Account 202, Common Stock Subscribed, and Account 205, Preferred Stock Subscribed, show the subscription price and the balance due on each class at the end of year</p> <p>3 Describe in a footnote the agreement and transactions under which a conversion liability existed under Account 203,</p> | <p>Common Stock Liability for Conversion, or Account 206, Preferred Stock Liability for Conversion, at the end of the year</p> <p>4 For Premium on Account 207, Capital Stock, designate with a double asterisk any amounts representing the excess of consideration received over stated values of stocks without par value</p> |
|---|--|

Line No	Name of Account and Description of Item (a)	Number of Shares (b)	Amount (c)
1			
2			
3			
4			
5			
6			
7			
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45			
46	TOTAL		

800

Name of Respondent	This Report Is (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
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OTHER PAID IN CAPITAL (Accounts 208-211, inc)

Report below the balance at the end of the year and the information specified below for the respective other paid-in capital accounts. Provide a subheading for each account and show a total for the account, as well as total of all accounts or reconciliation with balance sheet, page 112. Add more columns for any account if deemed necessary. Explain changes made in any account during the year and give the accounting entries effecting such change.

(a) Donations Received from Stockholders (Account 208)—State amount and give brief explanation of the origin and purpose of each donation.

(b) Reduction in Par or Stated Value of Capital Stock (Account 209)—State amount and give brief explanation of the capital change which gave rise to amounts reported under this caption including identification with the class and series of stock to which related.

(c) Gain on Resale or Cancellation of Reacquired Capital Stock (Account 210)—Report balance at beginning of year, credits, debits, and balance at end of year with a designation of the nature of each credit and debt identified by the class and series of stock to which related.

(d) Miscellaneous Paid-In Capital (Account 211)—Classify amounts included in this account according to captions which, together with brief explanations, disclose the general nature of the transactions which gave rise to the reported amounts.

Item (a)	Amount (b)
TOTAL	

86

Name of Respondent	This Report Is (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
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DISCOUNT ON CAPITAL STOCK (Account 213)

1. Report the balance at end of the year of discount on capital stock for each class and series of capital stock with respect to any class or series of stock, attach a statement giving particulars (details) of the change State the reason for any charge-off during the year and specify the amount charged

2. If any change occurred during the year in the balance

Line No.	Class and Series of Stock (a)	Balance at End of Year (b)
1		
2		
3		
4		
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7		
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9		
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20		
21	TOTAL	

CAPITAL STOCK EXPENSE (Account 214)

1 Report the balance at end of the year of capital stock expenses for each class and series of capital stock giving particulars (details) of the change State the reason for any charge-off of capital stock expense and specify the account charged

2. If any change occurred during the year in the balance with respect to any class or series of stock, attach a statement

Line No.	Class and Series of Stock (a)	Balance at End of Year (b)
1		
2		
3		
4		
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19		
20		
21		
22	TOTAL	

802

Name of Respondent		This Report Is (1) [] An Original (2) [] A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
LONG-TERM DEBT (Accounts 221, 222, 223, and 224)				
<p>1 Report by balance sheet account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other Long-Term Debt</p> <p>2 In column (a), for new issues, give Commission authorization numbers and dates</p> <p>3 For bonds assumed by the respondent, include in column(a) the name of the issuing company as well as a description of the bonds</p> <p>4 For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column(a) names of associated companies from which advances were received</p> <p>5 For receivers' certificates, show in column(a) the name of the court and date of court order under which such certificates were issued</p>		<p>6 In column(b) show the principal amount of bonds or oth long term debt originally issued</p> <p>7 In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued</p> <p>8 For column (c) the total expenses should be listed first for each issuance, then the amount of premium (in parentheses) or discount. Indicate the premium or discount with a notation, such as (P) or (D). The expenses, premium or discount should not be netted</p> <p>9 Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year. Also, give in a footnote the date of the Commission's authorization of treatment other than as specified by the Uniform System of Accounts</p>		
Line No	Class and Series of Obligation, Coupon Rate (For new issue, give Commission Authorization numbers and dates) (a)	Principal Amount of Debt Issued (b)	Total expense, Premium or Discount (c)	
1				
2				
3				
4				
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31				
32				
33	TOTAL			

803

LONG TERM DEBT (Accounts 221, 222, 223, and 224) (Continued)

Identify separate undisposed amounts applicable to securities which were redeemed in prior years

Explain any debits and credits other than amortization debited to Account 428, Amortization of Debt Discount Expense, or credited to Account 429, Amortization of Premium on Debt - Credit

In a footnote, give explanatory particulars (a) for Accounts 223 and 224 of net changes during the year. With respect to long-term advances, show for each company (a) principal advanced during year, (b) interest added to principal amount, and (c) principal repaid during year. Give Commission authorization numbers and dates. If the respondent has pledged any of its long-term debt

securities give particulars (details) in a footnote including name of pledgee and purpose of the pledge

14 If the respondent has any long-term debt securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote

15 If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest expense in column (i). Explain in a footnote any difference between the total of column (i) and the total of Account 427, Interest on Long-Term Debt and Account 430, Interest on Debt to Associated Companies

16 Give particulars (details) concerning any long term debt authorized by a regulatory commission but not yet issued

Line No	Date of Issue	Date of Maturity (e)	AMORTIZATION PERIOD		Outstanding (Total amount outstanding without reduction for amounts held by respondent) (h)	Interest for Year Amount (i)
			Date From (f)	Date To (g)		
1						
2						
3						
4						
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6						
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804

of Respondent
Generating Company

This Report Is:
(1) An Original
(2) A Resubmission

Date of Report
(Mo, Da, YF)

Year of Report
Dec. 31, 1996

RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME
FOR FEDERAL INCOME TAXES

1 Report the reconciliation of reported net income for the year with taxable income used in computing Federal income tax accruals and show computation of such tax accruals included in the reconciliation, as far as practicable, the same as furnished on Schedule M-1 of the tax return for the year. Submit a reconciliation even though there is no taxable income for the year. Indicate clearly the nature of each reconciling amount.

2. If the utility is a member of a group which files a consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be

filed, indicating, however, intercompany amounts to be eliminated in such a consolidated return. State names of group members, tax assigned to each group member, and basis of allocation, assignment, or sharing of the consolidated tax among the group members.

3 A substitute page, designed to meet a particular need of a company, may be used as long as the data is consistent and meets the requirements of the above instructions. For electronic reporting purposes complete line 27 and provide the substitute page in the context of a footnote.

Particulars (Details) (a)	Amount (b)
Net Income for the Year (Page 117)	
Reconciling Items for the Year	
Taxable Income Not Reported on Books	
Deductions Recorded on Books Not Deducted for Return	
Income Recorded on Books Not Included in Return	
Deductions on Return Not Charged Against Book Income	
Federal Tax Net Income	
Show Computation of Tax	

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TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR

1 Give particulars (details) of the combined prepaid and accrued tax accounts and show the total taxes charged to operations and other accounts during the year Do not include gasoline and other sales taxes which have been charged to the accounts to which the taxed material was charged If the actual or estimated amounts of such taxes are know, show the amounts in a footnote and designate whether estimated or actual amounts

2 Include on this page, taxes paid during the year and charged direct to final accounts,(not charged to prepaid or accrued taxes)

Enter the amounts in both columns (d) and (e) The balancing of this page is not affected by the inclusion of these taxes

3 Include in column (d) taxes charged during the year, to charged to operations and other accounts through (a) accruals credited to taxes accrued,(b)amounts credited to proportions of prepaid taxes chargeable to current year, and(c) taxes paid and charged direct to operations or accounts other than accrued and prepaid tax accounts

4 List the aggregate of each kind of tax in such manner that the total tax for each State and subdivision can readily be ascertained

Line No.	Kind of Tax (See Instruction 5) (a)	BALANCE AT BEGINNING OF YEAR		Taxes Charged During Year (d)	Taxes Paid During Year (e)	Adjustments (f)
		Taxes Accrued (Account 236) (b)	Prepaid Taxes (Include in Account 165) (c)			
1						
2						
3						
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36						
37						
38						
39						
40						
41	TOTAL					

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TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR (Continued)

any tax (exclude Federal and State income taxes) more than one year, show the required information by for each tax year, identifying the year in column(a). After all adjustments of the accrued and prepaid tax in column (f) and explain each adjustment in a footnote debit adjustments by parentheses not include on this page entries with respect to income taxes or taxes collected through payroll deduction otherwise pending transmittal of such taxes to the authority.

8 Report in columns (i) through (l) how the taxes were distributed Report in column (i) only the amounts charged to Accounts 408 1 and 409 1 pertaining to electric operations. Report in column (l) the amounts charged to Accounts 408 1 and 409 1 pertaining to other utility departments and amounts charged to Accounts 408.2 and 409 2 Also show in column (l) the taxes charged to utility plant or other balance sheet accounts

9 For any tax apportioned to more than one utility department or account, state in a footnote the basis (necessity) of apportioning such tax.

BALANCE AT END OF YEAR		DISTRIBUTION OF TAXES CHARGED					Line No
Accrued (Account 236) (g)	Prepaid Taxes (incl. in Account 185) (h)	Electric (Account 408 1, 409 1) (i)	Extraordinary Items (Account 409 3) (j)	Adjustment to Ret. Earnings (Account 439) (k)	Other (l)		
						1	
						2	
						3	
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ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255)

Report below information applicable to Account 255 footnote any correction adjustments to the account balance shown in column(g) include in column(1) the average period over which the t
Where appropriate, segregate the balances and transactions by utility and nonutility operations Explain by credits are amortized

Line No	Account Subdivisions (a)	Balance at Beginning of Year (b)	Deferred for Year		Allocations to Current Year's Income		Adjustments (g)
			Account No (c)	Amount (d)	Account No (e)	Amount (f)	
1	Electric Utility						
2	3%						
3	4%						
4	7%						
5	10%						
6							
7							
8	TOTAL						
9	Other (List separately and show 3%, 4%, 7%, 10% and TOTAL)						
10							
11							
12							
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17							
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ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255) (Continued)

Balance at End of Year (h)	Average Period of Allocation to Income (i)	Adjustment Explanation	Line No
			1
			2
			3
			4
			5
			6
			7
			8
			9
			10
			11
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			48

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OTHER DEFERRED CREDITS (Account 253)

1 Report below the particulars (details) called for concerning other deferred credits

2 For any deferred credit being amortized, show the period of amortization

3 Minor items (5% of the Balance End of Year for Account 253 or amounts less than \$10,000, whichever is greater) may be grouped by classes

Description of Other Deferred Credits (a)	Balance at Beginning of Year (b)	DEBITS		Credits (e)	Balance at End of Year (f)
		Contra Account (c)	Amount (d)		
TOTAL					

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Name of Respondent		This Report Is (1) [] An Original (2) [] A Resubmission		Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 19
ACCUMULATED DEFERRED INCOME TAXES -- ACCELERATED AMORTIZATION PROPERTY (Account 281)					
1 Report the information called for below concerning the to amortizable property respondent's accounting for deferred income taxes relating 2 For Other (Specify), include deferrals relating to othr					
Line No	Account (a)	Balance at Beginning of Year (b)	CHANGES DURING YEAR		
			Amounts Debited to Account 410 1 (c)	Amounts Credited to Account 411 1 (d)	
1	Accelerated Amortization (Account 281)				
2	Electric				
3	Defense Facilities				
4	Pollution Control Facilities				
5	Other				
6					
7					
8	TOTAL Electric(Enter Total of lines 3 thru 7)				
9	Gas				
10	Defense Facilities				
11	Pollution Control Facilities				
12	Other				
13					
14					
15	TOTAL Gas (Enter Total of lines 10 thru 14)				
16	Other (Specify)				
17	TOTAL (Acct 281) (Total of 8,15,and 16)				
18	Classification of TOTAL				
19	Federal Income Tax				
20	State Income Tax				
21	Local Income Tax				

NOTES

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ACCUMULATED DEFERRED INCOME TAXES -- ACCELERATED AMORTIZATION PROPERTY (Account 281) (Continued)

me and deductions
Use footnotes as required.

CHANGES DURING YEAR		ADJUSTMENTS				Balance at End of Year (k)	Line No.
Amounts Debit to Account 410.2 (e)	Amounts Credited to Account 411.2 (f)	Debits		Credits			
		Account Credited (g)	Amount (h)	Account Debit (i)	Amount (j)		
							1
							2
							3
							4
							5
							6
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NOTES(Continued)

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Name of Respondent	This Report Is (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
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ACCUMULATED DEFERRED INCOME TAXES -- OTHER PROPERTY (Account 282)

1 Report the information called for below concerning the _____ to property not subject to accelerated amortization
 respondent's accounting for deferred income taxes relating _____ 2 For Other (Specify), include deferrals relating to other

Line No	Account Subdivisions (a)	Balance at Beginning of Year (b)	CHANGES DURING YEAR	
			Amounts Debited to Account 410 1 (c)	Amounts Credited to Account 411 1 (d)
1	Account 282			
2	Electric			
3	Gas			
4	Other (Define)			
5	TOTAL (Enter Total of lines 2 thru 4)			
6	Other (Specify)			
7				
8				
9	TOTAL Account 282 (Enter Total of lines 5 thru 8)			
10	Classification of TOTAL			
11	Federal Income Tax			
12	State Income Tax			
13	Local Income Tax			

NOTES

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Name of Respondent	This Report Is (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
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ACCUMULATED DEFERRED INCOME TAXES -- OTHER PROPERTY (Account 282) (Continued)

Income and deductions
Use footnotes as required

CHANGES DURING YEAR		ADJUSTMENTS				Balance at End of Year (k)	Line No
Amounts Debited to Account 410.2 (e)	Amounts Credited to Account 411.2 (f)	Debits		Credits			
		Account Credited (g)	Amount (h)	Account Debited (i)	Amount (j)		
							1
							2
							3
							4
							5
							6
							7
							8
							9
							10
							11
							12
							13

NOTES(Continued)

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Name of Respondent	This Report Is (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
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ACCUMULATED DEFERRED INCOME TAXES-OTHER (Account 283)

1 Report the information called for below concerning the respondent's accounting for deferred income taxes relating to amounts recorded in Account 283
 2 For Other (Specify), include deferrals relating to other

Line No	Account Subdivisions (a)	Balance at Beginning of Year (b)	CHANGES DURING YEAR	
			Amounts Debited to Account 410 1 (c)	Amounts Credited to Account 411 1 (d)
1	Account 283			
2	Electric			
3				
4				
5				
6				
7				
8	Other			
9	TOTAL Electric (Total of lines 3 thru 8)			
10	Gas			
11				
12				
13				
14				
15				
16	Other			
17	TOTAL Gas (Total of lines 11 thru 16)			
18	Other (Specify)			
19	TOTAL (Acct 283) (Enter Total of lines 9,17 and 18)			
20	Classification of TOTAL			
21	Federal Income Tax			
22	State Income Tax			
23	Local Income Tax			

NOTES

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ACCUMULATED DEFERRED INCOME TAXES-OTHER (Account 283)(Continued)

come and deductions and 277. Include amounts relating to insignificant items
 3. Provide in the space below explanations for page 276 listed under Other
 4 Use footnotes as required

CHANGES DURING YEAR		ADJUSTMENTS				Balance at End of Year (k)	Line No
Amounts debited to Account 410.2 (e)	Amounts Credits to Account 411.2 (f)	Debits		Credits			
		Account Credited (g)	Amount (h)	Account Debited (i)	Amount (j)		
							1
							2
							3
							4
							5
							6
							7
							8
							9
							10
							11
							12
							13
							14
							15
							16
							17
							18
							19
							20
							21
							22
							23

NOTES (Continued)

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Name of Respondent		This Report Is (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report (Mo, Da, YF)	Year of Report Dec 31, 19
OTHER REGULATORY LIABILITIES (Account 254)					
1 Reporting below the particulars (details) called for concerning other regulatory liabilities which are created through the ratemaking actions of regulatory agencies (and not includable in other amounts)			3 Minor items (5% of the Balance at End of Year for Account 254 or amounts less than \$50,000, whichever is less) may be grouped by classes		
2 For regulatory liabilities being amortized, show period of amortization in column (a)					
Line No	Description and Purpose of Other Regulatory Liabilities (a)	DEBITS		Credits (d)	Balance at End of Year (e)
		Account Credited (b)	Amount (c)		
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40					
41	TOTAL				

817

Name of Respondent	This Report Is (1) [] An Original (2) [] A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
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ELECTRIC OPERATING REVENUES (Account 400)

1 Report below operating revenues for each prescribed account, and manufactured gas revenues in total

2 Report number of customers, columns (f) and (g), on the basis of meters, in addition to the number of flat rate accounts, except that where separate meter readings are added for billing purposes, one customer should be counted

for each group of meters added The average number of customers means the average of twelve figures at the close of each month

3 If increases or decreases from previous year (columns (c),(e), and (g)), are not derived from previously reported figures, explain any inconsistencies in a footnote

Line No	Title of Account (a)	OPERATING REVENUES	
		Amount for Year (b)	Amount for Previous Year (c)
1	Sales of Electricity		
2	(440) Residential Sales		
3	(442) Commercial and Industrial Sales		
4	Small (or Comm) (See Instr 4)		
5	Large (or Ind) (See Instr 4)		
6	(444) Public Street and Highway Lighting		
7	(445) Other Sales to Public Authorities		
8	(446) Sales to Railroads and Railways		
9	(448) Interdepartmental Sales		
10	TOTAL Sales to Ultimate Consumers		
11	(447) Sales for Resale		
12	TOTAL Sales of Electricity		
13	(Less) (449 1) Provision for Rate Refunds		
14	TOTAL Revenues Net of Prov for Refunds		
15	Other Operating Revenues		
16	(450) Forfeited Discounts		
17	(451) Miscellaneous Service Revenues		
18	(453) Sales of Water and Water Power		
19	(454) Rent from Electric Property		
20	(455) Interdepartmental Rents		
21	(456) Other Electric Revenues		
22			
23			
24			
25			
26	TOTAL Other Operating Revenues		
27	TOTAL Electric Operating Revenues		

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of Respondent	This Report Is (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
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ELECTRIC OPERATING REVENUES (Account 400)(Continued)

Commercial and Industrial Sales, Account 442, may be classified according to the basis of classification (Small Commercial, and Large or Industrial) regularly used by respondent if such basis of classification is not generally greater than 1000 Kw of demand (See Account 442 the Uniform System of Accounts Explain basis of classification in a footnote)

5 See pages 108-109, important Changes During Year, for important new territory added and important rate increases or decreases.
6 For lines 2,4,5,and 6, see page 304 for amounts relating to unbilled revenue by accounts
7 Include unmetered sales Provide details of such sales in a footnote.

MEGAWATT HOURS SOLD		AVG. NO. CUSTOMERS PER MONTH		Line No
Amount for Year (d)	Amount for Previous Year (e)	Number for Year (f)	Number for Previous Year (g)	
				1
				2
				3
				4
				5
				6
				7
				8
				9
				10
				11
				12
				13
				14

line 12, Column (b) includes \$
line 12, Column (d) includes

of unbilled revenues
MWH relating to unbilled revenues

819

SALES OF ELECTRICITY BY RATE SCHEDULES

1 Report below for each rate schedule in effect during the year the MWh of electricity sold, revenue, average number of customers, average KWh per customer, and average revenue per KWh, excluding data for Sales for Resale which is reported on pages 310-311

2 Provide a subheading and total for each prescribed operating revenue account in the sequence followed in "Electric Operating Revenues," pages 300-301 If the sales under any rate schedule are classified in more than one revenue account, list the rate schedule and sales data under each applicable revenue account subheading

3 Where the same customers are served under more than one rate schedule in the same revenue account classifica-

tion (such as a general residential schedule and an off peak water heating schedule), the entries in column (d) for the special schedule should denote the duplication in number of reported customers

4 The average number of customers should be the number of bills rendered during the year divided by the number of billing periods during the year (12 if all billings are made monthly)

5 For any rate schedule having a fuel adjustment clause state in a footnote the estimated additional revenue billed pursuant thereto

6 Report amount of unbilled revenue as of end of year for each applicable revenue account subheading

Line No	Number and Title of Rate Schedule (a)	MWh Sold (b)	Revenue (c)	Average Number of Customers (d)	KWh of Sales per Customer (e)	Revenue per KWh Sold (f)
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
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24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
41	Total Billed					
42	Total Unbilled Rev (See Instr 6)					
43	TOTAL					

820

SALES FOR RESALE (Account 447)

1 Report all sales for resale (i.e., sales to purchasers other than ultimate consumers) transacted on a settlement basis other than power exchanges during the year. Do not report exchanges of electricity (i.e., transactions involving a balancing of debits and credits for energy, capacity, etc.) and any settlements for imbalanced exchanges on this schedule. Power exchanges must be reported on the Purchased Power schedule (page 326-327)

2 Enter the name of the purchaser in column (a). Do not abbreviate or truncate the name or use acronyms. Explain in a footnote any ownership interest or affiliation the respondent has with the purchaser.

3 In column (b), enter a Statistical Classification Code based on the original contractual terms and conditions of the service as follows:

RQ - for requirements service. Requirements service is service which the supplier plans to provide on an ongoing basis (i.e., the supplier includes projected load for this service in its system resource planning). In addition, the reliability of requirements service must be the same as, or second only to, the supplier's service to its own ultimate consumers.

LF - for long-term service. "Long-term" means five years or longer and "firm" means that service cannot be

interrupted for economic reasons and is intended to remain reliable even under adverse conditions (e.g., the supplier must attempt to buy emergency energy from third parties to maintain deliveries of LF service). This category should not be used for long-term firm service which meets the definition of RQ service. For all transactions identified as LF, provide in a footnote the termination date of the contract defined as the earliest date that either buyer or seller can unilaterally get out of the contract.

IF - for intermediate-term firm service. The same as LF service except that "intermediate-term" means longer than one year but less than five years.

SF - for short-term firm service. Use this category for all firm services where the duration of each period of commitment for service is one year or less.

LU - for long-term service from a designated generating unit. "Long-term" means five years or longer. The availability and reliability of service, aside from transmission constraints, must match the availability and reliability of designated unit.

IU - for intermediate-term service from a designated generating unit. The same as LU service except that "intermediate-term" means longer than one year but less than five years.

Line No	Name of Company or Public Authority [Footnote Affiliations] (a)	Statistical Classification (b)	FERC Rate Schedule or Tariff Number (c)	Average Monthly Billing Demand (MW) (d)	Actual Demand(MW)	
					Average Monthly NCP Demand (e)	Average Monthly CP Demand (f)
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						

of Respondent	This Report Is {1} [] An Original {2} [] A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
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SALES FOR RESALE (Account 447) (Continued)

OS - for other service Use this category only for those services which cannot be placed in the above-defined categories, such as all non-firm service regardless of the length of the contract and service from designated units of less than one year Describe the nature of the service in a footnote

AD - for out-of-period adjustment Use this code for any accounting adjustments or "true ups" for service provided prior reporting years Provide an explanation in a footnote for each adjustment

Group requirements RQ sales together and report them starting at line number one After listing all RQ sales, enter "Subtotal - RQ" in column (a) The remaining sales then be listed in any order Enter "Subtotal-Non-RQ" in column (a) after this listing Enter "Total" in column (a) as the last line of the schedule Report subtotals and totals for columns (g) through (k)

In column (c), identify the FERC Rate Schedule or tariff Number On separate lines, list all FERC rate schedules or tariffs under which service, as identified in column (b), is provided

For requirements RQ sales and any type of service involving demand charges imposed on a monthly (or longer) basis, enter the average monthly billing demand in column (d), the average monthly non-coincident peak (NCP) demand in column (e), and the average monthly coincident peak (CP)

demand in column (f) For all other types of service, enter NA in columns (d), (e) and (f) Monthly NCP demand is the maximum metered hourly (60-minute integration) demand in a month Monthly CP demand is the metered demand during the hour (60-minute integration) in which the supplier's system reaches its monthly peak Demand reported in columns (e) and (f) must be in megawatts Footnote any demand not stated on a megawatt basis and explain

7 Report in column (g) the megawatthours shown on bills rendered to the purchaser

8 Report demand charges in column (h), energy charges in column (i), and the total of any other types of charges, including out-of-period adjustments, in column (j) Explain in a footnote all components of the amount shown in column (j) Report in column (k) the total charge shown on bills rendered to the purchaser

9 The data in column (g) through (k) must be subtotalled based on the RQ/Non-RQ grouping (see instruction 4), and then totalled on the last line of the schedule The "Subtotal - RQ" amount in column (g) must be reported as Requirements Sales for Resale on page 401, line 23 The "Subtotal - Non-RQ" amount in column (g) must be reported as Non Requirements Sales for Resale on page 401, line 24

10 Footnote entries as required and provide explanations following all required data

Megawatthours Sold (g)	REVENUE			Total (\$) (h+i+j) (k)	Line No
	Demand Charges (\$) (h)	Energy Charges (\$) (i)	Other Charges (\$) (j)		
					1
					2
					3
					4
					5
					6
					7
					8
					9
					10
					11
					12
					13
					14

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Name of Respondent		This Report Is (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
ELECTRIC OPERATION AND MAINTENANCE EXPENSES				
If the amount for previous year is not derived from previously reported figures, explain in footnotes				
Line No	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)	
1	1 POWER PRODUCTION EXPENSES			
2	A Steam Power Generation			
3	Operation			
4	(500) Operation Supervision and Engineering			
5	(501) Fuel			
6	(502) Steam Expenses			
7	(503) Steam from Other Sources			
8	(Less) (504) Steam Transferred -Cr			
9	(505) Electric Expenses			
10	(506) Miscellaneous Steam Power Expenses			
11	(507) Rents			
12	(509) Allowance			
13	TOTAL Operation (Enter Total of Lines 4 thru 12)			
14	Maintenance			
15	(510) Maintenance Supervision and Engineering			
16	(511) Maintenance of Structures			
17	(512) Maintenance of Boiler Plant			
18	(513) Maintenance of Electric Plant			
19	(514) Maintenance of Miscellaneous Steam Plant			
20	TOTAL Maintenance (Enter Total of Lines 15 thru 19)			
21	TOTAL Power Production Expenses--Steam Power (Enter Total of lines 13 and 20)			
22	B Nuclear Power Generation			
23	Operation			
24	(517) Operation Supervision and Engineering			
25	(518) Fuel			
26	(519) Coolants and Water			
27	(520) Steam Expenses			
28	(521) Steam from Other Sources			
29	(Less) (522) Steam Transferred--Cr			
30	(523) Electric Expenses			
31	(524) Miscellaneous Nuclear Power Expenses			
32	(525) Rents			
33	TOTAL Operation (Enter Total of lines 24 thru 32)			
34	Maintenance			
35	(528) Maintenance Supervision and Engineering			
36	(529) Maintenance of Structures			
37	(530) Maintenance of Reactor Plant Equipment			
38	(531) Maintenance of Electric Plant			
39	(532) Maintenance of Miscellaneous Nuclear Plant			
40	TOTAL Maintenance (Enter Total of lines 35 thru 39)			
41	TOTAL Power Production Expenses--Nuclear Power (Enter total of lines 33 and 40)			
42	C Hydraulic Power Generation			
43	Operation			
44	(535) Operation Supervision and Engineering			
45	(536) Water for power			
46	(537) Hydraulic Expenses			
47	(538) Electric Expenses			
48	(539) Miscellaneous Hydraulic Power Generation Expenses			
49	(540) Rents			
50	TOTAL Operation (Enter Total of lines 44 thru 49)			

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ELECTRIC OPERATION AND MAINTENANCE EXPENSES(Continued)

Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
C Hydraulic Power Generation (Continued)		
Maintenance		
(541) Maintenance Supervision and Engineering		
(542) Maintenance of Structures		
(543) Maintenance of Reservoirs, Dams, and Waterways		
(544) Maintenance of Electric Plant		
(545) Maintenance of Miscellaneous Hydraulic Plant		
TOTAL Maintenance (Enter Total of lines 53 thru 57)		
TOTAL Power Production Expenses-Hydraulic Power(Enter total of lines 50 and 58)		
D Other Power Generation		
Operation		
546) Operation Supervision and Engineering		
547) Fuel		
548) Generation Expenses		
549) Miscellaneous Other Power Generation Expenses		
550) Rents		
TOTAL Operation (Enter Total of lines 62 thru 66)		
Maintenance		
551) Maintenance Supervision and Engineering		
552) Maintenance of Structures		
553) Maintenance of Generating and Electric Plant		
554) Maintenance of Miscellaneous Other Power Generation Plant		
TOTAL Maintenance (Enter Total of lines 69 thru 72)		
TOTAL Power Production Expenses--Other Power (Enter Total of Lines 67 and 73)		
E Other Power Supply Expenses		
555) Purchased Power		
556) System Control and Load Dispatching		
557) Other Expenses		
TOTAL Other Power Supply Expenses (Enter Total of lines 76 thru 78)		
TOTAL Power Production Expenses (Enter Total of lines 21,41,59,74, and 79)		
2 TRANSMISSION EXPENSES		
Operation		
80) Operation Supervision and Engineering		
81) Load Dispatching		
82) Station Expenses		
83) Overhead Lines Expenses		
84) Underground Lines Expenses		
85) Transmission of Electricity by Others		
86) Miscellaneous Transmission Expenses		
87) Rents		
TOTAL Operation (Enter Total of lines 83 thru 90)		
Maintenance		
88) Maintenance Supervision and Engineering		
89) Maintenance of Structures		
90) Maintenance of Station Equipment		
91) Maintenance of Overhead Lines		
92) Maintenance of Underground Lines		
93) Maintenance of Miscellaneous Transmission Plant		
TOTAL Maintenance (Enter Total of lines 93 thru 98)		
TOTAL Transmission Expenses (Enter Total of lines 91 and 99)		
3 DISTRIBUTION EXPENSES		
Operation		
94) Operation Supervision and Engineering		

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Name of Respondent		This Report Is (1) [] An Original (2) [] A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
ELECTRIC OPERATION AND MAINTENANCE EXPENSES (Continued)				
Line No	Account (a)	Amount for Current Year (b)	Amount For Previous Year (c)	
104	3 DISTRIBUTION Expenses (Continued)			
105	(581) Load Dispatching			
106	(582) Station Expenses			
107	(583) Overhead Line Expenses			
108	(584) Underground Line Expenses			
109	(585) Street Lighting and Signal System Expenses			
110	(586) Meter Expenses			
111	(587) Customer Installations Expenses			
112	(588) Miscellaneous Expenses			
113	(589) Rents			
114	TOTAL Operation (Enter Total of lines 103 thru 113)			
115	Maintenance			
116	(590) Maintenance Supervision and Engineering			
117	(591) Maintenance of Structures			
118	(592) Maintenance of Station Equipment			
119	(593) Maintenance of Overhead Lines			
120	(594) Maintenance of Underground Lines			
121	(595) Maintenance of Line Transformers			
122	(596) Maintenance of Street Lighting and Signal Systems			
123	(597) Maintenance of Meters			
124	(598) Maintenance of Miscellaneous Distribution Plant			
125	TOTAL Maintenance (Enter Total of lines 116 thru 124)			
126	TOTAL Distribution Expenses (Enter Total of lines 114 and 125)			
127	4 CUSTOMER ACCOUNTS EXPENSES			
128	Operation			
129	(901) Supervision			
130	(902) Meter Reading Expenses			
131	(903) Customer Records and Collection Expenses			
132	(904) Uncollectible Accounts			
133	(905) Miscellaneous Customer Accounts Expenses			
134	TOTAL Customer Accounts Expenses (Enter Total of lines 129 thru 133)			
135	5 CUSTOMER SERVICE AND INFORMATIONAL EXPENSES			
136	Operation			
137	(907) Supervision			
138	(908) Customer Assistance Expenses			
139	(909) Information and Instructional Expenses			
140	(910) Miscellaneous Customer Service and Information Expenses			
141	TOTAL Cust Service and Informational Exp (Enter Total of lines 137 thru 140)			
142	6 SALES EXPENSES			
143	Operation			
144	(911) Supervision			
145	(912) Demonstrating and Selling Expenses			
146	(913) Advertising Expenses			
147	(916) Miscellaneous Sales Expenses			
148	TOTAL Sales Expenses (Enter Total of lines 144 thru 147)			
149	7 ADMINISTRATIVE AND GENERAL EXPENSES			
150	Operation			
151	(920) Administrative and General Salaries			
152	(921) Office Supplies and Expenses			
153	(Less) (922) Administrative Expenses Transferred--Credit			

825

**PURCHASED POWER (Account 555)
(Including power exchanges)**

- 1 Report all power purchases made during the year. Also report exchanges of electricity (i.e. transactions involving a balancing of debits and credits for energy, capacity, etc.) and any settlements for imbalanced exchanges.

long-term firm service which meets the definition of RQ service. For all transactions identified as LF, provide in a footnote the termination date of the contract defined as the earliest date that either buyer or seller can unilaterally get out of the contract.
2. Enter the name of the seller or other party in an exchange transaction in column (a). Do not abbreviate or truncate the name or use acronyms. Explain in a footnote any ownership interest or affiliation the respondent has with the seller.

IF - for intermediate-term firm service. The same as LF service except that "intermediate-term" means longer than one year but less than five years.
- 3 In column(b), enter a Statistical Classification Code based on the original contractual terms and conditions of the service as follows:

RQ - for requirements service. Requirements service is service which the supplier plans to provide on an ongoing basis (i.e., the supplier includes projected load for this service in its system resource planning). In addition, the reliability of requirement service must be the same as, or second only to, the supplier's service to its own ultimate consumers.

LF - for long-term firm service. "Long-term" means five years or longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions (e.g., the supplier must attempt to buy emergency energy from third parties to maintain deliveries of LF service). This category should not be used for

LU - for long-term service from a designated generating unit. "Long-term" means five years or longer. The availability and reliability of service, aside from transmission constraints, must match the availability and reliability of the designated unit.

IU - for intermediate-term service from a designated generating unit. The same as LU service except that "intermediate-term" means longer than one year but less than five years.

EX - For exchanges of electricity. Use this category for transactions involving a balancing of debits and credits for energy, capacity, etc. and any settlements for imbalanced exchanges.

Line No	Name of Company or Public Authority (Footnote Affiliations) (a)	Statistical Classification (b)	FERC Rate Schedule or Tariff Number (c)	Average Monthly Billing Demand (d)	Actual Demand(MW)	
					Average Monthly NCP Demand (e)	Average Monthly CP Demand (f)
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						

Name of Respondent	This Report Is (1) [] An Original (2) [] A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
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PURCHASED POWER (Account 555) (Continued)
(Including power exchanges)

OS - for other service Use this category only for those services which cannot be placed in the above-defined categories, such as all nonfirm service regardless of the length of the contract and service from designated units of less than one year Describe the nature of the service in a footnote for each adjustment

AD - for out-of-period adjustment Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting years Provide an explanation in a footnote for each adjustment

In column (c), identify the FERC Rate Schedule Number or Tariff, or, for nonFERC jurisdictional sellers, include an appropriate designation for the contract On separate lines, list all FERC rate schedules, tariffs or contract designations under which service, as identified in column (b), is provided

For requirements RQ purchases and any type of services involving demand charges imposed on a monthly (or longer) basis, enter the monthly average billing demand in column (d), the average monthly non-coincident peak (NCP) demand in column (e), and the average monthly coincident peak (CP) demand in column (f) For all other types of service, enter NA in columns (d), (e) and (f) Monthly NCP demand is the maximum metered hourly (60-minute integration) demand in a month Monthly CP demand is the metered demand during the hour (60-minute integration) in which the supplier's system reaches its monthly peak Demand reported in

- columns (e) and (f) must be in megawatts Footnote any demand not stated on a megawatt basis and explain
- Report in column (g) the megawatthours shown on bills rendered to the respondent Report in column (h) and (i) the megawatthours of power exchanges received and delivered, used as the basis for settlement Do not report net exchange
 - Report demand charges in column (j), energy charges in column (k), and the total of any other types of charges, including out-of-period adjustments, in column (l), Explain in a footnote all components of the amount shown in column (l) Report in column (m) the total charge shown on bills received as settlement by the respondent For power exchanges, report in column (m) the settlement amount for the net receipt of energy If more energy was delivered than received, enter a negative amount If the settlement amount (1) include credits or charges other than incremental generation expenses, or (2) excludes certain credits or charges covered by the agreement, provide an explanatory footnote
 - The data in column (g) through (m) must be totalled on the last line of the schedule The total amount in column (g) must be reported as Purchases on page 401, line 10 The total amount in column (h) must be reported as Exchange Received on page 401, line 12 The total amount in column (i) must be reported as Exchange Delivered on page 401, line 13
 - Footnote entries as required and provide explanations following all required data

Mwatts Purchased (g)	POWER EXCHANGES		COST/SETTLEMENT OF POWER				Line No
	Megawatthours Received (h)	Megawatthours Delivered (i)	Demand Charges (\$) (j)	Energy Charges (\$) (k)	Other Charges (\$) (l)	Total (j+k+l) of Settlement (\$) (m)	
							1
							2
							3
							4
							5
							6
							7
							8
							9
							10
							11
							12
							13
							14

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Name of Respondent		This Report Is (1) [] An Original (2) [] A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456), (Including transactions referred to as "wheeling")				
<p>1 Report all transmission of electricity, i.e. wheeling, provided for other electric utilities, cooperatives, municipalities, other public authorities, qualifying facilities, non-traditional utility suppliers and ultimate customers</p> <p>2 Use a separate line of data for each distinct type of transmission service involving the entities listed in column (a), (b) and (c)</p> <p>3 Report in column (a) the company or public authority that paid for the transmission service Report in column(b) the company or public authority that the energy was received from and in column (c) the company or public authority that the energy was delivered to Provide the full name of each company or public authority Do not abbreviate or truncate name or use acronyms Explain in a footnote any ownership interest in or affiliation the respondent has with the entities listed in columns (a), (b) or (c)</p>		<p>4 In column(d) enter a Statistical Classification code based on the original contractual terms and conditions of the service as follows</p> <p>LF - for long-term firm transmission service "Long-term" means one year or longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions For all transactions identified as LF, provide in a footnote the termination date of the contract defined as the earliest date that either buyer or seller can unilaterally get out of the contract</p> <p>SF - for short-term firm transmission service Use this category for all firm services, where the duration of each period of commitment for service is less than one year</p>		
Line No	Payment By (Company or Public Authority) [Footnote Affiliations] (a)	Energy Received From (Company or Public Authority) [Footnote Affiliations] (b)	Energy Delivered To (Company or Public Authority) [Footnote Affiliations] (c)	Statistic Classifi- cation (d)
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of Respondent	This Report Is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
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TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456)(Continued)
(Including transactions referred to as "wheeling")

OS - for other transmission service Use this category only for those services which cannot be placed in the above-defined categories, such as all nonfirm transmission service, regardless of the length of the contract Describe the nature of the service in a footnote

AD - for out-of-period adjustment Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting years Provide an explanation in a footnote for each adjustment.

In column (e), identify the FERC Rate Schedule or Tariff Number On separate lines, list all FERC rate schedules or contract designations under which service,

as identified in column (d), is provided
6 Report receipt and delivery locations for all single contract path, "point to point" transmission service In column (f), report the designation for the substation, or other appropriate identification for where energy was received as specified in the contract In column (g) report the designation for the substation, or other appropriate identification for where energy was delivered as specified in the contract.

7 Report in column(h) the number of megawatts of billing demand that is specified in the firm transmission service contract Demand reported in column (h) must be in megawatts Footnote any demand not stated on a megawatts basis and explain

FERC Rate Schedule or Tariff Number (e)	Point of Receipt (Substation or Other Designation) (f)	Point of Delivery (Substation or Other Designation) (g)	Billing Demand (MW) (h)	TRANSFER OF ENERGY		Line No
				Megatthours Received (i)	Megatthours Delivered (j)	
						1
						2
						3
						4
						5
						6
						7
						8
						9
						10
						11
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						17

Name of Respondent	This Report Is (1) [] An Original (2) [] A Resubmission	Date of Report (Mo, Da, YF)	Year of Report Dec 31, 19
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TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456)(Continued)

(Including transactions referred to as "wheeling")

- | | |
|--|---|
| <p>8 Report in column (i) and (j) the total megawatthours received and delivered</p> <p>9 In column (k) through (n), report the revenue amounts as shown on bills or vouchers. In column (k), provide revenues from demand charges related to the billing demand reported in column (h). In column (l), provide revenues from energy charges related to the amount of energy transferred. In column (m), provide the total revenues from all other charges on bills or vouchers rendered, including out of period adjustments. Explain in a footnote all components of the amount shown in column (m). Report in column (n) the total charge</p> | <p>shown on bills rendered to the entity listed in column (a). If no monetary settlement was made, enter zero ("0") in column (n). Provide a footnote explaining the nature of the nonmonetary settlement, including the amount and type of energy or service rendered.</p> <p>10 Provide total amounts in column (i) through (n) as the last line. Enter "TOTAL" in column (a) as the last line. The total amounts in columns (i) and (j) must be reported as Transmission Received and Delivered on page 401, lines 16 and 17, respectively.</p> <p>11 Footnote entries and provide explanations following all required data.</p> |
|--|---|

REVENUE FROM TRANSMISSION OF ELECTRICITY FOR OTHERS

Demand Charges { \$ k}	Energy Charges { \$ l}	Other Charges { \$ m}	Total revenues(\$) (k+l+m) (n)	Line No
				1
				2
				3
				4
				5
				6
				7
				8
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				17

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Name of Respondent	This Report Is (1) <input type="checkbox"/> An Original (2) <input checked="" type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
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TRANSMISSION OF ELECTRICITY BY OTHERS (Account 565)
(Including transactions referred to as "wheeling")

1 Report all transmission, i.e., wheeling, of electricity provided to respondent by other electric utilities, cooperatives, municipalities, or other public authorities during the year

2 In column (a) report each company or public authority that provided transmission service. Provide the full name of the company, abbreviate if necessary, but do not truncate name or use acronyms. Explain in a footnote any ownership interest in or affiliation with the transmission service provider.

3 Provide in column (a) subheadings and classify transmission service purchased from other utilities as "Delivered Power to Wheeler" or "Received Power from Wheeler."

4 Report in columns (b) and (c) the total megawatt-hours received and delivered by the provider of the transmission service.

5 In columns (d) through (g), report expenses as shown on bills or vouchers rendered to the respondent. In column (d), provide demand charges. In column (e), provide energy charges related to the amount of energy transferred in

column (f), provide the total of all other charges on bills or vouchers rendered to the respondent, including any out of period adjustments. Explain in a footnote all components of the amount shown in column (f). Report in column (g) the total charge shown on bills rendered to the respondent. If no monetary settlement was made, enter zero ("0") in column (g). Provide a footnote explaining the nature of the nonmonetary settlement, including the amount and type of energy or service rendered.

6 Enter "TOTAL" in column (a) as the last line. Provide a total amount in columns (b) through (g) as the last line. Energy provided by the respondent for the wheeler's transmission losses should be reported on the Electric Energy Account, page 401. If the respondent received power from the wheeler, energy provided to account for losses should be reported on line 19, Transmission By Others Losses, on page 401. Otherwise, losses should be reported on line 27, Total Energy Losses, page 401.

7 Footnote entries and provide explanations following all required data.

Line No	Name of Company or Public Authority [Footnote Affiliations] (a)	TRANSFER OF ENERGY		EXPENSES FOR TRANSMISSION OF ELECTRICITY BY OTHERS			
		Megawatt-hours Received (b)	Megawatt-hours Delivered (c)	Demand Charges (\$) (d)	Energy Charges (\$) (e)	Other Charges (\$) (f)	Total Cost of Transmission (\$) (g)
1							
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of Respondent	This Report Is (1) [] An Original (2) [] A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
MISCELLANEOUS GENERAL EXPENSES (Account 930.2)(ELECTRIC)			
Description (a)	Amount (b)		
Industry Association Dues			
Nuclear Power Research Expenses			
Other Experimental and General Research Expenses			
Publishing and Distributing Information and Reports to Stockholders, Trustee, Registrar, and Transfer Agent Fees and Expenses, and Other Expenses of Servicing Outstanding Securities of the Respondent			
Other Expenses (List items of \$5,000 or more in this column showing the (1) purpose, (2) recipient and (3) amount of such items. Group amounts of less than \$5,000 by classes if the number of items so grouped is shown)			
TOTAL			

DEPRECIATION AND AMORTIZATION OF ELECTRIC PLANT (Accounts 403, 404, 405)

(Except amortization of acquisition adjustments)

1 Report in Section A for the year the amounts for (a) Depreciation Expense (Account 403), (b) Amortization of Limited Term Electric Plant (Account 404), and (c) Amortization of Other Electric Plant (Account 405)

2 Report in section B the rates used to compute amortization charges for electric plant (Accounts 404 and 405) State the basis used to compute charges and whether any changes have been made in the basis or rates used from the preceding report year

3 Report all available information called for in section C every fifth year beginning with report year 1971, reporting annually only changes to columns (c) through (g) from the complete report of the preceding year

Unless composite depreciation accounting for total depreciable plant is followed, list numerically in column (a) each plant subaccount, account or functional classification, as appropriate, to which a rate is applied Identify at the bottom of section C the type of plant included in any subaccounts used

In column (b) report all depreciable plant balances to which rates are applied showing subtotals by functional

classifications and showing a composite total Indicate at the bottom of section C the manner in which column balances are obtained If average balances, state the method of averaging used

For columns (c), (d), and (e) report available information for each plant subaccount, account or functional classification listed in column (a) If plant mortality studies are prepared to assist in estimating average service lives, show in column (f) the type mortality curve selected as most appropriate for the account and in column (g), if available, the weighted average average remaining life of surviving plant

If composite depreciation accounting is used, report available information called for in columns (b) through (g) on this basis

4 If provisions for depreciation were made during the year in addition to depreciation provided by application of reported rates, state at the bottom of section C the amounts and nature of the provisions and the plant items to which related

A Summary of Depreciation and Amortization Charges

Line No	Functional Classification (a)	Depreciation Expense (Account 403) (b)	Amortization of Limited-Term Electric Plant (Acc 404) (c)	Amortization of Other Electric Plant (Acc 405) (d)	Total (e)
1	Intangible Plant				
2	Steam Product Plant				
3	Nuclear Production Plant				
4	Hydraulic Production Plant--Conventional				
5	Hydraulic Production Plant--Pumped Storage				
6	Other Production Plant				
7	Transmission Plant				
8	Distribution Plant				
9	General Plant				
10	Common Plant -Electric				
11	TOTAL				

B Basis for Amortization Charges

PARTICULARS CONCERNING CERTAIN INCOME DEDUCTIONS AND INTEREST CHARGES ACCOUNTS

Report the information specified below, in the order given, for the respective income deduction and interest charges accounts. Provide a subheading for each account and a total for the account. Additional columns may be added if deemed appropriate with respect to any account.

Accounts Amounts of less than 5% of each account total for the year (or \$1,000, whichever is greater) may be grouped by classes within the above accounts.

(a) Miscellaneous Amortization (Account 425) -- Describe the nature of items included in this account, the contra account charged, the total of amortization charges for the year, and the period of amortization.

(c) Interest on Debt to Associated Companies (Account 430) -- For each associated company to which interest on debt was incurred during the year, indicate the amount and interest rate respectively for (a) advances on notes, (b) advances on open account, (c) notes payable, (d) accounts payable, and (e) other debt, and total interest. Explain the nature of other debt on which interest was incurred during the year.

(b) Miscellaneous Income Deductions -- Report the nature, payee, and amount of other income deductions for the year as required by Accounts 426 1, Donations, 426 2, Life Insurance, 426 3, Penalties, 426 4, Expenditures for Certain Civic, Political and Related Activities, and 426 5, Other Deductions, of the Uniform System of

(d) Other Interest Expense (Account 431) -- Report particulars (details) including the amount and interest rate for other interest charges incurred during the year.

Line No	Item (a)	Amount (b)
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Name of Respondent	This Report Is (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
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REGULATORY COMMISSION EXPENSES

1 Report particulars (details) of regulatory commission expenses incurred during the current year (or incurred in previous years, if being amortized) relating to formal cases before a regulatory body, or cases in which such a body was a party

2 Report in columns (b) and (c), only the current year's expenses that are not deferred and the current year's amortization of amounts deferred in previous years

Line No	Description (Furnish name of regulatory commission or body the docket or case number, and a description of the case)	Assessed by Regulatory Commission	Expenses of Utility	Total Expenses for Current Year (b) + (c)	Deferred in Account 182.5 at Beginning of year
	(a)	(b)	(c)	(d)	(e)
1					
2					
3					
4					
5					
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45					
46	TOTAL				

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Name of Respondent	This Report Is (1) [] An Original (2) [] A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
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REGULATORY COMMISSION EXPENSES (Continued)

- 3 Show in column (k) any expenses incurred in prior years which are being amortized. List in column (a) the period of amortization.
- 4 List in column (f), (g), and (h) expenses incurred during year which were charged currently to income, plant, or other accounts.
- 5 Minor items (less than \$25,000) may be grouped.

EXPENSES INCURRED DURING YEAR			AMORTIZED DURING YEAR				Line No
CHARGED CURRENTLY TO			Deferred to Account 182 3 (i)	Contra Account (j)	Amount (k)	Deferred in Account 182 3, End of Year (l)	
Department (f)	Account No (g)	Amount (h)					
							1
							2
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RESEARCH, DEVELOPMENT, AND DEMONSTRATION ACTIVITIES

1 Describe and show below costs incurred and accounts charged during the year for technological research, development, and demonstration (R, D & D) project initiated, continued or concluded during the year Report also support given to others during the year for jointly-sponsored projects (Identify recipient regardless of affiliation) For any R, D & D work carried with others, show separately the respondent's cost for the year and cost chargeable to others (See definition of research, development, and demonstration in Uniform System of Accounts)

- b Fossil-fuel steam
- c Internal combustion or gas turbine
- d Nuclear
- e Unconventional generation
- f Siting and heat rejection
- (2) System Planning, Engineering and Operation
- (3) Transmission
 - a Overhead
 - b Underground
- (4) Distribution
- (5) Environment (other than equipment)
- (6) Other (Classify and include items in excess of \$5,000)
- (7) Total Cost Incurred
- B Electric, R, D & D Performed Externally
 - (1) Research Support to the Electrical Research Council or the Electric Power Research Institute

2 Indicate in column (a) the applicable classification, as shown below. Classifications

- A Electric R, D & D Performed Internally
 - (1) Generation
 - a Hydroelectric
 - 1 Recreation, fish, and wildlife
 - 11 Other hydroelectric

Line No	Classification (a)	Description (b)
1		
2		
3		
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Name of Respondent	This Report Is (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
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RESEARCH, DEVELOPMENT, AND DEMONSTRATION ACTIVITIES (Continued)

(2) Research Support to Edison Electric Institute with expenses during the year or the account to which amounts were capitalized during the year, listing Account 107, Construction Work in Progress, first Show in column (f) the amounts related to the account charged in column (e)

(3) Research Support to Nuclear Power Groups

(4) Research Support to Others (Classify)

(5) Total Cost Incurred

3 Include in column (c) all R, D & D items performed internally and in column (d) those items performed outside the company costing \$5,000 or more, briefly describing the specific area of R, D & D (such as safety, corrosion control, pollution, automation, measurement, insulation, type of appliance, etc.) Group items under \$5,000 by classifications and indicate the number of items grouped. Under Other, (A (6) and B (4)) classify items by type of R, D & D activity

4 Show in column (e) the account number charged

5 Show in column (g) the total unamortized accumulation of costs of projects This total must equal the balance in Account 188, Research, Development, and Demonstration Expenditures, Outstanding at the end of the year

6 If costs have not been segregated for R, D & D activities or projects, submit estimates for columns (c), (d), and (f) with such amounts identified by "Est."

7. Report separately research and related testing facilities operated by the respondent

Costs Incurred Internally Current Year (c)	Costs Incurred Externally Current Year (d)	AMOUNTS CHARGED IN CURRENT YEAR		Unamortized Accumulation (g)	Line No
		Account (e)	Amount (f)		
					1
					2
					3
					4
					5
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DISTRIBUTION OF SALARIES AND WAGES

Report below the distribution of total salaries and wages for the year Segregate amounts originally charged to clearing accounts to Utility Departments, Construction, Plant Removals, and Other Accounts, and enter such amounts in the appropriate lines and columns provided In determining this segregation of salaries and wages originally charged to clearing accounts, a method of approximation giving substantially correct results may be used

Line No	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll Charged for Clearing Accounts (c)	Total (d)
1	Electric			
2	Operation			
3	Production			
4	Transmission			
5	Distribution			
6	Customer Accounts			
7	Customer Service and Informational			
8	Sales			
9	Administrative and General			
10	TOTAL Operation (Enter Total of lines 3 thru 9)			
11	Maintenance			
12	Production			
13	Transmission			
14	Distribution			
15	Administrative and General			
16	TOTAL Maint (Total of lines 12 thru 15)			
17	Total Operation and Maintenance			
18	Production (Enter Total of lines 3 and 12)			
19	Transmission (Enter Total of lines 4 and 13)			
20	Distribution (Enter Total of lines 5 and 14)			
21	Customer Accounts (Transcribe from line 6)			
22	Customer Service and Informational(Transcribe from line 7)			
23	Sales (Transcribe from line 8)			
24	Administrative and General (Enter Total of lines 9 and 15)			
25	TOTAL Oper and Maint (Total of lines 18 thru 24)			
26	Gas			
27	Operation			
28	Production--Manufactured Gas			
29	Production--Nat Gas(Including Expl and Dev)			
30	Other Gas Supply			
31	Storage, LNG Terminaling and Processing			
32	Transmission			
33	Distribution			
34	Customer Accounts			
35	Customer Service and Informational			
36	Sales			
37	Administrative and General			
38	TOTAL Operation (Enter Total of lines 28 thru 37)			
39	Maintenance			
40	Production--Manufactured Gas			
41	Production--Natural Gas			
42	Other Gas Supply			
43	Storage, LNG Terminaling and Processing			
44	Transmission			
45	Distribution			
46	Administrative and General			
47	TOTAL Maint (Enter Total of lines 40 thru 46)			

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DISTRIBUTION OF SALARIES AND WAGES (Continued)

Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll Charged for Clearing Accounts (c)	Total (d)
Gas			
Total Operation and Maintenance			
Production--Manufactured Gas (Enter Total of lines 28 and 40)			
Production--Natural Gas (Including Expl and Dev) (Total of lines 29 and 41)			
Other Gas Supply (Enter Total of lines 30 and 42)			
Storage, LNG Terminaling, and Processing (Total of lines 31 and 43)			
Transmission (Lines 32 and 44)			
Distribution (Lines 33 and 45)			
Customer Accounts (Line 34)			
Customer Service and Informational (Line 35)			
Sales (Line 36)			
Administrative and General (Lines 37 and 46)			
TOTAL Operation and Maint (Total of lines 49 thru 58)			
Other Utility Departments			
Operation and Maintenance			
TOTAL All Utility Dept (Total of lines 25, 59, and 61)			
Utility Plant			
Construction (By Utility Departments)			
Electric Plant			
Gas Plant			
Other			
TOTAL Construction (Total of lines 65 thru 67)			
Plant Removal (By Utility Departments)			
Electric Plant			
Gas Plant			
Other			
TOTAL Plant Removal (Total of lines 70 thru 72)			
Other Accounts (Specify)			
TOTAL Other Accounts			
TOTAL SALARIES AND WAGES			

Name of Respondent	This Report Is (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
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COMMON UTILITY PLANT AND EXPENSES

1 Describe the property carried in the utility's accounts as common utility plant and show the book cost of such plant at end of year classified by accounts as provided by Plant Instruction 13, Common Utility Plant, of the Uniform System of Accounts Also show the allocation of such plant costs to the respective departments using the common utility plant and explain the basis of allocation used, giving the allocation factors

2. Furnish the accumulated provisions for depreciation and amortization at end of year, showing the amounts and classifications of such accumulated provisions, and amounts allocated to utility departments using the common utility plant

to which such accumulated provisions relate, including explanation of basis of allocation and factors used

3 Give for the year the expenses of operation, maintenance, rents, depreciation, and amortization for common utility plant classified by accounts as provided by the Uniform System of Accounts. Show the allocation of such expenses to the departments using the common utility plant to which such expenses are related Explain the basis of allocation used and give the factors of allocation

4 Give date of approval by the Commission for use of the common utility plant classification and reference to order of the Commission or other authorization

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ELECTRIC ENERGY ACCOUNT

Report below the information called for concerning the disposition of electric energy generated, purchased, exchanged and wheeled during the year

Item (a)	Megawatt Hours (b)	Line No	Item (a)	Megawatt Hours (b)
SOURCES OF ENERGY		21	DISPOSITION OF ENERGY	
Generation (Excluding Station Use)		22	Sales to Ultimate Consumers (Including Interdepartmental Sales)	
Steam		23	Requirements Sales for Resale (See instruction 4, page 311)	
Nuclear		24	Non-Requirements Sales for Resale (See instruction 4, page 311)	
Hydro--Conventional		25	Energy Furnished Without Charge	
Hydro--Pumped Storage		26	Energy Used by the Company (Electric Department Only, Excluding Station Use)	
Other		27	Total Energy Losses	
(Less) Energy for Pumping		28	TOTAL (Enter Total of Lines 22 Thru 27) (MUST EQUAL LINE 20)	
Net Generation (Enter Total of lines 3 thru 8)				
Purchases				
Power Exchanges				
Received				
Delivered				
Net Exchanges (Line 12 minus line 13)				
Transmission For Other (Wheeling)				
Received				
Delivered				
Net Transmission for Other (Line 16 minus Line 17)				
Transmission By Other Losses				
TOTAL (Enter Total of Lines 9, 10, 14, 18 and 19)				

MONTHLY PEAKS AND OUTPUT

- | | |
|---|---|
| <p>1. If the respondent has two or more power systems which are not physically integrated, furnish the required information for each non integrated system</p> <p>2. Report in column (b) the system's energy output for each month such that the total on line 41 matches the total on line 20</p> <p>3. Report in column (c) a monthly breakdown of the Non-Requirements Sales For Resale reported on line 24 include in the monthly amounts any energy losses associated</p> | <p>with the sales so that the total on line 41 exceeds the amount on line 24 by the amount of losses incurred (or estimated) in making the Non-Requirements Sales For Resale</p> <p>4 Report in column (d) the system's monthly maximum megawatt load (60-minute integration) associated with the net energy for the system defined as the difference between columns (b) and (c).</p> <p>5 Report in columns (e) and (f) the specified information for each monthly peak load reported in column (d)</p> |
|---|---|

Month (a)	Total Monthly Energy (b)	Monthly Non-Requirements Sales For Resale & Associated Losses (c)	MONTHLY PEAK		
			Megawatts (See Instr 4) (d)	Day of Month (e)	Hour (f)
January					
February					
March					
April					
May					
June					
July					
August					
September					
October					
November					
December					
TOTAL					

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Name of Respondent	This Report is (1) [] An Original (2) [] A Resubmission	Date of Report (No, Da, Yr)	Year of Report Dec 31, 19
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STEAM-ELECTRIC GENERATING PLANT STATISTICS (Large Plants)

- | | |
|---|--|
| <p>1 Report data for plant in Service only
 2 Large plants are steam plants with installed capacity (name plate rating) of 25,000 KW or more. Report on this page gas-turbine and internal combustion plants of 10,000 KW or more, and nuclear plants
 3 Indicate by a footnote any plant leased or operated as a joint facility
 4 If net peak demand for 60 minutes is not available, give data which is available, specifying period
 5 If any employees attend more than one plant, report on line 11 the approximate average number of employees</p> | <p>6 assignable to each plant
 if gas is used and purchased on a therm basis, report the Btu content of the gas and the quantity of fuel burner converted to Mcf
 7 Quantities of fuel burned (line 37) and average cost per unit of fuel burned (line 40) must be consistent with charges to expense accounts 501 and 547 (line 41) as show on line 19
 8 If more than one fuel is burned in a plant, furnish only the composite heat rate for all fuels burned</p> |
|---|--|

Line No	Item (a)	Plant Name (b)	Plant Name (c)
1	Kind of Plant (Steam, Internal Combustion, Gas Turbine or Nuclear)		
2	Type of Plant Construction (Conventional, Outdoor Boiler, Full Outdoor, Etc)		
3	Year Originally Constructed		
4	Year Last Unit was Installed		
5	Total Installed Capacity (Maximum Generator Name Plate Ratings in MW)		
6	Net Peak Demand on Plant -- MW (60 minutes)		
7	Plant Hours Connected to Load		
8	Net Continuous Plant Capability (Megawatts)		
9	When Not Limited by Condenser Water		
10	When Limited by Condenser Water		
11	Average Number of Employees		
12	Net Generation, Exclusive of Plant Use --KWh		
13	Cost of Plant Land and Land Rights		
14	Structures and Improvements		
15	Equipment Costs		
16	Total Cost		
17	Cost per KW of Installed Capacity (line 5)		
18	Production Expenses Oper Supv & Engr		
19	Fuel		
20	Coolants and Water (Nuclear Plants Only)		
21	Steam Expenses		
22	Steam From Other Sources		
23	Steam Transferred (Cr)		
24	Electric Expenses		
25	Misc Steam (or Nuclear) Power Expenses		
26	Rents		
27	Allowances		
28	Maintenance Supervision and Engineering		
29	Maintenance of Structures		
30	Maintenance of Boiler (Or Reactor) Plant		
31	Maintenance of Electric Plant		
32	Maintenance Misc Steam (or Nuclear) Plant		
33	Total Production Expenses		
34	Expenses per Net KWh		
35	Fuel Kind (Coal, Gas, Oil, or Nuclear)		
36	Unit, (Coal-tons of 2,000 lb) (Oil-barrels of 42 gals) (Gas-Mcf)(Nuclear-indicate)		
37	Quantity (Units) of Fuel Burned		
38	Avg. Heat Cont. of Fuel Burned (Btu per lb of coal per gal. of oil or per Mcf of gas) (Give unit if nuclear)		
39	Average Cost of Fuel per Unit, as Delivered to Plant During Year		
40	Average Cost of Fuel per Unit Burned		
41	Avg Cost of Fuel Burned per Million Btu		
42	Avg Cost of Fuel Burned per KWh Net Gen		
43	Average Btu per KWh Net Generation		

of Respondent	This Report Is (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
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STEAM-ELECTRIC GENERATING PLANT STATISTICS (Large Plants) (Continued)

Items under Cost of Plant are based on U S of A accounts. Production expenses do not include Purchased Power, System Control and Load Dispatching, and Other Expenses classified as Other Power Supply Expenses. For IC and GT plants, report Operating Expenses, Account Nos 548 and 549 on line 24 "Electric Expenses," and Maintenance Account Nos 553 and 554 on line 31 "Maintenance of Electric Plant." Indicate plants designed for peak load service. Designate automatically operated plants for a plant equipped with combinations of fossil fuel steam, nuclear steam, hydro, internal combustion or gas-turbine equipment, report each as a separate plant. However, if a gas-turbine unit functions in a combined cycle operation with a conventional steam unit, include the gas-turbine with the steam plant.

12 If a nuclear power generating plant, briefly explain by footnote (a) accounting method for cost of power generated including any excess costs attributed to research and development, (b) types of cost units used for the various components of fuel cost, and (c) any other informative data concerning plant type, fuel used, fuel enrichment type and quantity for the report period, and other physical and operating characteristics of plant.

Plant Name (d)	Plant Name (e)	Plant Name (f)	Line No
			1
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HYDROELECTRIC GENERATING PLANT STATISTICS (Large Plants) (Continued)

The items under Cost of Plant represent accounts or combinations of accounts prescribed by the Uniform System of Accounts. Production Expenses do not include Purchased Power, Demand Control and Load Dispatching, and Other Expenses classified as "Other Power Supply Expenses."

6 Report as a separate plant any plant equipped with combinations of steam, hydro, internal combustion engine, or gas turbine equipment

Licensed Project No Name (d)	FERC Licensed Project No Plant Name (e)	FERC Licensed Project No Plant Name (f)	Line No
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Name of Respondent		This Report Is (1) [] An Original (2) [] A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
PUMPED STORAGE GENERATING PLANT STATISTICS (Large Plants)				
1 Large plants and pumped storage plants of 10,000 KW or more of installed capacity (name plate ratings)		4 If a group of employees attends more than one generating plant, report on line 8 the approximate average number of employees assignable to each plant		
2 If any plant is leased, operating under a license from the Federal Energy Regulatory Commission, or operated as a joint facility, indicate such facts in a footnote. Give project number		5 The items under Cost of Plant represent accounts or combinations of accounts prescribed by the Uniform System of Accounts. Production Expenses do not include Purchased Power System Control and Load Dispatching, and Other Expenses classified as "Other Power Supply Expenses"		
3 If net peak demand for 60 minutes is not available, give that which is available, specifying period				
Line No	Item (a)	FERC Licensed Project No Plant Name (b)		
1	Type of Plant Construction (Conventional or Outdoor)			
2	Year Originally Constructed			
3	Year Last Unit was Installed			
4	Total Installed Capacity (Generator Name Plate Ratings in MW)			
5	Net Peak Demand on Plant-Megawatts (60 minutes)			
6	Plant Hours Connected to Load While Generating			
7	Net Plant Capability (In megawatts)			
8	Average Number of Employees			
9	Generation Exclusive of Plant Use-KWh			
10	Energy Used for Pumping-KWh			
11	Net Output for Load (line 9 minus line 10)-KWh			
12	Cost of Plant			
13	Land and Land Rights			
14	Structures and Improvements			
15	Reservoirs, Dams, and Waterways			
16	Water Wheels, Turbines, and Generators			
17	Accessory Electric Equipment			
18	Miscellaneous Powerplant Equipment			
19	Roads, Railroads, and Bridges			
20	TOTAL Cost (Enter Total of lines 13 thru 19)			
21	Cost per KW of installed Capacity (line 20 - line 4)			
22	Production Expenses			
23	Operation Supervision and Engineering			
24	Water for Power			
25	Pumped Storage Expenses			
26	Electric Expenses			
27	Misc Pumped Storage Power Generation Expenses			
28	Rents			
29	Maintenance Supervision and Engineering			
30	Maintenance of Structures			
31	Maintenance of Reservoirs, Dams, and Waterways			
32	Maintenance of Electric Plant			
33	Maintenance of Misc Pumped Storage Plant			
34	Production Exp Before Pumping Exp (Enter Total of lines 23 thru 33)			
35	Pumping Expenses			
36	Total Production Expenses (Enter Total of lines 34 and 35)			
37	Expenses per KWh (Enter result of line 36 divided by line 9)			

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PUMPED STORAGE GENERATING PLANT STATISTICS (Large Plants) (Continued)

Pumping energy (line 10) is that energy measured as input to the plant for pumping purposes that individually provides more than 10 percent of the total energy used for pumping, and production expenses per net MWH as reported herein for each source described Group together with storage reservoir. When this item cannot be accurately computed, leave lines 35, 36 and 37 blank and describe at the bottom of the schedule the company's principal sources of pumping power, estimated amounts of energy from each station or other source stations and other sources which individually provide less than 10 percent of total pumping energy. If contracts are made with others to purchase power for pumping, give the supplier contract number, and date of contract.

Licensed Project No Plant Name (c)	FERC Plant Name	Licensed Project No (d)	FERC Plant Name	Licensed Project No (e)	Line No
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GENERATING PLANT STATISTICS (Small Plants)

1 Small generating plants are steam plants of less than 25,000 Kw, internal combustion and gas turbine-plants, conventional hydro plants and pumped storage plants of less than 10,000 Kw installed capacity (name plate rating)

2 Designate any plant leased from others, operated under a license from the Federal Energy Regulatory Commission, or operated as a joint facility, and give a concise statement of the facts in a footnote. If licensed project, give project number in footnote

Line No	Name of Plant (a)	Year Orig Const (b)	Installed Capacity- Name Plate Rating (in MW) (c)	Net Peak Demand MW (60 Min) (d)	Net Generation Excluding Plant Use (e)	Cost of Plant (f)
1						
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GENERATING PLANT STATISTICS (Small Plants) (Continued)

List plants appropriately under subheadings for steam, nuclear, internal combustion and gas turbine plants. If net peak demand for 60 minutes is not available, that which is available, specifying period. If any plant is equipped with combinations of steam, hydro internal combustion or gas turbine equipment, report each as a separate plant. However, if the exhaust heat from the gas turbine is utilized in a steam turbine regenerative feed water cycle, or for preheated combustion air in a boiler, report as one plant.

Cost Per MW Capacity (g)	Operation, Excl. Fuel (h)	Production Expenses		Kind of Fuel (k)	Fuel Cost (in cents per million Btu) (l)	Line No
		Fuel (i)	Maintenance (j)			
						1
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TRANSMISSION LINE STATISTICS

1 Report information concerning transmission lines, cost of lines, and expenses for year List each transmission line having nominal voltage of 132 kilovolts or greater Report transmission lines below these voltages in group totals only for each voltage

2 Transmission lines include all lines covered by the definition of transmission system plant as given in the Uniform System of Accounts Do not report substation costs and expenses on this page

3 Report data by individual lines for all voltages if so required by a State commission

4 Exclude from this page any transmission lines for which plant costs are included in Account 121, Nonutility Property

5 Indicate whether the type of supporting structure reported in column (e) is (1) single pole, wood or steel, (2) H-frame, wood, or steel poles, (3) tower, or (4) underground construc-

tion If a transmission line has more than one type of supporting structure, indicate the mileage of each type of construction by the use of brackets and extra lines Minor portions of a transmission line of a different type of construction need not be distinguished from the remainder of the line

6 Report in columns (f) and (g) the total pole miles of each transmission line Show in column (f) the pole miles of line on structures the cost of which is reported for the line designated, conversely, show in column (g) the pole miles of line on structures the cost of which is reported for another line Report pole miles of line on leased or partly owned structures in column (g) In a footnote, explain the basis of such occupancy and state whether expenses with respect to such structures are included in the expenses reported for the line designated

Line No	DESIGNATION		VOLTAGE (KV) (Indicate where other than 60 cycle, 3 phase)		Type of Supporting Structure (e)	LENGTH (Pole miles) (In the case of underground lines report circuit miles)		Number of Circuits (h)
	From (a)	To (b)	Operating (c)	Designed (d)		On Structure of Line Designated (f)	On Structures of Another Line (g)	
1								
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TRANSMISSION LINE STATISTICS (Continued)

7 Do not report the same transmission line structure twice. Report lower voltage lines and higher voltage lines as one line. Designate in a footnote if you do not include lower voltage lines with higher voltage lines. If two or more transmission line structures support lines of the same voltage, report the pole miles of the primary structure in column (f) and the pole miles of the other line(s) in column (g).

8 Designate any transmission line or portion thereof for which the respondent is not the sole owner. If such property is leased from another company, give name of lessor, date and terms of lease, and amount of rent for year. For any transmission line other than a leased line, or portion thereof, for which the respondent is not the sole owner but which the

respondent operates or shares in the operation of, furnish a succinct statement explaining the arrangement and giving particulars (details) of such matters as percent ownership by respondent in the line, name of co-owner, basis of sharing expenses of the line, and how the expenses borne by the respondent are accounted for, and accounts affected. Specify whether lessor, co-owner, or other party is an associated company.

9 Designate any transmission line leased to another company and give name of lessee, date and terms of lease, annual rent for year, and how determined. Specify whether lessee is an associated company.

10 Base the plant cost figures called for in columns (j) to (l) on the book cost at end of year.

Size of conductor Material	COST OF LINE (Include in column (j) land, land rights, and clearing right-of-way)			EXPENSES, EXCEPT DEPRECIATION AND TAXES				Line No
	Land	Construction and Other Costs	Total Cost	Operation Expenses	Maintenance Expenses	Rents	Total Expenses	
(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	
								1
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TRANSMISSION LINES ADDED DURING YEAR

1. Report below the information called for concerning transmission lines added or altered during the year. It is not necessary to report minor revisions of lines.
 2. Provide separate subheadings for overhead and under-ground construction and show each transmission line separately. If actual costs of completed construction are not available for reporting columns (l) to (o), it is permissible to report in these columns the estimated final completion.

Line No	LINE DESIGNATION		Line Length in Miles (c)	SUPPORTING STRUCTURE		CIRCUITS PER STRUCTURE	
	From (a)	To (b)		Type (d)	Average Number per Miles (e)	Present (f)	Ultimate (g)
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TRANSMISSION LINES ADDED DURING YEAR (Continued)

Costs Designate, however, if estimated amounts are reported 3 If design voltage differs from operating voltage, include costs of Clearing Land and Rights-of-Way, and Roads indicate such fact by footnote, also where line is other than 60 cycle, 3 phase, indicate such other characteristic costs of Underground Conduit in column(m)

CONDUCTORS			Voltage KV (Operating)	LINE COST				Line No
Line No	Specification (i)	Configuration and Spacing (j)		Land and Land Rights (l)	Poles, Towers and Fixtures (m)	Conductors and Device (n)	Total (o)	
								1
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SUBSTATIONS

1 Report below the information called for concerning substations of the respondent as of the end of the year

2 Substations which serve only one industrial or street railway customer should not be listed below

3 Substations with capacities of less than 10 MVA except those serving customers with energy for

resale, may be grouped according to functional character, but the number of such substations must be shown

4 Indicate in column (b) the functional character of a substation, designating whether transmission or distribution and whether attended or unattended. At the end of the page, summarize according to function the capacities reported for the individual stations in column (f)

Line No	Name and Location of Substation (a)	Character of Substation (b)	VOLTAGE (in MVA)		
			Primary (c)	Secondary (d)	Tertiary (e)
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SUBSTATIONS (Continued)

Show in columns (i), (j), and (k) special equipment such as rotary converters, rectifiers, condensers, etc and auxiliary equipment for increasing capacity. Designate substations or major items of equipment leased from others, jointly owned with others, or operated otherwise than by reason of sole ownership by the respondent. For substation or equipment operated under lease, give name of lessor, date and period of lease, and annual rent. For any substation or equipment operated other than by reason of sole ownership or lease, give name of co-owner or other party, explain basis of sharing expenses or other accounting between the parties, and state amounts and accounts affected in respondent's books of account. Specify in each case whether lessor, co-owner, or other party is an associated company.

Capacity of Substation Service) (In MVA) (f)	Number of Transformers in Service (g)	Number of Spare Transformers (h)	CONVERSION APPARATUS AND SPECIAL EQUIPMENT			Line No
			Type of Equipment (i)	Number of Units (j)	Total Capacity (In MVA) (k)	
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ELECTRIC DISTRIBUTION METERS AND LINE TRANSFORMERS

- | | |
|--|---|
| <p>1 Report below the information called for concerning distribution watt-hour meters and line transformers</p> <p>2 Include watt-hour demand distribution meters, but not external demand meters</p> <p>3 Show in a footnote the number of distribution watt hour meters or line transformers held by the respondent under lease from others, jointly owned with others, or held otherwise than by reason of sole ownership by the respondent</p> <p>500 or more meters or line transformers are held under a</p> | <p>lease, give name of lessor, date and period of lease, and annual rent If 500 or more meters or line transformers are held other than by reason of sole ownership or lease, give name of co-owner or other parties, explain basis of accounting for expenses between the parties, and state amounts and accounts affected in respondent's books of account Specify in each case whether lessor, co owner, or other party is an associated company</p> |
|--|---|

Item (a)	Number of Watt-Hour Meters (b)	LINE TRANSFORMERS	
		Number (c)	Total Capacity (In Mva) (d)
Number at Beginning of Year			
Additions During Year			
Purchases			
Associated with Utility Plant Acquired			
TOTAL Additions (Enter Total of lines 3 and 4)			
Reductions During Year			
Retirements			
Associated with Utility Plant Sold			
TOTAL Reductions (Enter Total of lines 7 and 8)			
Number at End of Year (Lines 1+5-9)			
In Stock			
Locked Meters on Customers' Premises			
Inactive Transformers on System			
In Customers' Use			
In Company's Use			
TOTAL End of Year (Enter Total of lines 11 to 15. This line should equal line 10)			

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ENVIRONMENTAL PROTECTION FACILITIES

1 For purposes of this response, environmental protection facilities shall be defined as any building, structure, equipment, facility, or improvement designed and constructed solely for control, reduction, prevention or abatement of discharges or releases into the environment of gaseous, liquid, or solid substances, heat, noise or for the control, reduction, prevention, or abatement of any other adverse impact of an activity on the environment

2 Report the differences in cost of facilities installed for environmental considerations over the cost of alternative facilities which would otherwise be used without environmental considerations Use the best engineering design achievable without environmental restrictions as the basis for determining costs without environmental considerations It is not intended that special design studies be made for purposes of this response Base the response on the best engineering judgement where direct comparisons are not available

Include in these differences in costs the costs or estimated costs of environmental protection facilities in service, constructed or modified in connection with the production, transmission, and distribution of electrical energy and shall be reported herein for all such environmental facilities placed in service on or after January 1, 1969, so long as it is readily determinable that such facilities were constructed or modified for environmental rather than operational purposes Also report similar expenditures for environmental plant included in construction work in progress Estimate the cost of facilities when the original cost is not available or facilities are jointly owned with another utility, provided the respondent explains the basis of such estimations

Examples of these costs would include a portion of the costs of tall smokestacks, underground lines, and landscaped substations Explain such costs in a footnote

3 In the cost of facilities reported on this page, include an estimated portion of the cost of plant that is or will be used to provide power to operate associated environmental protection facilities These costs may be estimations on a percentage of plant basis Explain such estimations in a footnote

4 Report all costs under the major classifications provided below and include, as a minimum, the items listed hereunder

- A Air pollution control facilities
 - (1) Scrubbers, precipitators, tall smokestacks, etc
 - (2) Changes necessary to accommodate use of environmentally clean fuels such as low ash

- or low sulfur fuels including storage and handling equipment
- (3) Monitoring equipment
- (4) Other

- B Water pollution control facilities
 - (1) Cooling towers, ponds, piping, pumps, etc
 - (2) Waste water treatment equipment
 - (3) Sanitary waste disposal equipment
 - (4) Oil interceptors
 - (5) Sediment control facilities
 - (6) Monitoring equipment
 - (7) Other

- C. Solid waste disposal costs
 - (1) Ash handling and disposal equipment
 - (2) Land
 - (3) Settling ponds
 - (4) Other

- D Noise abatement equipment
 - (1) Structures
 - (2) Mufflers
 - (3) Sound proofing equipment
 - (4) Monitoring equipment
 - (5) Other

- E Esthetic costs
 - (1) Architectural costs
 - (2) Towers
 - (3) Underground lines
 - (4) Landscaping
 - (5) Other

- F Additional plant capacity necessary due to restricted output from existing facilities, or addition of pollution control facilities

- G Miscellaneous
 - (1) Preparation of environmental reports
 - (2) Fish and wildlife plants included in Accounts 330, 331, 332, and 335
 - (3) Parks and related facilities
 - (4) Other

5 In those instances when costs are composites of both actual supportable costs and estimates of costs, specify in column (f) the actual costs that are included in column (e)

6 Report construction work in progress relating to environmental facilities at line 9

Line No	Classification of Cost (a)	CHANGES DURING YEAR			Balance at End of Year (e)	Actual Cost (f)
		Additions (b)	Retirements (c)	Adjustments (d)		
1	Air Pollution Control Facilities					
2	Water Pollution Control Facilities					
3	Solid Waste Disposal Costs					
4	Noise Abatement Equipment					
5	Esthetic Costs					
6	Additional Plant Capacity					
7	Miscellaneous (Identify significant)					
8	TOTAL (Total of lines 1 thru 7)					
9	Construction Work in Progress					

859

ENVIRONMENTAL PROTECTION EXPENSES

Show below expenses incurred in connection with use of environmental protection facilities, the amount of which are reported on page 430. Where it is necessary that allocations and/or estimates of costs be made, state the basis or method used.

Include below the costs incurred due to the operation of environmental protection equipment, facilities, and programs.

Report expenses under the subheadings listed below.

Under item 6 report the difference in cost between environmentally clean fuels and the alternative fuels that would otherwise be used and are available for use.

Under item 7 include the cost of replacement power, purchased or generated, to compensate for the deficiency in output from existing plants due to the addition of pollution control equipment, use of alternate environmentally preferable fuels or environmental regulations of governmental bodies. Base the price of replacement power purchased on the average system price of purchased power if the actual cost of such replacement power is not known. Price internally generated replacement power at the system average cost of power generated if the actual cost of specific replacement generation is not known.

Under item 8 include ad valorem and other taxes assessed directly on or directly related to environmental facilities. Also include under item 8 licensing and similar fees on such facilities.

In those instances where expenses are composed of both actual supportable data and estimates of costs, specify in column (c) the actual expenses that are included in column (b).

Classification of Expenses (a)	Amount (b)	Actual Expenses (c)
Depreciation		
Labor, Maintenance, Materials, and Supplies Cost Related to Environmental Facilities and Programs		
Fuel Related Costs		
Operation of Facilities		
Fly Ash and Sulfur Sludge Removal		
Difference in Cost of Environmentally Clean Fuels		
Replacement Power Costs		
Taxes and Fees		
Administrative and General		
Other (Identify significant)		
TOTAL		

Name of Respondent	This Report Is (1) [] An Original (2) [] A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec 31, 19
--------------------	---	--------------------------------	------------------------------

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866

VERIFICATION

The foregoing report must be verified by the oath of the President or chief officer of the company
The oath required may be taken before any person authorized to administer an oath by the laws of
the State in which the same is taken

OATH

STATE OF _____ }
COUNTY OF _____ } ss

_____ makes oath and says that
(Insert here the name of the affiant.)

he is _____
(Insert here the official title of the affiant.)

of _____
(Insert here the exact legal title or name of the respondent.)

that he has examined the foregoing report, that to the best of his knowledge, information, and belief,
all statements of fact contained in the said report are true and the said report is a correct statement
of the business and affairs of the above-named respondent in respect to each and every matter set
forth therein during the period from and including

_____, 19 ____, to and including _____, 19 ____

(Signature of affiant)

Subscribed and sworn to before me, a _____ in and for the
State and county above named, this _____ day of _____, 19_____

My commission expires _____, 19. ____

(Signature of officer authorized to administer oaths)

Attachment 8:

Annual Report of Union Electric Company
(1997),

filed with the Missouri Public Service
Commission

ANNUAL REPORT OF

Union Electric Company

TO THE
PUBLIC SERVICE COMMISSION
OF MISSOURI

FOR THE
YEAR ENDED
DECEMBER 31, 1997

Union Electric

One Ameren Plaza
1901 Chouteau Avenue
PO Box 66149
St Louis, MO 63166 6149
314 621 3222

RECEIVED

APR 15 1998

Records
Public Service Commission

April 14, 1998

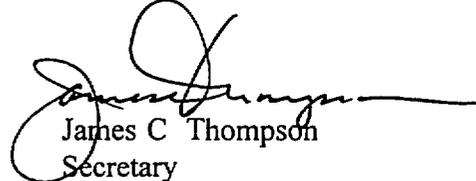
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UE

Mr Cecil Wright, Executive Director
Public Service Commission of Missouri
Jefferson City, MO 65101

Gentlemen

We are enclosing one copy each of Annual Reports of Union Electric Company for the year ended December 31, 1997, for its electric, gas and steam utility operations

Sincerely,


James C Thompson
Secretary

GLW kab
Enclosures

gfp

MISSOURI
PUBLIC
SERVICE
COMMISSION

1997 ANNUAL REPORT

THE ATTACHED PAGES WERE FILED IN ADDITION TO FERC FORM 1

SCHEDULE NO 41-H
HEATING DEPARTMENT-NUMBER OF CONSUMERS

SHOW THE NUMBER OF HEATING CONSUMERS USING THE RESPONDENT S SERVICE AT THE END OF THE YEAR IN EACH CITY TOWN AND VILLAGE IN WHICH RESPONDENT RENDERED SERVICE AT ANY TIME DURING THE YEAR

CLASS (A)	TOTAL JEFF CITY					
	(B)	(C)	(D)	(E)	(F)	(G)
HEATING CONSUMERS						
175A COMMERCIAL METERED CONSUMERS						
RESIDENTIAL						
BUSINESS	1	1				
175B COMMERCIAL FLAT-RATE CONSUMERS						
RESIDENTIAL						
BUSINESS						
176A MUNICIPAL METERED CONSUMERS						
176B MUNICIPAL FLAT-RATE CONSUMERS						
177 OTHER PUBLIC UTILITIES						
178 AUXILIARY OR BREAK-DOWN SERVICE						
TOTAL CONSUMERS	1	1				

872

SCHEDULE NO 59
LOCATION OF HEATING PLANT AND BOILER EQUIPMENT

SHOW THE LOCATION AND CAPACITY OF THE HEATING PLANTS OF THE RESPONDENT IN SERVICE AT THE CLOSE OF THE YEAR IF THE STEAM SUPPLY IS SECURED FROM THE ELECTRIC OR OTHER UTILITY DEPARTMENTS COLUMNS (B) TO (G) INCLUSIVE NEED NOT BE FILLED OUT

	LOCATION OR DESIGNATION OF PLANT (A)	TYPE OF BOILER (B)	YEAR INSTALLED (C)	WORKING PRESSURE POUNDS PER SQUARE INCH (D)	NOMINAL HORSE POWER PER BOILER (E)	NUMBER OF BOILERS (F)	TOTAL NOMINAL HORSEPOWER (G)
1	JEFFERSON CITY	GAS	1974	125 LBS	400	2	800
2	STEAM	ELECTRIC	1973	125 LBS	1000	1	1000
3	HEATING PLANT						
4	JEFFERSON						
5	CITY MO						
6							
7							
8							
9							
10							

SCHEDULE NO 60
STEAM PURCHASED OR TRANSFERRED FROM OTHER DEPARTMENTS - HEATING

SHOW THE NUMBER OF POUNDS OF STEAM PURCHASED OR TRANSFERRED FROM OTHER DEPARTMENTS AND THE TOTAL COST OF SUCH STEAM IF STEAM IS PURCHASED SHOW THE RATES AT WHICH PURCHASED IF STEAM IS TRASFERRED FORM OTHER DEPARTMENTS SHOW THE BASIS OF THE CHARGE AND THE CALCULATION OF THE COST OF STEAM TRANSFERRED

	ITEM (A)	AMOUNT (B)
1		
2		
3		
4		
5		
6		
7		
8		
10		
11		
12		
13		
14		
15		

SCHEDULE NO 61
STEAM STATISTICS

SHOW THE STATISTICS CALLED FOR PERTAINING TO THE HEATING DEPARTMENT OF THE RESPONDENT FOR THE YEAR IF THE RESPONDENT HAS MORE THAN ONE PRODUCTION PLANT THE STATISTICS CALLED FOR SHOULD BE SHOWN SEPARATELY FOR EACH PLANT WHERE THE QUANTITY OF STEAM IS CALLED FOR SUCH INFORMATION SHOULD BE SHOWN IN POUNDS OF STEAM

	ITEM (A)	JEFFERSON CITY (B)	STATIONS (C)	TOTAL (D)
1	STEAM PRODUCED			
2	STEAM PURCHASED			
3	STEAM TRANSFERRED FROM ELECTRICAL DEPARTMENT			
4	TOTAL			
5	STEAM SOLD TO CONSUMERS			
6	STEAM TRANSFERRED TO OTHER DEPARTMENTS			
7	STEAM USED BY RESPONDENT			
8	TOTAL			
9	STEAM LOST AND UNACCOUNTED FOR			
10				
11	MAXIMUM DEMAND			
12	DATE OF MAXIMUM DEMAND			
13	MINIMUM DEMAND			
14	DATE OF MINIMUM DEMAND			
15	CAPACITY OF PLANTS	62000		
16	RANGE OF PRESSURE IN MAINS	0 - 130		
17	KIND OF BOILER FUEL USED	NATURAL GAS		
18	QUANTITY OF BOILER FUEL USED	56 300 MCF		
19	COST OF BOILER FUEL USED	\$ 224 375		
20	QUANTITY OF STEAM PURCHASED			
21	COST OF STEAM PURCHASED			
22	QUANTITY OF STEAM			
23	COST OF STEAM TRANSFERRED	\$ 314 298		

8/14

SCHEDULE NO 500-H
101 FIXED CAPITAL- HEATING PROPERTY

- 1 Show the particulars indicated by the columnar headings for all heating fixed capital accounts the cost of which is classified in accordance with the Uniform System of Accounts for Heating Companies prescribed by this Commission dated January 1 1915
- 2 *Adjustments during the year should be interpreted to mean entries if any made in fixed capital accounts to record corrections or modifications of entries made in prior accounting periods
- 3 Show only heating fixed capital accounts in this schedule Do not interline or insert other accounts Do not group accounts

Line No	Acct No	Account (a)	Balance at beginning of year (b)	Additions during year (c)	Withdrawals during year (d)	Adjustments during year (e)	Balance at end of year (f)
1		FIXED CAPITAL INSTALLED SINCE JANUARY 1 1915					
2	20	Land devoted to operations	12 975				12 975
3	22	Structures devoted to operations	247 954				247 954
4	24	Boiler plant equipment	575 320				575 320
5	25	Miscellaneous plant equipment	4 851				4 851
6	26	Distribution system	136 317				136 317
7	27	Services	0				0
8	28	Meters	0				0
9	29a	General office equipment	129		129		0
10	29b	General shop equipment	0				0
11	29c	General store equipment	0				0
12	29d	General stable equipment	0				0
13	29e	Tool equipment	0				0
14	29f	Laboratory equipment	426				426
15	30	Miscellaneous tangible items	0				0
16		Total accounts 20-30 inclusive	977 972	0	129	0	977 843
17	31a	Engineering and superintendence					
18	31b	Legal expense in connection with construction					
19	31c	Injuries and damages during construction					
20	31d	Taxes during construction					
21	31e	Interest on actual amount expended during construction					
22	31f	Tool expense					
23	31g	Insurance					
24		Total accounts 31a-31g inclusive					
25	32	Organization					
26	33	Franchises					
27	34	Other intangible capital					
28		Total accounts 32-34 inclusive					
29		Unfinished construction					
30		Total Fixed Capital Installed Since Jan 1 1915					
31		FIXED CAPITAL INSTALLED PRIOR TO JANUARY 1 1915					
32		TOTAL FIXED CAPITAL-HEATING	977 972	0	129	0	977 843

875

SCHEDULE NO 514-A
Reserve for Depreciation

Give particulars called for concerning credits and debits to the reserve for depreciation account of each department detailed below

Line No	Item (a)	Gas Department (b)	Water Department (c)	Steam Heating Department (d)	Other Utility Departments (e)	Non-Utility Departments (f)
1	Balance at beginning of year (credit)			599 656		
2	Accrual charged to Operating Expenses of *Depreciation			29 328		
3	Other credits (Itemize)					
4						
5						
6						
7	Total credits			29 328		
8	Retirement of Fixed Capital during the year			(129)		
9	Other debits (Itemize)					
10						
11						
12						
13	Total Debits			(129)		
14	Balance at end of year			628 855		

Basis for Depreciation Accruals

Give in detail the rules and rates by which the respondent determined the amount of accrued depreciation charged to operating expenses and credited to the above retirement reserve account Show for each department the basis the base amount the rate and the amount of accrued depreciation

Item (a)	Base Amount (b)	Rate (c)	Accrued Depreciation (d)
15 Steam heating rates are in accordance with rates on file with the			
16 Missouri Public Service Commission			
17			
18			
19 Account Annual Rates			
20 311 2 90			7 116
21 312 3 10			17 832
22 316 3 00			144
23 361 2 90			72
24 362 3 05			4 152
25 391 3 86			
26 394 4 67			
27 395 2 74			12
28			-----
29			29 328
30			

SCHEDULE 527-H
HEATING DEPARTMENT - OPERATING REVENUES AND SALES

SHOW THE HEATING OPERATING REVENUES AND THE POUNDS OF STEAM SOLD DURING THE YEAR BY THE VARIOUS CLASSES OF REVENUE FOR EACH CITY TOWN AND VILLAGE IN WHICH THE RESPONDENT RENDERED SERVICES AT ANY TIME DURING THE YEAR THE NUMBER OF POUNDS SOLD TO FLAT-RATE CONSUMERS SHOULD BE ESTIMATED

	ACCOUNTS (A)	TOTAL (B)	JEFFERSON CITY (C)	(D)	(E)
1	HEATING OPERATING REVENUES				
2	175A COMMERCIAL METERED SALES				
3	RESIDENTIAL				
4	BUSINESS		\$ 502 841		
5					
6	175B COMMERCIAL FLAT-RATE SALES				
7	RESIDENTIAL				
8	BUSINESS				
9					
10	176A MUNICIPAL METERED SALES				
11	176B MUNICIPAL FLAT-RATE SALES				
12	177 OTHER PUBLIC UTILITIES				
13	178 AUXILIARY OR BREAK-DOWN SERVICE				
14					
15	179 DISCOUNTS FORFEITED				
16	TOTAL				
17	180 LESS ALLOWANCES				
18	TOTAL OPERATING REVENUE		\$ 502 841		
19					
20					
21		LBS	LBS	LBS	LBS
22		STEAM	STEAM	STEAM	STEAM
23	POUNDS OF STEAM SOLD				
24	175A COMMERCIAL METERED SALES				
25	RESIDENTIAL				
26	BUSINESS				
27					
28	175B COMMERCIAL FLAT-RATE SALES				
29	RESIDENTIAL				
30	BUSINESS				
31					
32	176A MUNICIPAL METERED SALES				
33	176B MUNICIPAL FLAT-RATE SALES				
34	177 OTHER PUBLIC UTILITIES				
35	178 AUXILIARY OR BREAK-DOWN SERVICE				
36	TOTAL POUNDS OF STEAM SOLD				

SCHEDULE NO 550-H
HEATING DEPARTMENT-OPERATING EXPENSES

SHOW THE HEATING OPERATING EXPENSES OF THE RESPONDENT FOR THE YEAR

ACCT NO	NAME OF OPERATING EXPENSE ACCOUNT (A)	AMOUNT (B)
	PRODUCTION EXPENSES	
	STEAM GENERATION-OPERATION	
181A	BOILER PLANT LABOR	\$20 941
181B	FUEL FOR STEAM	224 375
181C	WATER FOR STEAM	8 830
181D	SUPPLIES AND EXPENSES	4 110
	TOTAL STEAM GENERATION-OPERATION	258 256
182	STEAM GENERATION-MAINTENANCE	
	STEAM GENERATION MAINTENANCE	56 042
	STEAM PURCHASED	
183	COST OF STEAM PURCHASED	
	TOTAL PRODUCTION EXPENSE TRANSFERRED TO ACCT NO 184 STEAM APPORTIONMENT	
	STEAM APPORTIONED TO OTHER DEPARTMENTS	
	TOTAL STEAM APPORTIONED TO OTHER DEPARTMENTS	
	NET PRODUCTION EXPENSES HEATING DEPARTMENT	314 298
	TRANSMISSION EXPENSES	
187	SUBWAY RENTS	
	TOTAL TRANSMISSION EXPENSES	0
	DISTRIBUTION EXPENSES	
188A	SALARIES AND EXPENSES OF SUPERINTENDENTS CLERKS ENGINEERS AND OFFICE EXPENSES	
188B	METER TESTING CHANGING AND INSPECTING	
188C	MISCELLANEOUS SUPPLIES AND EXPENSES	
189	DISTRIBUTION MAINTENANCE EXPENSE	
	TOTAL DISTRIBUTION EXPENSES	0
	COMMERCIAL EXPENSES	
190A	SALARIES OF BILLING AND COLLECTION DEPARTMENT	
190B	OFFICE SUPPLIES AND EXPENSES	
190C	SALARIES AND EXPENSES OF METER READING DEPARTMENT	
	TOTAL COMMERCIAL EXPENSES	0
	NEW BUSINESS EXPENSES	
191B	ADVERTISING	
191C	SUPPLIES AND EXPENSES	
	TOTAL NEW BUSINESS EXPENSES	0
	TOTAL DIRECT OPERATING EXPENSES	\$314 298

SCHEDULE NO 550 GEN
 OPERATING EXPENSES - GENERAL AND MISCELLANEOUS

SHOW THE GENERAL AND MISCELLANEOUS EXPENSES OF EACH DEPARTMENT DETAILED BELOW IF THE GENERAL AND MISCELLANEOUS EXPENSES ARE ASSIGNED TO MORE THAN ONE DEPARTMENT SHOW IN A FOOTNOTE THE METHOD USED IN MAKING THE ASSIGNMENT OR APPORTIONMENT BETWEEN DEPARTMENTS

	ACCT NO	NAME OF OPERATING EXPENSE ACCOUNT (A)	GAS (B)	WATER (C)	HEATING (D)	OTHER DEPTS (E)	TOTAL (F)
1		GENERAL AND MISCELLANEOUS EXPENSES					
2	781 11	ADMINISTRATIVE SALARIES			\$10 616		
3	781 12	OTHER GENERAL OFFICE SALARIES					
4	781 21	GENERAL OFFICE SUPPLIES AND EXPENSES			5 217		
5	781 22	GENERAL STATIONERY AND PRINTING					
6	781 23	MAINTENANCE OF GENERAL STRUCTURES			1 701		
7	781 24	OPERATION OF COMMUNICATION SYSTEM					
8	781 25	MAINTENANCE OF COMMUNICATION SYSTEM			169		
9	781 26	LAW EXPENSES			332		
10	781 27	INSURANCE					
11	781 30	RENTALS			101		
12	781 31	MANAGEMENT FEES					
13	781 32	OTHER MISCELLANEOUS GENERAL EXPENSES			8 124		
14	782	RETIREMENT EXPENSES					
15	783 1	CLAIM DEPARTMENT EXPENSES					
16	783 2	MEDICAL EXPENSES					
17	783 3	INJURIES TO EMPLOYEES					
18	783 4	OTHER PERSONAL INJURIES AND PROPERTY DAMAGE					
19	783 5	MISCELLANEOUS ACCIDENT EXPENSES			400		
20	784	REGULATORY COMMISSION EXPENSES			347		
21	785 1	EMPLOYEES WELFARE DEPARTMENT			15 258		
22	785 2	PENSIONS			4 838		
23	786	FRANCHISE REQUIREMENT					
24	787	AMORTIZATION OF FRANCHISES					
25	788	EXPENSES TRANSFERRED - CR					
26	789	JOINT OPERATING EXPENSES - CR					
27	790	DUPLICATE MISCELLANEOUS CHARGES - CR					
28		TOTAL GENERAL AND MISCELLANEOUS EXPENSES			47 103		
29		DIRECT OPERATING EXPENSES FORWARD FROM SCHEDULE NO 500 G W H			314 298		
30		TOTAL OPERATING EXPENSES			\$361 401		

VERIFICATION

The foregoing report must be verified by the oath of the President or chief officer of the company. The oath required may be taken before any person authorized to administer an oath by the laws of the State in which the same is taken.

OATH

STATE OF Missouri
COUNTY OF St Louis } ss

Warner L Baxter makes oath and says that
(Insert here the name of the affiant.)

he is Controller
(Insert here the official title of the affiant.)

of Union Electric Company
(Insert here the exact legal title or name of the respondent.)

that he has examined the foregoing report, that to the best of his knowledge, information, and belief, all statements of fact contained in the said report are true and the said report is a correct statement of the business and affairs of the above-named respondent in respect to each and every matter set forth therein during the period from and including

January 1, 1997, to and including December 31, 1997

Warner L Baxter
(Signature of affiant.)

Subscribed and sworn to before me, a Notary Public in and for the
State and county above named, this 30th day of March, 1998

My commission expires March 3, 192001

C. A. Lang
(Signature of officer authorized to administer oaths)

C A LANG
Notary Public — Notary Seal
STATE OF MISSOURI
St Louis County
My Commission Expires March 3 2001

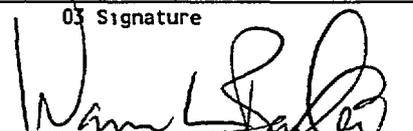
FERC FORM NO 1
ANNUAL REPORT OF MAJOR ELECTRIC UTILITIES LICENSEES AND OTHER

IDENTIFICATION

01 Exact Legal Name of Respondent ELECTRIC COMPANY		02 Year of Report Dec 31 1997
03 Previous Name and Date of Change (if name changed during year)		
04 Address of Principal Office at End of Year (Street, City, State, Zip Code) CHOUTEAU AVENUE, ST LOUIS, MISSOURI 63103		
05 Name of Contact Person R L BAXTER		06 Title of Contact Person CONTROLLER
07 Address of Contact Person (Street, City, State, Zip Code) BOX 66149, ST LOUIS, MISSOURI 63166		
08 Telephone of Contact Person, including Area Code 554-6302	09 This Report is (1) x An Original (2) A Resubmission	10 Date of Report (Mo, Da, Yr) 12/31/97

ATTESTATION

The undersigned officer certifies that he/she has examined the accompanying report, that to the best of his / her knowledge and belief, all statements of fact contained in the accompanying report are true and the accompanying report is correct statement of the business and affairs of the above named respondent in respect to each and every matter set forth herein during the period from and including January 1 to and including December 31 of the year of the report

01 Name R L BAXTER	03 Signature 	04 Date Signed (Mo, Da, Yr) 4/9/98
02 Title CONTROLLER		

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Attachment 9:

“The Rate of Return:”

Phillips, Charles F., Jr., The Regulation of Public Utilities, Theory and Practice, *Third Edition* (Arlington, Virginia, PUR, 1993), pages 375-432.

The Regulation of Public Utilities Theory and Practice

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1993
PUBLIC UTILITIES REPORTS, INC
Arlington, Virginia

Chapter 9

THE RATE OF RETURN

From the investor or company point of view it is important that there be enough revenue not only for operating expenses but also for the capital costs of the business. These include service on the debt and dividends on the stock.

By that standard the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and attract capital.

—Justice Douglas*

While the property valuation problem, from a historical perspective, has received too much emphasis, determination of the rate of return has received too little. In recent years, however, the combined effects of the *Hope* decision and of inflation have been to shift regulatory attention from the rate base to the rate of return.¹ At a minimum, a public utility must be afforded the opportunity not only of assuring its financial integrity so that it can maintain its credit standing and attract additional capital as needed, but also of achieving earnings comparable to those of other companies having corresponding risks. Further, regulation may use the rate of return as an incentive by awarding returns that are higher than the minimum to those utilities with relatively greater efficiency. But in determining a rate, a commission may not set it so high as to exploit consumers. The concept of a fair rate of return, therefore, represents a range or a zone of reasonableness. And its quantitative importance is evident. Given the rate base, earnings are 25 percent higher under a 10 percent return than under an 8 percent rate.

For regulatory purposes, the rate of return is the amount of money earned by a public utility, over and above operating costs, expressed as a percentage

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of the rate base. In other words, the rate of return includes interest on long-term debt, dividends on preferred stock and earnings on common stock (including surplus or retained earnings). As Garfield and Lovejoy have put it, "the return is that money earned from operations which is available for distribution among the various classes of contributors of money capital. In the case of common stockholders, part of their share may be retained as surplus."² The important point to note is that the rate of return includes profit (in the traditional sense), as well as interest on debt capital and dividends on preferred stock.

The problems associated with determination of the rate of return are considered in this chapter. The leading judicial concepts and commission decisions are discussed in the first two sections.³ The remainder of the chapter is devoted to an examination of the cost of capital standard as an estimate of fair rate of return.

Judicial Concepts

Elucidations of judicial concepts of a fair rate of return are few and far between. In some cases, the Supreme Court has enumerated a number of factors that should be considered. In general, however, the Court has limited its discussions on this matter to the question of confiscation. At the same time, the Court has made it clear that (1) a fair rate of return may be higher than a rate which avoids confiscation, (2) no single rate of return is always fair, and (3) public utilities are not guaranteed a fair return.

The Court's Standards of "Fair"

The valuation problem was considered at length in the case of *Smyth v Ames* in 1898, but no attempt was made to define a fair rate of return until 1909. Then, in the *Consolidated Gas* case of that year, the Supreme Court said

There is no particular rate of compensation which must in all cases and in all parts of the country be regarded as sufficient for capital invested in business enterprise. Such compensation must depend greatly upon circumstances and locality, among other things, the amount of risk in the business is a most important factor, as well as the locality where the business is conducted and the rate expected and usually realized there upon investments of a somewhat similar nature with regard to the risk attending them. There may be other matters which in some cases might also be properly taken into account in determining the rate which an investor might properly expect or hope to receive and which he would be entitled to without legislative interference. The less risk, the less right to any unusual returns upon the investments. One who invests his money in a business of somewhat

hazardous character is very properly held to have the right to a larger return without legislative interference, than can be obtained from an investment in Government bonds or other perfectly safe security ⁴

According to the Court, therefore, a fair rate of return involved two elements — a return on invested capital and a return for risk. In this case, a 6 percent rate of return was held to be nonconfiscatory.

In the *Bluefield* case of 1923, the Court extended and elaborated on these principles and, in so doing, presented a lengthy list of factors to consider in determining a fair rate of return. The Court argued

What annual rate will constitute just compensation depends upon many circumstances and must be determined by the exercise of a fair and enlightened judgment, having regard to all relevant facts. A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties, but it has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures. The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties. A rate of return may be reasonable at one time, and become too high or too low by changes affecting opportunities for investment, the money market, and business conditions generally ⁵

As in *Smyth vs Ames*, the Court listed a number of factors for consideration, including (1) comparisons with other companies having corresponding risks, (2) the attraction of capital, (3) current financial and economic conditions, (4) the cost of capital, (5) the risks of the enterprise, (6) the financial policy and capital structure of the utility, (7) the competence of management, and (8) the company's financial history. The Court did not define these factors, nor did it indicate the relative weight that should be assigned to each. Rather, the commissions were to consider "all relevant facts" and to exercise an "enlightened judgment."

Since the *Bluefield* case, little has been added by Court decisions. In the *McCardle* case of 1926, the Court found "The evidence is more than sufficient to sustain the rate of 7 per cent found by the Commission. And recent decisions support a higher rate of return."⁶ In the *United Railways* case of 1930, the Court decided that a 7.5 percent to 8 percent return was necessary under the attraction of capital standard. Said the Court

What is a fair return cannot be settled by invoking decisions of this Court made years ago based upon conditions radically different from those which prevail today. The problem is one to be tested primarily by present day conditions. Annual returns upon capital and enterprises, like wages of employees, cost of maintenance and related expenses, have materially increased the country over What will constitute a fair return in a given case is not capable of exact mathematical demonstration. There is much evidence in the record to the effect that in order to induce the investment of capital in the enterprise or to enable the company to compete successfully in the market for money to finance its operations, a net return upon the valuation fixed by the commission should not be far from 8 percent.⁷

During the depression years of the 1930s, the Court recognized the decline in interest rates and in business earnings throughout the country, and was willing to accept lower rates of return. In the *Dayton Power and Light* case of 1934, it approved a 6.5 percent return rather than the 8 percent sought by the utility.⁸ A year later, the Court made no mention of a 6 percent rate of return allowed by the commission in the *Chesapeake and Potomac Telephone* case.⁹ A 6 percent return also was upheld in the *Driscoll* case of 1939, in which the Court said

When bonds and preferred stocks of well seasoned companies can be floated at low rates, the allowance of an overall rate of return of a modest percentage will bring handsome yields to the common stock. Certainly the yields of the equity issues must be larger than that for the underlying securities. In this instance, the utility operates in a stable community, accustomed to the use of electricity and close to the capital markets, with funds readily available for secure investment. Long operation and adequate records make forecasts of net operating revenues fairly certain. Under such circumstances a 6 percent return after all allowable charges cannot be confiscatory.¹⁰

In two natural gas cases decided in the early 1940s, the Court approved 6.5 percent rates of return (on original cost rate bases), pointing out that the rate of return to the equity owner should be commensurate with returns on investments in other companies having corresponding risks, as well as sufficient to maintain the credit of the company and to attract capital. In the 1942 case, Chief Justice Stone argued

The evidence shows that profits earned by individual industrial corporations declined from 11.3 percent on invested capital in 1929 to 5.1 percent in 1938. The profits of utility corporations declined during the same period from 7.2 percent to 5.1 percent. For railroad corporations

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the decline was from 6 4 percent to 2 3 percent Interest rates were at a low level on all forms of investment, and among the lowest that have ever existed The securities of natural gas companies were sold at rates of return of from 3 percent to 6 percent, with yields on most of their bond issues between 3 percent and 4 percent The interest on large loans ranged from 2 percent to 3 25 percent The regulated business here seems exceptionally free from hazards which might otherwise call for special consideration in determining the fair rate of return ¹¹

And in the 1944 case, Justice Douglas stated

The rate-making process under the [Natural Gas] Act, i e , the fixing of "just and reasonable" rates, involves a balancing of the investor and the consumer interests From the investor or company point of view it is important that there be enough revenue not only for operating expenses but also for the capital costs of the business These include service on the debt and dividends on the stock By that standard the return to equity owner should be commensurate with returns on investments in other enterprises having corresponding risks That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital The conditions under which more or less might be allowed are not important here Nor is it important to this case to determine the various permissible ways in which any rate base on which the return is computed might be arrived at For we are of the view that the end result in this case cannot be condemned under the Act as unjust and unreasonable from the investor or company viewpoint ¹²

The *Hope* decision thus represented a restatement of the rate of return principles listed by the Court in its earlier *Bluefield* decision ¹³ These principles, moreover, remain as the judicial "guidelines" for determining a fair rate of return ¹⁴ "Just as jurists try to make reasonable decisions, so the members of the Supreme Court expect reasonable-return judgments from commissions" ¹⁵

Reasonable versus Nonconfiscatory Rates

The earnings of a public utility cannot be unduly restricted, or such earnings would be confiscatory and would violate the constitutional guarantees of "due process" and "equal protection of the law" Held the Court in an early railroad case

The question of the reasonableness of a rate of charge for transportation by a railroad company, involving as it does the element of reasonableness both as regards the company and as regards the public,

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is eminently a question for judicial investigation, requiring due process of law for its determination. If the company is deprived of the power of charging reasonable rates for the use of its property, and such deprivation takes place in the absence of an investigation by judicial machinery, it is deprived of the lawful use of its property, and thus, in substance and effect, of the property itself, without due process of law and in violation of the Constitution of the United States, and in so far as it is thus deprived, while other persons are permitted to receive reasonable profits upon their invested capital, the company is deprived of the equal protection of the laws¹⁶

Is a reasonable or fair rate of return, then, the same as a nonconfiscatory rate? Or, conversely, is an unreasonable or unfair rate one that is confiscatory? The Supreme Court has held that a fair rate of return may be higher than one necessary to avoid confiscation. To quote from a 1925 decision

A commission or other legislative body, in its discretion, may determine to be reasonable and just a rate that is substantially higher than one merely sufficient to justify a judicial finding in a confiscation case that it is high enough to yield a just and reasonable return on the value of the property used to perform the service covered by the rate. The mere fact that a rate is nonconfiscatory does not indicate that it must be deemed to be just and reasonable¹⁷

Several state commissions and state supreme courts also have made this distinction, holding that a "just and reasonable" rate may be higher than a confiscatory rate¹⁸

No Single Rate Always Fair

The Supreme Court has clearly indicated that no single rate of return is always fair. Rather, a fair return varies with investment opportunities, the location of a utility, the nature of the business and general economic conditions. In the *Consolidated Gas* case, the Court said a fair rate of return depends on "circumstances and locality"¹⁹. Following World War I, the Court recognized that prices were rising and that "annual returns upon capital and enterprise the world over have materially increased, so that what would have been a proper rate of return for capital invested in gas plants and similar public utilities a few years ago furnishes no safe criterion for the present or for the future"²⁰

A few years later in the *Bluefield* case, the Court argued "A rate of return may be reasonable at one time, and become too high or too low by changes affecting opportunities for investment, the money market, and business conditions generally"²¹. Furthermore, because of differences in risk, a fair rate of return also will vary by industry or company. For example,

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a higher rate may be necessary for a street railway than for an electric or gas company ²²

No Guarantee of a Fair Return

The Supreme Court also has stated that public utilities are not guaranteed a fair rate of return. In a 1933 case, the Court argued

The due process clause of the Fourteenth Amendment safeguards against the taking of private property, or the compelling of its use, for the service of the public without just compensation. But it does not assure to public utilities the right under all circumstances to have a return upon the value of the property so used. The use of, or the failure to obtain, patronage, due to competition, does not justify the imposition of charges that are exorbitant and unjust to the public. The clause of the Constitution here invoked does not protect public utilities against such business hazards ²³

In the *Market Street Railway* case, the Court stated "The due process clause has been applied to prevent governmental destruction of existing economic values. It has not and cannot be applied to insure values or to restore values that have been lost by the operation of economic forces" ²⁴ Public utilities, in other words, are protected against arbitrary action of commissions, but not from normal "business hazards" or from the operation of "economic forces"

Summary of Judicial Decisions

Throughout all of its decisions, the Supreme Court has formulated no specific rules for determining a fair rate of return, but it has enumerated a number of guidelines. The Court has made it clear that confiscation of property must be avoided, that no one rate can be considered fair at all times and that regulation does not guarantee a fair return. The Court also has consistently stated that a necessary prerequisite for profitable operations is efficient and economical management ²⁵ Beyond this is a list of several factors the commissions are supposed to consider in making their decisions, but no weights have been assigned.

The relevant economic criteria enunciated by the Court are three: financial integrity, capital attraction and comparable earnings. Stated another way, the rate of return allowed a public utility should be high enough (1) to maintain the financial integrity of the enterprise, (2) to enable the utility to attract the new capital it needs to serve the public, and (3) to provide a return on common equity that is commensurate with returns on investments in other enterprises of corresponding risk. These three economic criteria are interrelated and have been used

widely for many years by regulatory commissions throughout the country in determining the rate of return allowed public utilities ²⁶

In reality, the concept of a fair rate of return represents a "zone of reasonableness" ²⁷ As explained by the Pennsylvania commission

There is a range of reasonableness within which earnings may properly fluctuate and still be deemed just and reasonable and not excessive or extortionate It is bounded at one level by investor interest against confiscation and the need for averting any threat to the security for the capital embarked upon the enterprise At the other level it is bounded by consumer interest against excessive and unreasonable charges for service ²⁸

As long as the allowed return falls within this zone, therefore, it is just and reasonable "As the fair value of the property is a judgment figure so is the denominated fair rate of return a judgment determination" ²⁹ It is the task of the commissions to translate these generalizations into quantitative terms

Commission Decisions

Bonbright has warned that those "familiar with the actual practice of American rate regulation need no reminder about the uncertain relationship between the supposed 'principles' of rate-of-return determination and the considerations that actually lead commissions to allow whatever rates of return they do allow in specific cases" ³⁰ He continues

In the opinions that accompany their rate orders, commissions seldom attempt to disclose the reasons why they find, say, 5.85 percent fair in one case and 6.2 percent fair in another Especially in fair-value jurisdictions, some of the decisions lead one to suspect that the commissions have first reached a conclusion as to reasonable revenue requirements in terms of dollars per annum and then have proceeded to translate these requirements into whatever combination of a rate base and a percentage rate of return will be likely to pass muster with the appellate courts or with public sentiment ³¹

To illustrate The New York commission, in a 1915 decision, reduced the rates of the Edison Company to yield "6 percent on nearly \$100,000,000, which it seems must certainly cover the value of the 'capital actually expended in the enterprise'" ³² In a 1933 Texas decision, all mention of the rate of return was confined to a single sentence "We find that an annual rate of return equal to 7 percent of the present fair value of the properties as herein found is adequate" ³³ The North Carolina commission, in a 1949 decision, explained that the allowed rate of return was determined after consideration of several factors

In arriving at a rate of return the Commission has given consideration to the financial history of the company, to its earnings in the past as compared with the present, to the cost of rendering service under existing high prices, to the ratio of its debt capital to its equity capital, to the general market trends in the cost of labor, materials, and capital, to the opportunity of investors to invest in other business undertakings of comparable stability and soundness, to the opportunity for growth and expansion and to public demand thereof, to the protection afforded against destructive competition, to the value of the service to telephone users and to the probability of diminishing returns from rates and charges that approach burdensome proportions³⁴

In a 1963 decision, the Arkansas commission concluded "In order to be conservative, the commission has decided that a rate of return from 6 25 percent to 6 50 percent would be reasonable in this case"³⁵ The New Jersey commission, in a 1971 decision, found a fair rate of return of 7 9 percent, based upon "a review of the entire record and consideration of petitioner's proposed capital structure, costs of capital, attrition, and erosion"³⁶ And, in finding a return of 8 372 percent on a fair value rate base in a 1980 decision, the Illinois commission said

The commission's decision regarding a fair rate of return must be one based on reasoned judgment The commission, in reaching its decision on a fair rate of return, has considered the continuing inflation in our economy, the volatile nature of current interest rates, the generally depressed condition of electric utility common stocks, the deratings of the company's debt, the limitations of current regulatory tools, and the decision to include certain construction work in progress in rate base³⁷

Allowed Rates of Return

Before turning to the standards underlying commission decisions, it is desirable to summarize the rates of return that have been allowed in the past In discussing allowed rates of return, however, it must be emphasized that any rate by itself is meaningless unless considered in connection with a commission's entire order, that is, with the type of rate base and test year employed, with the inclusion or exclusion of construction work in progress (CWIP), and so forth To illustrate It is obvious that a 10 percent rate of return, say, on an original cost rate base of \$100 million that excludes CWIP is far different from an 8 5 percent rate of return on a reproduction cost or fair value rate base of \$150 million (or an original cost rate base of \$150 million that includes CWIP)

The relationship between the allowed rate of return and the type of rate base employed by the commissions has been analyzed in five studies³⁸ In each

case, it was concluded that when commissions adopt either reproduction cost or fair value rate bases, they partially offset the effect of the larger bases by granting lower percentage rates of return, but that the combined effect of the larger rate base and the lower rate of return is to permit higher levels of earnings in reproduction cost and fair value jurisdictions. Eiteman, for example, found that the average rate of return for telephone companies in original cost cases was 5.93 percent, compared with an equivalent return of 7.98 percent on original cost in reproduction cost jurisdictions, and 6.62 percent on original cost in fair value cases. The average returns, therefore, were approximately 35 percent higher for reproduction cost companies and 12 percent higher for fair value companies than they were for original cost companies.

The conclusion of these studies supports the argument often advanced by representatives of public utilities to the effect that since commissions are reluctant to allow high rates of return, adequate earnings are more easily achieved when a reproduction cost or fair value rate base is used. Further, the conclusion also is consistent with Bonbright's contention that some commissions appear to determine a firm's total revenue requirement before either the rate base or the rate of return is established.

One further factor should be kept in mind. The allowed or authorized rate of return prescribed by a commission is commonly different from the rate of return earned by a utility. There are several reasons as to why such a difference might occur, but two stand out in recent years. The first is attrition (see Table 9-1), due in large part to the impact of high annual rates of inflation, and was of particular importance in the 1970s and early 1980s. The second is incentive regulation, under which an authorized rate of return is not prescribed, and is of particular importance at the present time.

Electric, Gas, Telephone, Water Utilities The authorized rate of return for electric, gas, telephone and water utilities has varied considerably, depending on the industry and the company, as well as the period of time. During the height of the rate base measurement controversy, many commissions maintained a "standard" rate of return for long periods of time — 8 percent in New York and 7 percent in Pennsylvania, for instance, during the 1920s.³⁹ A utility's total earnings, therefore, were closely related to the type of rate base used by a commission. Then, as interest rates declined, the standard rate also fell. During the 1930s, the standard rate of return became 6 percent in New York. The commission defended the rate

It exceeds the actual cost of raising funds for a public utility in this state which is soundly financed and properly conducted. Any utility corporation which cannot earn for its stockholders an adequate return upon the basis of a 6 percent return has neglected to conduct its affairs upon the basis of sound finance and engineering.⁴⁰

TABLE 9-1

Electric Utility Industry Returns on Equity Allowed
In Rate Cases versus Returns Earned, 1976-1986

Year	Allowed ^a	Earned ^b	Spread
1976	13 1%	12 0%	110bp ^c
1977	13 3	11 9	140
1978	13 2	11 8	140
1979	13 5	11 7	180
1980	14 3	11 5	280
1981	15 3	12 8	250
1982	15 8	13 6	220
1983	15 3	14 6	70
1984	15 3	15 1	20
1985	15 2	14 1	110
1986	13 9	13 6	30
1987	13 0	13 2	-20
1988	12 8	13 1	-30

^aUnweighted average of rate cases each year for 100-company universe, *excluding* FERC decisions

^bEarned return on average equity

^cbp = basis points

Source: Salomon Brothers, Inc., "Electric Utility Regulation—Semi-annual Review," 8 November 1989, 3

In the 1950s, allowed rates of return centered around 6 percent, with somewhat higher rates for utilities in fast-growing areas and for utilities under the jurisdiction of more liberal commissions.⁴¹ In the 1960s, allowed rates of return started upward, often exceeding 7 percent.⁴² This upward trend continued throughout the 1970s and into the 1980s, as rates of return in excess of 10 percent became common due to inflation and high interest rates. Table 9-2 gives recent (1991) rates of return established by representative state commissions. In 1976, the Federal Communications Commission (FCC) prescribed a rate of return for the American Telephone and Telegraph Company (AT&T) in the range of 9.5 to 10 percent, in 1981, a return of 12.75 percent was authorized.⁴³ The Federal Power Commission (FPC), in 1965, approved a return of 12 percent on average production investment for natural gas producers, noting the greater financial risks of exploration and production,⁴⁴ the return rose to 15 percent in the 1970s.⁴⁵ In its 1980 settlement orders, the Federal Energy Regulatory Commission (FERC) permitted rates of return ranging from 8.67 to 10.75.

Table 9-2
Rates of Return Allowed by Representative State Commissions^a

<i>Commission</i>	<i>Electric Utilities</i>		<i>Gas Utilities</i>		<i>Telephone Utilities</i>		<i>Water Utilities</i>	
	<i>Rate of Return on Rate Base</i>	<i>Rate of Return on Equity</i>	<i>Rate of Return on Rate Base</i>	<i>Rate of Return on Equity</i>	<i>Rate of Return on Rate Base</i>	<i>Rate of Return on Equity</i>	<i>Rate of Return on Rate Base</i>	<i>Rate of Return on Equity</i>
Alaska PUC	—	—	—	—	15 50%	15 50%	12 66%	18 87%
Arizona CC ^b	7 87%	—	6 34%	12 00%	7 98	—	9 80	12 03
California PUC	10 72	13 00%	10 75	13 00	11 50	—	10 79	12 00
Florida PSC	—	—	8 76	13 00	9 16	13 00	9 21	13 51
Illinois CC	10 21	12 40	11 39	12 75	11 62	13 63	11 04	12 80
Iowa UB	10 66	12 80	10 32	12 45	10 58	—	10 27	13 40
Kansas SCC	9 02	23 31	11 53	11 21	—	—	—	—
Massachusetts DPU	10 49	12 00	—	—	—	—	11 77	13 00
Michigan PSC	—	12 25	9 50	13 00	—	—	10 27	12 50
New Mexico PSC	7 93	—	—	—	5 19	10 00	11 34	—
New York PSC	10 02	12 50	9 63	11 83	9 77	11 00	10 30	11 00
North Dakota PSC	9 90	11 80	10 60	12 00	—	—	—	—
Ohio PUC	10 93	—	11 10	—	—	—	10 75	—
Oregon PUC	10 52	12 50	—	—	11 20	13 53	6 15	6 15
Tennessee PSC	—	—	11 06	12 50	8 21	—	10 42	11 84
Texas PUC	11 05	13 20	10 34	12 50	—	—	—	—
Virginia SCC	10 33	13 00	11 05	13 00	—	—	10 90	12 50
Washington UTC	10 16	12 80	—	—	—	—	12 81	12 50
Wisconsin PSC	10 50	12 60	9 42	12 60	11 33	13 50	—	—

^aThe decisions are generally those made in 1991

^bFair value rate base

Source *Utility Regulatory Policy in the United States and Canada, Compilation 1991-1992* (Washington, D C National Association of Regulatory Utility Commissioners, 1992), 471-520

percent in electric rate cases⁴⁶ In recent years, due to falling interest rates and improved stock market performance, allowed rates of return have declined Thus, in 1986, the FCC authorized a return of 12.2 percent for interstate access services,⁴⁷ in 1990, the return was set at 11.25 percent⁴⁸

Pipelines. While under the jurisdiction of the Interstate Commerce Commission (ICC), pipeline companies transporting crude oil were permitted an 8 percent rate of return on a valuation rate base⁴⁹ In defending this rate, the commission argued "The hazards and uncertain future of the common-carrier business of the pipelines suggest the fairness of a somewhat larger rate of return than it would be reasonable to expect would be applied in industries of a more stable character, where the volume of traffic is more accurately predicted"⁵⁰ In the case of pipelines used for the transportation of gasoline and other liquid products of petroleum — the "products lines" — a 10 percent return on valuation was established by the ICC⁵¹ Jurisdiction over oil pipelines was transferred to the FERC in 1977 and, throughout the 1980s, the commission struggled to develop the methodology that it would use⁵²

For natural gas pipeline companies, the FPC/FERC found rates of 6.125 to 6.5 percent on original cost rate bases in the early 1960s,⁵³ and somewhat higher rates in the late 1960s (6.625 and 6.875 percent, for example),⁵⁴ in the 1970s (9.25, 9.66 and 10.157 percent, in three cases)⁵⁵ and in the 1980s (a range of 11.78 to 16.34 percent in 1987 cases)⁵⁶ More than 70 percent of all pipeline cases, it should be noted, are terminated through settlement procedures⁵⁷

Cost of Capital Standard

Since the end of World War II, there has been a significant shift in regulatory emphasis, with the fair rate of return becoming a more important part of rate cases This shift in emphasis, moreover, has become even more pronounced since 1968, when rapidly spiraling costs (due to inflation, environmental protection, rising fuel prices, etc.) forced utilities across the country to seek almost continuous rate increases

During this period, the cost of capital standard⁵⁸ — sometimes referred to as the differentiated rate of return — has been developed Since many commissions consider that the determination of the cost of capital is at least a first step in arriving at a fair rate of return, this section is devoted to an analysis of its meaning, application and interpretation by the agencies and by financial experts⁵⁹

Definition of Cost of Capital

Justice Brandeis expounded on the cost of capital concept in his 1923 dissenting opinion in the *Southwestern Bell* case

In essence, there is no difference between the capital charge and operating expenses, depreciation, and taxes. Each is a part of the current cost of supplying the service, and each should be met from current income. When the capital charges are for interest on the floating debt paid at the current rate, this is readily seen. But it is no less true of a legal obligation to pay interest on long-term bonds, entered into years before the rate hearing and to continue for years thereafter, and it is true also of the economic obligation to pay dividends on stock, preferred or common.⁶⁰

As used by Justice Brandeis and by most commissions in recent years, the term "cost of capital" may be defined as the annual percentage that a utility must receive to maintain its credit, to pay a return to the owners of the enterprise and to ensure the attraction of capital in amounts adequate to meet future needs. Mathematically, the cost of capital is the composite of the cost of the several classes of capital used by a utility — debt, preferred (and preference) stock and common stock (par value plus earned and capital surplus) — weighted on the basis of an appropriate capital structure. If short-term debt has become a permanent part of a utility's financing, it is included.⁶¹ Tax deferrals, resulting from the pre-1971 investment tax credit and/or accelerated depreciation, are included at a zero cost rate (unless they have been deducted from the rate base), the job development tax credit is either included in common equity or as a separate item (at the overall cost of capital).⁶² A typical capital structure is shown in Table 9-3, illustrating the determination of an overall cost of capital of 10.12 percent. It should be noted that unless a utility has significant investments in nonutility assets, its invested capital should approximate its original cost rate base, except for investment in CWIP.⁶³

In applying the cost of capital standard, commissions face numerous and difficult problems "which almost defy solution."⁶⁴ Two major and four related problems are analyzed below: (1) appropriate capital structure, (2) allowable cost of senior capital and common equity, (3) incentive to efficiency, (4) "earnings erosion" during periods of inflation, (5) "gradualism" during volatile markets, and (6) disallowances and regulatory risk.

Capital Structure

The initial step in estimating the overall cost of capital involves the appropriate capital structure. There are two important issues. First, the traditional theory of business finance holds that the average cost of capital to a firm varies with the capital structure upon which it is based.⁶⁵ The interest rate on debt is normally lower than the cost of equity capital.⁶⁶ Consequently, within limits determined by such factors as the risk of a business, the overall cost may be somewhat lower when the debt-equity ratio is high than when the debt-

TABLE 9-3
Estimated Cost of Capital

	<i>Percentage of Capital Structure</i>	<i>Annual Cost</i>	<i>Weighted Cost</i>
Long-term debt	41.25%	9.87%	4.07%
Short-term debt	2.13	9.00	0.19
Preferred stock	7.22	8.92	0.64
Common stock	34.71	14.00	4.86
Unamortized investment tax credits			
Pre-1971	1.14	0.0	—
Post-1971	3.51	10.12	—
Deferred federal income taxes	<u>10.04</u>	0.0	<u>0.36</u>
Overall cost of capital	100.00		10.12

equity ratio is low. Given this theory, some argue that the regulatory commissions should base their cost of capital estimates on what they consider an "ideal" or "typical" capital structure, without regard to the actual capitalization of a particular utility being considered. Others argue that cost estimates should be based upon either the actual capital structure or the structure that is expected in the near future.

Second, when the utility under consideration is a subsidiary of another company, whose capital structure should be used — that of the subsidiary or that of the consolidated system? The widespread existence of holding companies in the public utility sector, plus the trend toward diversification, makes this an important consideration in many cases.

Actual versus Hypothetical Capital Structure Locklin has argued that most commissions "disregard actual capital structures and set up an ideal or normal structure for the purpose. To do otherwise would burden the public with the higher costs of obtaining capital that result from a capital structure that is something less than ideal, and may, in fact, be quite unsound."⁶⁷ And Rose argues "When a commission in determining cost of capital disregards the actual capital structure or a capital structure proposed by management it is no more invading the domain of management than when it disregards unreasonable expenses for labor, fuel, or other productive factors in prescribing rates."⁶⁸

Others maintain that in normal circumstances the actual or planned capital structure should be used in computing the cost of capital. As discussed in Chapter 6,⁶⁹ a utility's existing capitalization may well have resulted from sound and economical decisions when made, although a different structure

might attract capital at a lower cost at the time of a rate case. While hindsight is often superior to foresight, financial decisions must be made on the basis of judgment of present and future conditions.⁷⁰ Moreover, as Bonbright has argued, "the use of a hypothetical or 'typical' capitalization substitutes an estimate of what the capital cost *would be* under nonexisting conditions for what it *actually is* or *will soon be* under prevailing conditions."⁷¹ Unless the rate of return to equity capital is adjusted upward, and it seldom is, the utility is forced to adopt the hypothetical debt ratio to earn its allowed rate. But if the hypothetical debt ratio is significantly higher than the actual debt ratio, it may take several years of financing exclusively by means of debt to attain the higher ratio. During this period, the utility is unable to realize the rate on equity found to be required. Further, issuance of securities is under the control of the vast majority of the regulatory commissions, so that there is a check on unsound financing. "It seems, then, that it is economically sound to leave with management the decision as to proper debt ratio, at least within that area where the directors are not usurping or defaulting on their duties as directors."⁷²

During the 1950s and 1960s, many commissions sought an approximation of an ideal capital structure through the use of a hypothetical capitalization, particularly in telephone cases. As explained by the Alabama Supreme Court

The ideal capital structure would allow a debt-equity ratio in amounts that the company would get its full benefit in the amount of debt capital, and yet not have the debt component so high as to discourage prudent investors. This ideal capital structure is not static. However, many commissions and courts for rate-making purposes have concluded that a debt-equity ratio of 45 percent debt 55 percent equity most nearly approximates a proper debt-equity ratio.⁷³

The Massachusetts commission thus rejected both the actual capitalization (62 percent debt) and one proposed by the company (35 percent debt), adopting a hypothetical capital structure of 45 to 50 percent debt. The commission pointed out that the company's actual capital structure had a debt ratio that was too high, while the proposed ratio represented an inefficient capital structure since it did not include an amount of debt that could be reasonably assumed by the company.⁷⁴ The Mississippi commission, in a 1956 decision, held

Southern Bell's capital structure during the test period, with an average debt ratio of 21.7 percent, is imprudent and uneconomical, and imposes an unjust and unwarranted financial burden on the telephone subscribers. For the purpose of assessing the priority of the company's intrastate rates which prevail during the test period, we have reformed the capital structure on the basis of a debt ratio in the range of 45 percent to 50 percent, which we find is prudent, fair, and equitable.⁷⁵

And the District of Columbia commission rejected a telephone company's actual capital structure of 15 percent debt and 85 percent equity as being unrealistic, adopting for rate-making purposes a hypothetical capital structure of 40 percent debt and 60 percent equity "In our judgment," said the commission, "this capital structure, when applied to the cost of debt and equity, will amply afford sufficient earnings to pay a reasonable dividend and allow an increment for surplus"⁷⁶

During this same period, other commissions adopted the actual capitalization. The New York commission declared that to disregard the "actual historic structure" created with the commission's approval "would unsettle investors" and remove from management control over the capital structure. It added that "having approved a company's capital structure the company and the public have the right to rely upon our using the capital structure which we have approved as the basis for determining its rate of return"⁷⁷ The commission later indicated, however, that it would disregard the actual capital structure when it was "wasteful"⁷⁸ The Colorado commission said that it "could adopt a hypothetical structure for rate making in the event that applicants' actual financial structure is not in the long run public interest keeping in mind that responsibility for financial decisions rests with management"⁷⁹ The Arizona commission rejected the use of hypothetical capital structures on the grounds that they involve "pure speculation," while actual capitalizations are "more realistic"⁸⁰ The Florida commission held that capital structures "fall within the prerogatives of management" and that "invasion of the field of management in such a sensitive area is justified only when the public interest requires the exercise of extreme measures for its protection and benefit"⁸¹ Finally, the FCC rejected the adoption of a hypothetical capital structure for AT&T in a 1967 decision, but noted that in fixing the allowable rate of return it would take into account the "extraordinary amount of risk insurance respondents have given its stockholders by its low debt ratio policy"⁸²

Debt ratios began to rise during the late 1960s and early 1970s, and the financial condition of the public utility sector began to deteriorate. It became the common practice to use actual or expected capitalizations, actual where a historic test year is used, expected when a projected or future test year is used⁸³ The objective, in short, shifted from minimization of the short-term cost of capital to protection of a utility's ability "to raise capital at all times. This objective requires that a public utility make every effort to keep indebtedness at a prudent and conservative level"⁸⁴ A hypothetical capital structure is used only where a utility's actual capitalization is clearly out of line with those of other utilities in its industry or where a utility is diversified⁸⁵

Consolidated Capital Structure and Double Leverage. Where a utility is a wholly owned subsidiary that obtains its equity capital through its parent corporation, commissions commonly use the capital structure of the consolidated system⁸⁶ When (1) no substantial minority interest exists and (2) risks

are similar between parent and subsidiary, a consolidated capital structure is appropriate, since

market evaluations of the parent's stock afford the primary evidence of the current cost of equity to the subsidiary. Moreover, it would be inappropriate to use either the subsidiary's own cost of debt or its capital structure because the capital structure ratios would be inconsistent with the respective cost rates and the composite cost of total capital would be distorted.⁸⁷

Use of a consolidated capital structure, however, must be distinguished from the "double leverage" concept. The latter concept "prescribes the use of the cost of total capital (the composite cost of debt and equity) to the parent company as the measure of the cost of common equity to the operating subsidiary."⁸⁸ Double leverage, it is argued by advocates, has the advantage of using the actual data for the subsidiary for which a fair rate of return is being estimated.⁸⁹ But the concept is a controversial one, since its use may result in a "cost" of common equity that is lower than the opportunity cost.⁹⁰

When a substantial minority interest exists or when there are substantial differences in risks between a subsidiary and its parent, neither a consolidated capital structure nor the double leverage approach is appropriate.⁹¹ The following case is illustrative. The Maine commission (see Table 9-4) attempted to use the double leverage approach in a case involving the New England Telephone and Telegraph Company. First, the commission noted that the subsidiary was 86 percent owned by AT&T and 14 percent owned by outside (minority) investors. Second, it determined AT&T's capital structure and associated cost rates. Third, it determined the subsidiary's capital structure and associated embedded cost of debt. It then used the overall cost of capital for AT&T's capital structure and associated embedded cost of debt. It then used the overall cost of capital for AT&T as the cost of equity capital on 86 percent of the subsidiary's common stock and a cost of 11.5 percent on the remaining 14 percent of common equity held by outside investors. In overturning the commission's decision on this approach, the Maine Supreme Judicial Court noted, among other things, that "the commission is unable to cite to us any authority in which a double leveraging adjustment or a consolidated capital structure has been applied where a substantial minority interest exists."⁹²

Annual Cost of Capital

The second step in estimating the overall cost of capital involves the determination of the cost of senior capital and of equity capital. These costs are then applied to the capitalization of a utility to find the weighted cost of capital.

TABLE 9-4

Example of Double Leverage

A) AT&T's capital structure and cost of capital

	<u>Capital Structure</u>	<u>Cost</u>	<u>Weighted Cost</u>
Debt	25 00%	6 50%	1 63%
Preferred stock	9 00	7 80	0 70
Common equity	66 00	11 50	<u>7.59</u>
Overall cost of capital			9 92%

B) Subsidiary's capital structure and cost of capital

	<u>Capital Structure</u>	<u>Cost</u>	<u>Weighted Cost</u>
Debt	45 00%	6 99%	3 15%
Common equity			
AT&T supplied	47 30	9 92	4 69
Minority supplied	7 70	11 50	<u>0.89</u>
Overall cost of capital			8 73%

Source *New England Tel & Tel Co v Maine Pub Utils Comm'n*, 27 PUR4th 1, 38, 39 (1978)

Cost of Senior Capital. Few problems arise in computing the cost of senior capital. By common practice, the cost of senior capital is the embedded cost—the actual fixed charges on long-term debt and the annual dividend requirements of preferred (and preference) stock.⁹³ When a future test year is used, the embedded cost is used for existing debt and the current cost for additional indebtedness contemplated in the projected test year.⁹⁴ When a hypothetical capital structure is used that includes “imputed debt” (i.e., the hypothetical debt is higher than the utility’s actual debt outstanding), the embedded cost is used for outstanding debt and the current cost for the imputed debt.⁹⁵ Except for these circumstances, the embedded cost of senior capital is appropriate. Basing the cost of existing senior capital upon the hypothetical cost of doing senior financing under current conditions of the bond and stock market would represent (just as in the case of reproduction cost property valuations) an alternative not available to a utility.⁹⁶

In addition, allowances are usually made for the costs of financing, such as discounts and premiums on sale, call premiums paid when bonds are retired before maturity, underwriting fees and other flotation costs. Such

allowances, however, are not uniform. For example, with respect to call premiums, some commissions have charged such costs of refunding bonds to stockholders,⁹⁷ while others have amortized the premiums over a reasonable period,⁹⁸ with respect to flotation costs, some commissions deny them unless a new stock issue is planned.⁹⁹

Cost of Equity Capital. The most difficult problem in determining the overall cost of capital arises in estimating the cost of equity capital. The relevant question is: How much must a utility earn to induce investors to hold and to continue to buy common stock? In answering this question, it is important to realize that circular reasoning is involved. In the absence of a fixed, expressed or implied commitment as to the dividend rate, the actual cost of floating a stock issue is indeterminate. Investors' decisions are largely based on a utility's expected earnings and upon their stability, as well as upon alternative uses of investment funds. Yet, since the allowable amount of earnings is the object of a rate case, a commission's decision, in turn, will affect investors' decisions.

There are several approaches for estimating the cost of equity capital, but two principal methods have evolved in recent years: the "market-determined" standard and the "comparable earnings" standard.¹⁰⁰ The former is a market-oriented approach that focuses on investor expectations in terms of a utility's earnings, dividends and market prices. The latter is an alternative investment approach that focuses on what capital can earn in various alternatives with comparable risk.

Market-Determined Standard. The market-determined standard relies upon stock market transactions and estimates of investor expectations. Three major approaches have been, or are being, employed: e/p ratios (earnings-price ratios), the discounted cash flow (DCF) model, and the capital asset pricing model (CAPM).

The earnings-price ratio approach holds that the cost of equity capital to a utility is equal to the ratio of current earnings per share to the market price per share. Thus, if a utility's annual earnings are \$5 per share and the average market price of its common stock for that same period is \$38, the earnings-price ratio is 13.16 percent. (The ratio must be increased to allow for flotation costs. An allowance of 5 percent would result in an adjusted ratio of 13.85 percent — 13.16 percent divided by 0.95.) The method was widely used in the 1950s and early 1960s, although there was growing recognition of an underlying theoretical problem. The earnings-price ratio approach ignores the fact that investors purchase common stock for future growth and not for past or current earnings alone.¹⁰¹ As a result, a growth factor must be added in computing the cost of equity capital.

Finance theory holds that the cost of common equity capital

is the equity investors' capitalization rate, or required market rate of return, competitively determined in the capital markets, adjusted by

an appropriate allowance for underpricing in connection with sales of additional shares, including allowance for market pressure and for costs of flotation and underwriting. The capitalization rate before the allowance for underpricing is the discount rate that equates all expected dividends in the future plus the market price that investors eventually expect to realize to the present market price. While this is a simple enough concept, it is difficult to measure since measurement requires the estimation of the expectations of the investors who determine the present market price. Such estimates, of course, involve the exercise of informed judgment.¹⁰²

The DCF model represents an attempt to estimate the equity investors' capitalization rate. Mathematically,

$$K = \frac{d}{p} + g$$

where k is the investor's capitalization or discount rate (i.e., the cost of capital)
 d is the current dividend per share
 p is the current market price per share
 g is the expected rate of growth in dividends per share¹⁰³

Thus, if the stock of a particular utility pays a \$3 dividend, which is expected to grow at a rate of 4.5 percent per year, and if investors are willing to pay \$38 for the stock, the required return on common equity (assuming a 5 percent allowance for flotation costs) is 12.81 percent.¹⁰⁴ However, use of the DCF model for regulatory purposes involves both theoretical and practical difficulties.

The theoretical issues include the assumption of a constant retention ratio (i.e., a fixed payout ratio) and the assumption that dividends will continue to grow at rate g in perpetuity. Neither of these assumptions has any validity, particularly in recent years. Further, the investors' capitalization rate and the cost of equity capital to a utility for application to book value (i.e., an original cost rate base) are identical only when market price is equal to book value.¹⁰⁵ Indeed, DCF advocates assume that if the market price of a utility's common stock exceeds its book value, the allowable rate of return on common equity is too high and should be lowered — and vice versa.¹⁰⁶ Many question the assumption that market price should equal book value, believing that "the earnings of utilities should be sufficiently high to achieve market-to-book ratios which are consistent with those prevailing for stocks of unregulated companies."¹⁰⁷

Most frequently, the major practical issue involves the determination of the growth rate, a determination that is highly complex and that requires

considerable judgment¹⁰⁸ The crux of the measurement problem is this How can investors' expectations of *future* growth be measured? When past growth rates are used as a proxy for future growth rates, it is far from obvious as to (1) which time periods have the most relevance to investors and (2) whether the prospective growth rate should be determined by using trends in dividends per share, earnings per share and/or book value per share, and exactly how the information contained in these various measures is used by investors¹⁰⁹ Indeed, one study showed that the expectations of security analysts outperformed the extrapolation of historical trends in explaining share prices¹¹⁰ But when future growth rates are used, it is not clear whether the prospective growth rate should be determined by using analysts' estimates, surveys of institutional investors or the expected return on common equity times the retention ratio¹¹¹ And, even when all of these issues have been settled, there remains the circularity problem Since regulation establishes a level of authorized earnings, which, in turn, implicitly influences dividends per share, estimation of the growth rate from such data is an inherently circular process For these reasons, the DCF model "suggests a degree of precision which is in fact not present"¹¹² and leaves "wide room for controversy and argument about the level of k "¹¹³

The CAPM¹¹⁴ holds that the cost of equity capital or expected return on a utility's common equity is equivalent to that on a riskless security plus a risk premium related to the risk inherent in a particular utility's stock, that is, the model combines risk and return in a single measure¹¹⁵ The formula is as follows

$$R = R_f + (R_m - R_f) \beta$$

where R is the total return

R_f is the risk free return

R_m is the stock market return (or the expected return on a stock market portfolio)

β is the beta coefficient (or the utility's relevant market risk)

Thus, assuming a stock market return of 13.9 percent, a risk-free return (Treasury bonds) of 7.8 percent, and a beta of 0.90, the total return or cost of equity capital would be 13.29 percent¹¹⁶

Despite its appeal, the CAPM also has both theoretical and practical problems The theoretical issues include the reliability of the model's basic assumptions¹¹⁷ and the static nature of the model¹¹⁸ The practical problems surround the beta coefficient, "the only variable in the CAPM equation that is unique to the particular firm for which the cost of equity capital is being determined"¹¹⁹ They include How should beta be measured — stock market price alone or total return on investment (i.e., dividends plus capital gains)?

What period of time should be used for such measurement? What is the proper measure of stock market performance (e g , Dow Jones index, Standard & Poor's index, etc)? What is the proper measure of the risk-free return (e g , Treasury notes or Treasury bonds)? Finally, the evidence suggests that betas are unstable over time and that they move in the opposite direction from investors' perceptions of risk ¹²⁰ These issues have led some to conclude that the CAPM, at least at this stage in its development, "is inaccurate, incomplete, and unreliable as a measure of a firm's equity cost of capital" ¹²¹

Comparable Earnings Standard. The comparable earnings standard ¹²² recognizes a fundamental economic concept, namely, opportunity cost This concept states that the cost of using any resource — land, labor and/or capital — for a specific purpose is the return that could have been earned in the next best alternative use The opportunity cost of a farmer using his land for beef grazing is what the land would yield after expenses if used for raising tobacco or for growing wheat, the opportunity cost to a worker in accepting one job is what he forgoes by not accepting the next best alternative Likewise, the opportunity cost to an investor in a utility's common stock is what that capital would yield in an alternative investment — in another utility's or industrial's common stock, in utility, corporate or government bonds, in real estate, etc Stated another way, the opportunity cost of capital concept holds that "capital should not be committed to any venture unless it can earn a return commensurate with that prospectively available in alternative employments of similar risk" ¹²³

The relevance of the opportunity cost concept was recognized by Judge Hand in a 1920 case

The recurrent appeal to a just rate and a fair value assumes that the effort is to insure such a profit as would induce the venture originally and that the public will keep its faith so impliedly given That, I think, involves a tacit comparison of the profit possible under the rate with profits available elsewhere, i e , under those competitive enterprises which offer an alternative investment The implication is that the original adventurer would compare future rates, varying as they would with the going profit, and would find them enough, but no more than enough, to induce him to choose this investment By insuring such a return it is assumed that the supply of capital will be secured necessary to the public service As the profits in the supposed alternative investment will themselves vary, so it is assumed to be a condition of the investors' bargain that their profit shall measurably follow the general rates It is, of course, not relevant here to discuss these presuppositions, since they have now the support of authoritative law ¹²⁴

The comparable earnings approach is implemented by examining earnings on book common equity for enterprises that have comparable risks or

by examining earnings on book common equity for enterprises that have different risks and then making an allowance for those risk differences. Earnings on book common equity are used since the resulting cost of common equity is to be applied to an original cost rate base (in most jurisdictions)¹²⁵ The comparable earnings approach, further, requires that comparisons be made with both regulated and nonregulated alternatives, if the results are to have any validity, for two basic reasons. First, the alternatives confronting investors include both regulated and nonregulated enterprises. There is active competition for investor capital, no company enjoys a monopoly of the capital markets. Investors will seek the opportunity that provides the greatest profit, commensurate with the risks involved. Second, returns of regulated firms must always be used with extreme caution. At best, they reflect what the informed judgments of regulatory commissions have permitted such utilities to earn and may not be indicative of what could have been earned in the competitive market.¹²⁶

The most difficult problem in applying the comparable earnings standard is the determination of relative risk. Prior to the 1970s, it was frequently argued that regulation tended to eliminate some of the risks to which nonregulated enterprises are subject, so that utilities' overall or business risk tended to be less than the corresponding business risk of industrial firms. As a result, utilities were financed with larger amounts of senior capital (i.e., they had significantly higher debt ratios). But there is clear evidence that the risk of public utilities has increased in more recent years, particularly with the introduction of competition and significant disallowances,¹²⁷ and there is also support for the proposition that regulation itself is a risk.¹²⁸ Yet, the fact remains that there is no accepted method of measuring relative risk. Some have argued that risk can be measured by instability of earnings, this may be derived statistically by use of the standard deviation or coefficient of variation. Some advocate the use of market price-book value ratios and/or market price-earnings ratios to reflect how investors appraise relative risk.¹²⁹ Beta has received attention in some cases, although, as noted earlier, betas tend to be unstable over time. Still others maintain that the higher debt ratios of utilities serve to offset their overall lower business risk, with the result that the financial or equity risks of utilities and industrials are similar under current economic conditions. And, finally, some rely upon the various indexes published by Merrill Lynch (Merrill Lynch Suitability Rating), Standard & Poor's (S&P's Quality Rating) and/or Value Line (Value Line Safety and Timeliness Ratings).¹³⁰

Despite the difficulty of measuring relative risk, the comparable earnings standard is no harder to apply than is the market-determined standard. The DCF method, to illustrate, requires a subjective determination of the growth rate the market is contemplating. Moreover, as Leventhal has argued "Unless the utility is permitted to earn a return comparable to that available elsewhere on similar risk, it will not be able in the long run to attract capital."¹³¹

Other Methods. Several other approaches have been used to estimate the cost of common equity. Two of these should be noted. First, there is the risk premium method, which is based upon the premise that common equity carries a higher risk than debt.¹³² This approach is relatively straightforward: (1) determine the historic spread between the return on debt and the return on common equity, and (2) add this risk premium to the current debt yield to derive an approximation of current equity return requirements. Thus, the FCC, in its 1981 decision regarding AT&T, determined that the appropriate risk premium (for an Aaa-rated utility) was 2.5 percentage points, which, when added to the then-current cost of debt of 14.9 percent, resulted in a cost of equity capital of 17.4 percent.¹³³

Like other methods, however, there are a number of specific problems. Over what historic period of time should the spread be established? Does the spread between the return on debt and the return on equity remain constant over time and at all interest levels?¹³⁴ Should the spread be expressed on a before- or after-tax basis to the investor? What debt instruments should be used (e.g., government securities versus corporate or utility bonds)? What equity securities should be used? How should the resulting return requirement be adjusted for the risk that corresponds to a given utility? In light of these problems, many use the risk premium approach as a subsidiary method to test the results of other approaches.¹³⁵

Second, and at least as another possible subsidiary method, one can test the likely results of the recommended cost of equity or overall cost of capital. In the 1970s, due to low interest coverages, many electric utilities had difficulty in their financing. Several commissions sought an allowed return that would result in sufficient interest coverage.¹³⁶ Other factors that have been considered are cash flow, internal funds for construction expenditures and cash earnings for dividends. Many utilities have detailed financial models that permit such results to be readily estimated.¹³⁷

Conclusions on Cost of Capital. It is clear that determining the cost of capital is not an exact science. It is based on as objective and comparable data as possible, but experience and judgment must be used in drawing conclusions from that data. Stated the National Energy Board of Canada:

One of the few things upon which the regulated industries, the regulatory agencies, and the courts which review their decisions have all been agreed is that the consideration of the two objectives, just and reasonable rates or prices to the consumer, and just and reasonable return to the regulated enterprise, is a function requiring informed and scrupulous judgment. Many tests and techniques for assisting the process of reaching a just decision have been used, but no single test is conclusive, nor is any group of them definitive. Whatever tests may be used, in the last analysis the adjudicating body cannot escape the responsibility of exercising judgment as to what, in a stated set of circumstances, is a just and

reasonable return or rate of return, or what is a range of justness and reasonableness of return or rate of return

While such tests as the earnings of comparable enterprises and the interest coverages of the Applicant and of other enterprises can be applied, it is difficult to assign precise weights to these respective considerations. The final conclusion as to what is enough but not too much in the way of return, and rate of return, is not precisely supportable on a mathematical basis. If it were, one computer and a few programmers could replace all the regulatory boards in North America, and dispense undeniable justice instantaneously.¹³⁸

It is especially difficult to estimate the cost of equity capital.¹³⁹ Given the variety of approaches, it is little wonder that estimates of the cost of equity capital differ significantly. To cite AT&T's 1981 rate case before the FCC once again, seven witnesses presented the estimates, shown in Table 9-5, ranging from 12.50 to 17.60 percent. The FCC's trial staff recommended a cost of equity of 14.25 percent, the administrative law judge found 14.60 percent and the full commission allowed 17.40 percent. Here, as is true with many other aspects of regulation, the quality of the commissions is crucial.

TABLE 9-5
Estimates of the Cost of Equity Capital

<i>Witness</i>	<i>Cost</i>
Dwyer	16.40-17.60%
Curley	15.50-16.00
Friend	15.33-16.00
Gordon and Gould	14.50
Kosh	13.00
Langsam	12.50-13.50
FCC Trial Staff	14.25
ALJ Luton	14.60
Full Commission	17.40

Source *In re American Tel & Tel Co*, 86 FCC2d 221 (1981)

Incentive to Efficiency

The cost of capital standard, as discussed above, has one serious limitation it makes no specific allowance for efficiency Justice Brandeis argued that an efficient utility might properly be allowed more than a rate of return barely above the level of confiscation ¹⁴⁰ And the Florida commission has stated

Inefficient operations sometimes penalize the guilty utility and this matter of efficiency compared with inefficiency in the operations of a public utility has given rise to considerable controversy in regulatory circles as to the impact efficiency, or the lack of it, should have in fixing the allowable return It does not appear to be reasonable to penalize a public utility's customers or subscribers for the inefficiencies of the utility It would seem to be more reasonable that a utility should be allowed something more in the rate of return if it has demonstrated its ability to operate efficiently While it is difficult to accurately evaluate this factor because of its imponderable nature, it would appear reasonable to conclude that a public utility is operating efficiently if it has a minimum of service complaints, is constantly improving its service, but is still able to produce higher earnings on lower rates than comparable or similar utilities in the same general area ¹⁴¹

Competition is supposed to compel management efficiency as firms seek ways of reducing costs in order to maximize profits and increase sales Under regulation, however, if rates are fixed so as to enable all companies — those that are well managed and those that are not — to cover their costs plus receive a fair rate of return, there is no stimulus for efficiency comparable to the stimulus of competition Based upon the experience of the 1950s, Bonbright concluded

American experience with regulated private ownership hardly justifies the unqualified indictment that some writers have made against it on this score But a plausible case, at least, could be made for the thesis that what has saved regulation from being a critical influence in the direction of mediocrity and tardy technological progress has been its very "deficiencies" in the form of regulatory lags and in the form of acquiescence by commissions in fairly prolonged periods of theoretically "excessive" earnings on the part of companies whose public repute and whose comparative rates of charge for service have not made them vulnerable to popular attack ¹⁴²

Perhaps the most significant incentive to efficiency is regulatory lag Prior to the advent of rapid inflation, most commissions considered a fair return to represent a range, and utilities had an incentive to bring their

earnings into the upper portion of the allowable range. More recently, the incentive has been to earn the allowable rate of return, although it is doubtful that efficiency can overcome a high rate of inflation. There is also an incentive for small utilities to be efficient, since their earnings as a group are often lower than the rate authorized by the regulatory commissions.¹⁴³ And a few commissions have made a specific allowance for efficiency in setting a fair rate of return.¹⁴⁴

Various proposals have been made to deal with this problem. The most frequently stated suggestion is for commissions to make adjustments in the rate of return according to some measure(s) of performance, and some commissions have adopted versions of this proposal.¹⁴⁵ Particularly difficult, however, is the problem of inefficiency. Should a commission find it necessary to impose a penalty for inefficiency, a serious obstacle might be placed on the ability of a utility to attract and to hold capital. A reduction in earnings would almost certainly make it more difficult for a utility to confront investors, thereby causing efficiency to decline even further.¹⁴⁶ But penalties have been imposed for service deficiencies: rate increase applications have been denied,¹⁴⁷ the North Carolina commission imposed a 0.45 percent penalty on rate base in one case¹⁴⁸ and a penalty reduction in return on common equity of 5.5 percent in another,¹⁴⁹ the California commission imposed a 0.5 percent penalty (equivalent to \$7.4 million in revenue requirements) on common equity,¹⁵⁰ the Iowa commission imposed a 1 percent penalty on common equity under its management efficiency standards,¹⁵¹ and the Florida commission imposed a 0.5 percent penalty on common equity.¹⁵²

Finally, the absence of specific incentives does not mean that commissions can ignore the problem. At a minimum, regulatory agencies must make sure they avoid policies that penalize efficiency. For example, if a commission requires the deduction from the rate base of the unamortized costs of assets retired unexpectedly because of obsolescence, but permits their retention in the rate base as long as the assets are not replaced by superior, but available, substitutes, efficiency is discouraged.¹⁵³ The same is true if "every act that raises profit is offset by a regulatory act that reduces it."¹⁵⁴

Earnings Erosion during Periods of Inflation

Since the *Hope* decision in 1944, the majority of federal and state commissions have adopted the original cost less accrued depreciation method of determining the rate base and have applied a rate of return estimated by the cost of capital standard. The resulting earnings, it is argued, should be sufficient to meet the contractual obligations of the utility, to reward common stockholders and to attract new capital. But owing to price inflation in the economy since World War II, and at a greatly accelerated annual rate in the 1968 to 1982 period, this procedure has become a source of controversy before the regulatory commissions. Specifically, should 911

investors be compensated for inflation? Such compensation could be made in two ways by converting either the original cost rate base or the equity portion of the investment into dollars of the current year, or by making an appropriate adjustment in the rate of return. It is argued in the preceding chapter¹⁵⁵ that the second method is preferable to the first if an adjustment is necessary.

Two arguments are commonly advanced in support of a policy of raising earnings during inflation. The first is ethical. Unless commissions allow an adjustment in relation to the current purchasing power of the dollar, there is an unfair expropriation of the real value of the utility's property and, hence, of the common stockholders' investment. The second is economic. Unless earnings are kept in line with those in other industries, public utilities will not be able to attract needed capital on reasonable and equitable terms.

To be sure, these claims are not independent of each other, since the question whether existing investors have a fair claim to indemnity for *past* inflation may be held to depend on the question whether uncommitted prospective investors are willing to supply new capital without receiving any protection against *future* inflation. Nevertheless, the answer to the one issue does not necessarily carry with it the answer to the other.¹⁵⁶

The two arguments are considered in turn.

Fairness to Stockholders The first argument in support of an inflation adjustment has been advanced by Morton. In an article published in 1952, he argued that in computing the cost of capital, the equity portion should be adjusted upward by the use of a general price index, with 1946 as the base year. To deny such an inflation adjustment to the common stockholders of utilities, he continued, is unfair and constitutionally confiscatory. Interestingly enough, his argument is based on the grounds of fairness and not financial necessity. To quote from the article:

Instead of giving a utility a reasonable return because it is just, we now ask what rate is necessary to maintain it as a going concern and to attract new capital. Justice is a moral concept, necessity is a power concept. The demands of fairness are not always those of power. We have already shown that a utility will continue to function as a going concern and attract new capital even if no compensation is made for inflation to capital already irrevocably committed. An inflation adjustment is not necessary to maintain the financial soundness and integrity of the concern. As long as necessity is the sole guide to action, the property of a utility can be taken without compensation by means of inflation, provided the will to do so is accompanied by legal and political power. Under these circumstances, holders of utility

property can hardly be expected to submit to expropriation without trying to use political power to protect themselves. Within the constitutional framework, political power is after all the ultimate arbiter of all rights to liberty and property.

The erroneous notion that the market somehow automatically compensates for inflation rests on the belief that economic power is capable of protecting itself. In unregulated industry this is true. Any interest having economic power to compel a fair return can exert that power, it does not need to resort to the courts. Appeal to the courts under the 14th Amendment is made when the individual is incapable of defending himself against arbitrary action. A utility cannot protect itself against inflation by its power to control the supply of services because that power is limited and circumscribed by regulation. Potential investors can exert some economic power by withholding capital, but past investors are wholly dependent upon constitutional interpretation.¹⁵⁷

Morton's argument rests upon two basic assumptions: first, that inflation results in the impairment of stockholders' "real" capital, and, second, that nonregulated industries can protect their stockholders from such capital impairment by exercising their "economic power." The first assumption is valid, but the second is questionable (although it is true that industrial earnings tend to rise during inflationary periods).¹⁵⁸ These comments aside, the most significant drawbacks to an inflationary adjustment made on the basis of fairness are that such an adjustment would be selective and not remedial¹⁵⁹ and that, in being fair to the common stockholders of public utilities, unfairness to others would result.¹⁶⁰

In the first place, the holders of bonds and preferred stocks receive no safeguards against inflation. While they receive other safeguards (such as less risk), justice or fairness would seem to indicate that they, too, should share in any inflation allowance, since inflation also results in the impairment of their "real" capital. In the second place, the buyers of common stocks, whether of utilities or nonregulated companies, were never promised a return that would protect their capital against price inflation. (In fact, they are never promised any return at all.) Provided that investors are fully informed about the facts of their investments, as required by the Federal Securities Act, and that commissions are consistent in their policies,¹⁶¹ common stockholders have no claim to preferential treatment.¹⁶² In the third place, inflation adjustments would tend to "unsettle regulation." As Thatcher puts it:

It would strengthen the very inflationary forces against which representatives of the companies warn us. Principles such as those proposed by witnesses urging an inflation adjustment, like those urged by proponents of "fair value" or "reproduction cost," if consistently carried onward into

the future, as they should be if they are recognized in rate cases, would in fact endanger the future stability of companies in times of falling prices and hopelessly confuse the regulatory process¹⁶³

Finally, an inflation adjustment might not achieve its intended goal. In the short run, as Clemens has argued, it is likely that such an adjustment

would stabilize the *expected* purchasing power of the market value of the equity investment — something entirely different and of limited desirability. This arises from the fact that the formula consists of two variables, the cost of money and the price or inflation adjustment. The inflation adjustment standing alone would give the investor an income of constant purchasing power, but it would not do so if it were coupled with the cost of money computed from market yields. Investors would simply discount expected inflation or deflation and bid up, or bid down, the value of the stock accordingly. Under conditions of expected inflation, yields would be lower than otherwise, under conditions of expected deflation, yields would be higher.

It is likely that in the long-run the return would move upward with prices but, assuming inflation, the inflationary adjustment might be offset to a degree by the lower yield at which inflation-protected securities would probably sell. However, a cyclical pattern would be imposed upon the income flow: income would be higher in times of expected deflation, lower in times of expected inflation.¹⁶⁴

Attraction of Capital. Until 1968, all of the evidence available suggests that utilities were able to attract capital on terms comparable with non-regulated industries.¹⁶⁵ However, during this period, most commissions permitted utilities under their jurisdictions to earn incomes in excess of the minimum cost of capital. This fact, combined with an average payout ratio of 70 percent and the flotation of new common stock issues at prices in excess of the book values of old stocks, provided an upward trend in earnings per share. Investors found that the market values of their stocks more than kept pace with changes in the cost of living index.¹⁶⁶

However, beginning in the late 1960s, the situation changed dramatically, as the annual rate of inflation accelerated and interest rates soared. As a result, the financial integrity of the entire public utility sector deteriorated. Embedded debt costs rose, interest coverage declined, bonds were downgraded. Market prices of utilities' common stock fell below book values, new stock issues resulted in dilution. Consider, for example, the financial position of a large combination utility — Consumers Power Company (now the principal subsidiary of CMS Energy Corporation) — summarized in Table 9-6

TABLE 9-6
Consumers Power Company, 1965-1991

Year	Construction Expenditures (Millions)	Source of Funds		Embedded Cost of Debt	Indenture Coverage	Market Price ^a	Market/Book Ratio	Return on Average Equity	AFUDC/IDC ^b as a Percentage of Net Income
		Internal	External						
1965	\$109.9	80.5%	19.5%	3.70%	8.43	100.0	2.48	12.8%	1.03%
1966	147.0	50.8	49.2	3.97	7.26	88.5	2.08	13.2	3.47
1967	140.8	58.7	41.3	4.21	6.11	87.6	1.96	12.9	3.72
1968	208.3	44.6	55.4	4.60	4.92	81.8	1.76	11.2	7.82
1969	205.1	49.2	50.8	5.06	3.93	75.8	1.56	11.5	12.58
1970	241.9	34.0	66.0	5.54	3.31	64.9	1.28	11.6	19.38
1971	253.8	41.2	58.8	5.80	2.46	63.6	1.21	10.2	30.46
1972	379.4	33.7	66.3	5.99	2.34	58.1	1.06	9.9	32.57
1973	368.7	31.6	68.4	6.16	2.39	53.1	0.97	8.7	28.71
1974	342.8	12.5	87.5	6.80	1.99	31.4	0.56	4.8	25.53
1975	220.4	78.4	21.6	7.36	2.58	32.2	0.59	9.3	24.66
1976	353.2	22.6	77.4	7.60	2.90	41.9	0.76	13.1	23.42
1977	544.8	13.4	86.6	7.89	2.42	46.9	0.86	11.4	34.97
1978	665.1	36.6	63.4	8.35	2.36	45.9	0.88	11.3	41.75
1979	824.0	30.9	69.1	8.82	2.17	43.4	0.78	11.2	56.67
1980	640.9	30.0	70.0	10.50	1.81	36.7	0.67	11.0	61.68
1981	706.2	39.8	60.2	10.27	2.26	34.5	0.62	11.1	58.86
1982	855.0	29.3	70.7	10.38	2.06	35.6	0.66	11.4	70.81
1983	909.0	29.8	70.2	10.72	2.14	38.6	0.74	11.9	69.40
1984	605.0	45.5	54.5	11.11	2.25	15.6	0.30	4.4	38.01
1985	139.5	56.4	43.6	10.83	2.30	14.1	0.33	-18.7	c
1986	149.0	44.3	55.7	10.08	2.67	25.1	0.57 ^d	3.4 ^d	0.34
1987	149.2	39.2	60.8	9.91	2.64	33.5	0.66 ^d	9.2 ^d	26.19 ^e
1988	199.2	69.7	30.3	9.84	2.66	40.5	0.72 ^d	10.4 ^d	33.64 ^e
1989	222.3	46.8	53.2	9.31	3.20	60.3	0.95 ^d	9.9 ^d	32.64 ^e
1990	301.6	75.7	24.3	8.55	3.23	60.3	1.26 ^d	-29.8 ^d	f
1991	272.4	100.0	1.0	7.54	2.76	44.4	1.26 ^d	-24.5 ^d	g

^a1965 = 100.0

^bAllowance for funds used during construction/Interest during construction

^cNet loss of \$269.8 million before preferred and preference dividends, AFUDC was \$2.6 million

^dExcludes the effect of FASB Statement No. 90

^eIncludes interest during construction on the Midland Cogeneration Venture earned through a subsidiary of CPCo

^fNet loss of \$382.1 million before preferred and preference dividends AFUDC/IDC was \$35.9 million

^gNet loss of \$249.1 million before preferred and preference dividends AFUDC/IDC was \$850,000

Source: Company records

Between 1965 and 1985, the utility's (1) embedded cost of debt increased 192.7 percent, (2) indenture coverage declined from 8.43 to 2.30 times (and twice fell below the 2.00 times required to issue new long-term debt), (3) market price declined 85.9 percent (and was below book value until 1991), and (4) return on common equity, which fluctuated significantly (-18.7 to 13.2 percent), was comprised of a growing percentage of allowance for funds used during construction (AFUDC) (70.81 percent in 1982). During the 1970s, the utility generated only about 34 percent of its construction expenditures internally.

Many factors accounted for the deterioration of the utilities' financial integrity, but a major cause was attrition. As explained by the Florida Commission:

"Attrition" is the term frequently used to describe the eroding effects which increased costs caused by inflation have upon the rate of return of a utility, which must apply fixed rates for its services. A regulated utility may encounter such increasing costs in securing additional capital (capital cost attrition), in adding new plant to service at incrementally higher per unit costs (rate base attrition), or in the operating expenses normally incurred to provide service (NOI attrition).¹⁶⁷

Rate base attrition can be illustrated by the following example. Suppose a commission sets a utility's rate base at \$10 million and allows a 10 percent rate of return, resulting in annual earnings of \$1 million. If, however, the utility completes construction of a \$2 million new plant and puts it into operation during the next year, and if total earnings increase to \$1,105,000, the rate of return will be 9.20 percent. And because rate regulation is not continuous, this situation may exist for a year or more before the commission can complete a new rate case. This problem is especially important for utilities that are expanding. The results of attrition for the electric industry are shown in Table 9-1 for the thirteen-year period 1976-88. Notice that in 1980, the difference between the allowed rate of return on common equity and the earned rate of return was 2.8 percentage points (or 280 basis points).

The commissions use several methods to deal with the problem of attrition (inflation). First, they may modify or replace the historic or past test-year method by (1) adjusting historic test-year data for "known changes,"¹⁶⁸ (2) using a "year-end" rate base, rather than an "average" rate base, for the test period,¹⁶⁹ or (3) using a fully "projected" or "forecast" test-year approach.¹⁷⁰ While a year-end or projected rate base is more representative of the future period for which rates are being set, a year-end rate base creates a mismatch unless revenues and expenses for the test year are adjusted to reflect year-end conditions.

Second, a separate allowance for attrition may be added (1) to the revenue requirement (\$15 million in one case by the Louisiana commission),¹⁷¹ (2) to

the rate base valuation (the New Jersey commission added \$25.5 million in one case, while the Maryland commission added an attrition allowance of \$146,000 — about 3 percent — to the net investment rate base of a gas utility),¹⁷² or (3) to the rate of return (the Virginia Supreme Court added 20 basis points in one case, the New York commission added 50 basis points for a utility and the Florida commission added 76 basis points to offset attrition)¹⁷³ And, even where no separate attrition adjustment is made, the commissions have frequently stated that they take this factor — along with others — into account in determining a fair rate of return.¹⁷⁴

Third, some commissions have adopted interim rate procedures, whereby rates are put into effect, subject to refund provisions, while the case is in progress.¹⁷⁵ Others have adopted annual review or “make-whole” proceedings, where the issues are usually confined to changes in expenses and capital cost, revenues and investment since the last review or proceeding.¹⁷⁶ Fourth, a variety of indexing arrangements have been utilized. Under the original (1975) New Mexico Cost of Service Plan, for instance, there were automatic quarterly adjustments of Public Service Company of New Mexico’s base rates to allow the utility an opportunity to earn between 13.5 and 14.5 percent on common equity.¹⁷⁷

Finally, several other procedures have been adopted to reduce regulatory lag (and, hence, to minimize attrition). Greater use of prehearing conferences (to narrow the disputed issues) and settlement procedures, at the state level, the hiring of administrative law judges (called hearing examiners, agents or referees in some jurisdictions) or the use of panels of commissioners, and the adoption of methods to speed the formal hearing process (control over cross-examination, for instance), provide but a few examples.

Conclusions on Inflation Adjustment. When annual rates of inflation are high, an inflation adjustment is necessary if public utilities are to be given an opportunity to earn their cost of capital and to attract new capital on reasonable terms. There is substantial evidence that utilities failed to earn their capital costs throughout most of the 1970s.¹⁷⁸ While many commissions permitted attrition allowances, they were often inadequate and other commissions refused to deal with the inflation problem.¹⁷⁹ As a result, utilities (and their customers) paid high capital costs, in addition to the fact that construction expenditures were cut back.¹⁸⁰ On the basis of capital attraction, therefore, an inflation adjustment is necessary.¹⁸¹ And, if due to political pressures, the commissions are unable to grant adequate rates of return, an “overt” or systematic adjustment for inflation may well be required.

Gradualism during Volatile Markets

As the economic environment became more favorable in the early to mid-1980s, a new issue arose. With money costs falling dramatically, but with significant volatility, should authorized returns on common equity be

reduced rapidly or gradually? In arguing for the latter, the Virginia commission said in a 1986 decision

The commission has no control over a rapidly changing economy or volatile interest rates. We do, however, have the power to regulate authorized returns on equity. The commission feels that stability in the cost of equity is in the interest of utilities, ratepayers and the economic environment of the commonwealth. When interest rates soared and the prime rate exceeded 20%, we did not allow exorbitant authorized returns which would have exacerbated the situation. We allowed returns to gradually increase, recognizing the trends of the day but avoiding extreme reaction. Recently interest rates have plummeted. Our appropriate reaction should not be to cut authorized equity returns drastically, but to once again gradually move in the direction of the trend. Our goal is a fair and stable environment which will allow Virginia's utilities to better plan for the future and continue to provide economical, reliable service.¹⁸²

Given volatile markets, combined with a trend toward greater reliance upon market forces, the issue of gradualism cannot be ignored.

Disallowances and Regulatory Risk

The business and financial risks of public utilities have been discussed at length for many years. So, too, has regulatory risk been mentioned on several occasions, particularly as it relates to the impact of regulatory on the cost of capital.¹⁸³ But the huge prudence disallowances of more recent years, combined with the Supreme Court's *Duquesne* decision,¹⁸⁴ has resulted in a new debate over regulatory risk.

In late 1982, Pennsylvania enacted a statute (Act 335) that prohibited the inclusion of "the cost of construction or expansion" by an electric utility in rate base or rates "until such time as the facility is used and useful in service to the public."¹⁸⁵ A month later, the Pennsylvania commission issued an order permitting Duquesne Light to amortize a \$35 million expenditure for preliminary construction costs on four canceled nuclear plants.¹⁸⁶ On appeal, the Pennsylvania Supreme Court reversed and remanded the order to the commission. In *Duquesne*, the Supreme Court upheld the constitutionality of the Pennsylvania statute (the rate order was not at issue) and stated that it based its decision on the "teachings" of *Hope*.¹⁸⁷ For present purposes, the important part of the decision concerns the Court's recognition of regulatory risk. "The risks a utility faces are in large part defined by the rate methodology because utilities are virtually always public monopolies dealing in an essential service, and so relatively immune to the usual market risks."¹⁸⁸ The Court assumed, however, that such risk had been taken into account in setting the allowed rate of return

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Further, the Court stated that "serious constitutional questions" would be raised if a state "arbitrarily" switched back and forth "between methodologies in a way which required investors to bear the risk of bad investments at some times while denying them the benefit of good investments at others"¹⁸⁹ The retroactive switch in regulatory methodology in the instant case did not present a question of "constitutional magnitude" because the "end result" of the switch was "slight" and "well within the bounds of *Hope*, even with total exclusion of the CAPCO costs"¹⁹⁰ Said the Court

Duquesne was authorized to earn a 16 14% return on common equity and an 11 64% overall return on a rate base of nearly \$1 8 billion Its \$35 million investment in the canceled plants comprises roughly 1 9% of its total [rate] base The denial of plant amortization will reduce its annual allowance by 4%¹⁹¹

In a careful analysis of the Court's *Duquesne* decision, Kolbe and Tye conclude

The critical point is that the rate base, previously a largely known quantity not subject to significant risk, became a highly uncertain quantity, and the direction of movement in asset values was strictly downward Under the new rules, investors might not be allowed to earn a return on all of the capital invested, because some of the investment might not be allowed in the rate base Good outcomes, however, were still treated under the old rules investors expect a return equal to the cost of capital Thus, the new rules of rate regulation apparently approved by the *Duquesne* decision create asymmetric returns for utility investors analogous to those for junk bondholders¹⁹²

"The key economic question posed by *Duquesne*," Kolbe and Tye state, "is how investors can be appropriately compensated for such risks Four possible answers are "

- 1 Increase the allowed return on investment to an amount greater than the cost of capital, by addition of a "regulatory risk premium" to restore a balanced payoff structure,
- 2 Eliminate asymmetric payoff distributions by changing regulatory practices,
- 3 Add a compensating cost of service item, akin to a fee or insurance premium for provision of a risky service, to the revenue requirement, or

- 4 Adjust another cost recovery item by an amount sufficient to offset the asymmetry ¹⁹³

Opinions over the proper compensation mechanism may differ, but it is clear that the issue can no longer be ignored

Rate of Return: "Between Scylla and Charybdis"

Justice Holmes once commented that the rate regulation involved a middle course, determined by judgment and fairness, "between Scylla and Charybdis" As he explained

On the one side, if the franchise is taken to mean that the most profitable return that could be got, free from competition, is protected by the Fourteenth Amendment, then the power to regulate is null On the other hand if the power to regulate withdraws the protection of the Amendment altogether, then the property is nought This is not a matter of economic theory, but of fair interpretation of a bargain Neither extreme can have been meant A midway between them must be hit ¹⁹⁴

The search for this midway position involves consideration of many complex factors Despite significant advances in finance theory, the method of determining a fair rate of return is far from settled The frequently used cost of capital standard is a beginning and represents a significant improvement over the earlier commission practices of basing the allowable return on a customary or traditional figure But such a return is a minimum It "determines a floor, below which rate of return is so low as to become confiscatory

If a utility cannot recover its capital cost, it cannot continue indefinitely to serve the public and, per se, present investors in the enterprise will suffer the loss of all or a part of their investment ¹⁹⁵

Yet, while there have been substantial advances in techniques for estimating the cost of capital, the fact remains that regulation

has been unable to respond promptly or adequately in recent years to changing economic conditions, particularly the impact of inflation and higher energy costs Regulation of public utility earnings has not been efficient because the commissions, as well as utilities, are identified as responsible for rapid price increases Regulatory agencies are understandably sensitive to the loss of public esteem which follows from even cost-justified rate increases Perhaps only a broader public understanding and acceptance of relevant economic criteria will alleviate this problem ¹⁹⁶

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Finally, failure to maintain the financial integrity of utilities is against the interests of consumers, as well as investors

An immediate effect of low earnings and earnings of low quality is to increase the financial risks of investors, and thus lead to the downgrading of securities by the rating agencies. Downrating, in turn, means that the bonds must carry higher interest rates, a charge which is passed along to customers. Such downgrading has become a familiar phenomenon in the utility scene. The bonds of many utilities are now rated at levels so low that many institutional investors are barred by law from purchasing them, and interest rates must be raised in order to sell the securities within a much smaller market. These additional capital costs force rate increases which otherwise would not be necessary, without improving the financial condition of the utilities or their ability to raise money on a low cost basis. An equally serious result of limited capability to raise money is the inability of the utilities to make the investments required in order to achieve the optimum economies of service.¹⁹⁷

Notes

* *Federal Power Comm'n v Hope Natural Gas Co*, 320 U S 591, 603 (1944) (Douglas, J)

¹ It must be emphasized that the fair rate of return is not independent of the rate base to which it will be applied. A utility's earnings are a product of the rate of return and the rate base, and a fair rate of return on a fair value rate base may not constitute a fair rate of return on an original cost rate base.

² Paul J. Garfield and Wallace F. Lovejoy, *Public Utility Economics* (Englewood Cliffs, N J: Prentice-Hall, 1964), 116.

³ For an exhaustive analysis of these problems, see Ellsworth Nichols, *Ruling Principles of Utility Regulation Rate of Return* (Arlington, Va: Public Utilities Reports, 1955), Ellsworth Nichols and Francis X. Welch, *Ruling Principles of Utility Regulation Rate of Return — Supplement A* (Arlington, Va: Public Utilities Reports, 1964).

⁴ *Willcox v Consolidated Gas Co*, 212 U S 19, 48-49 (1909).

⁵ *Bluefield Water Works & Imp Co v Public Service Comm'n*, 262 U S 679, 692-3 (1923). See also *Missouri ex rel Southwestern Bell Tel Co v Missouri Pub Serv Comm'n*, 262 U S 276 (1923), *Lincoln Gas & Elec Light v Lincoln*, 250 U S 256 (1919).

⁶ *McCardle v Indianapolis Water Co*, 272 U S 400, 419 (1926).

⁷ *United Rys & Elec Co v West*, 280 U S 234, 249, 251 (1930). Justice Sutherland also argued "Sound business management requires that after paying all expenses of operation, setting aside the necessary sums for depreciation, payment of interest and reasonable dividends, there should still remain something to be passed to the surplus account." 280 U S at 251-2. Justice Brandeis dissented "A net return of 6.26 percent upon the present value of the property of a street railway enjoying a monopoly in one of the oldest, largest and richest cities on the Atlantic Seaboard would seem to be compensatory." 280 U S at 255.

⁸ *Dayton Power & Light Co v Public Utilities Comm'n*, 292 U S 290, 311 (1934).

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⁹ *West v Chesapeake & Potomac Tel Co*, 295 U S 662 (1935) One Justice even suggested that a 4 5 percent rate of return would not be confiscatory, noting (among other things) that both railroads and other corporations listed on the stock exchange were averaging less than 4 percent on their invested capital 295 U S at 682-3 (Stone, J dissenting)

¹⁰ *Driscoll v Edison Light & Power Co*, 307 U S 104, 120 (1939)

¹¹ *Federal Power Comm'n v Natural Gas Pipeline Co*, 315 U S 575, 596-7 (1942) (Stone, J)

¹² *Federal Power Comm'n v Hope Natural Gas Co*, 320 U S 591, 603 (1944) (Douglas, J) A year later, the Court stated

We are unable to say that the return [of 6 5 percent] is not commensurate with the risks, that confidence in petitioner's financial integrity has been impaired, or that petitioner's ability to attract capital, to maintain its credit, and to operate successfully and efficiently has been impeded (*Panhandle E Pipe Line Co v Federal Power Comm'n*, 324 U S 635, 650 [1945])

¹³ However, the *Bluefield* statements that the allowable rate of return must be both applied to the "value" of the company's property and based upon regional comparisons were omitted by the Court

¹⁴ The criteria were reiterated in two subsequent Supreme Court decisions *Permian Basin Area Rate Cases*, 390 U S 747 (1968), and *Memphis Light Gas & Water Division*, 411 U S 458 (1973) Said the Court in the former decision, for example, "the court must determine whether the order may reasonably be expected to maintain financial integrity, attract necessary capital, and fairly compensate investors for risks they have assumed, and yet provide appropriate protection to the relevant public interests, both existing and foreseeable" *Permian Basin Area Rate Cases* at 792 See also *Duquesne Light Co v Barasch*, 488 U S 299 (1989)

¹⁵ Emery Troxel, *Economics of Public Utilities* (New York Holt, Rinehart & Winston, 1947), 378

¹⁶ *Chicago, M St P Ry Co v Minnesota ex rel Railroad & Warehouse Comm'n*, 134 U S 418, 458 (1890)

¹⁷ *Banton v Belt Line Ry Corp*, 268 U S 413, 422-3 (1925) Said the Court in 1974 "All that is protected against, in a constitutional sense, is that the rates fixed by the Commission be higher than a confiscatory level" *Federal Power Comm'n v Texaco*, 417 U S 380, 391 (1974) See Nathaniel T Guernsey, "The Test of Reasonable Rates," *Virginia Law Review* 14 (1927) 1-18

¹⁸ *Peoples Gas Light & Coke Co v Slattery*, 373 Ill 31 (1939), *In re Pacific Tel & Tel Co*, 89 PUR(NS) 414 (Cal 1950), *In re Southwestern Bell Tel Co*, 87 PUR(NS) 97 (Ark 1951), *Iowa-Illinois Gas & Elec Co v Perrine*, 351 Ill App 195 (1953) In a 1976 decision, the Kentucky Supreme Court held that the lowest reasonable rate is one that is constitutionally not confiscatory *Kentucky ex rel Stephens v South Cent Bell Tel Co*, 545 S W 2d 927 (1976) The Montana commission has held that if a public utility is earning a fair rate of return from its consolidated operations, the fact that it may be required to operate one segment of its business at a loss is not confiscation of its property *In re Montana-Dakota Utils Co*, 14 PUR4th 115 (Mont 1976)

¹⁹ *Willcox v Consolidated Gas Co*, 212 U S 19, 48 (1909) See also *Driscoll v Edison Light & Power Co*, 307 U S 104 (1939)

²⁰ *Lincoln Gas & Elec Light v Lincoln*, 250 U S 256, 268 (1919)

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²¹ *Bluefield Water Works & Imp Co v Public Serv Comm'n*, 262 U S 679, 693 (1923)

²² *Wabash Elec Co v Young*, 287 U S 234, 252 (1930)

²³ *Public Serv Comm'n of Mont v Great Northern Utils Co*, 289 U S 130, 135 (1933)

²⁴ *Market St Ry Co v Railroad Comm'n*, 324 U S 548, 567 (1945)

²⁵ See, e g, "Objective Standards on Management Efficiency Have Arrived for Regulated Utilities," *Public Utilities Fortnightly* 118 (27 November 1986) 48

²⁶ "The Constitutional standard setting forth the economic test for a fair rate of return was enunciated by the United States Supreme Court in the *Bluefield* and *Hope* cases. These two cases provide the foundation for state regulatory commissions in deciding the cost of capital." *In re Appalachian Power Co*, Case No 19723, 11 (Va 1977). See also *In re Southwestern Pub Serv Co*, 27 PUR4th 302 (N M 1978)

²⁷ *Federal Power Comm'n v Natural Gas Pipeline Co*, 315 U S 575 (1942)

²⁸ *Pennsylvania Pub Util Comm'n v Bell Tel Co*, 43 PUR3d 241, 246 (Pa 1962)

²⁹ *In re Eastern Rowan Tel Co*, 44 PUR3d 379, 382 (N C 1962)

³⁰ James C Bonbright, *Principles of Public Utility Rates* (New York: Columbia University Press, 1961), 281

³¹ *Ibid*. See Scott Besley and Steven E Bolten, "What Factors Are Important in Establishing Mandated Returns?" *Public Utilities Fortnightly* 125 (7 June 1990) 26-30. See also Michael Gort and Richard A Wall, "Foresight and Public Utility Regulation," *Journal of Political Economy* 96 (1988) 177-88, Richard A Wall and Michael Gort, "An Empirical Test of Feedbacks in Public Utility Regulation," *Resources and Energy* 12 (1990) 107-16

³² *Stadtlander v New York Edison Co*, PUR 1915B, 685 (N Y 1915)

³³ *Texas Border Gas Co v Laredo*, 2 PUR(NS) 503, 516 (1933)

³⁴ *In re Southern Bell Tel & Tel Co*, 79 PUR(NS) 109, 112 (N C 1949)

³⁵ *In re Fort Smith Gas Corp*, 50 PUR3d 105, 111 (Ark 1963)

³⁶ *In re New Jersey Water Co*, 90 PUR3d 215, 222 (N J 1971)

³⁷ *In re Commonwealth Edison Co*, 35 PUR4th 49, 79-80 (Ill 1980)

³⁸ David K Eiteman, "Interdependence of Utility Rate-Base Type, Permitted Rate of Return, and Utility Earnings," *Journal of Finance* 17 (1962) 38-52, Fredric Stuart, "Rate Base versus Rate of Return," *Public Utilities Fortnightly* 70 (27 September 1962) 395-9, John Pike, "Residential Electric Rates and Regulation," *Quarterly Review of Economics & Business* 7 (1967) 45-52, H Craig Petersen, "The Effect of Fair Value Rate Base Valuation in Electric Utility Regulation," *Journal of Finance* 31 (1976) 1487-90, Richard B Edelman, "Rate Base Valuation and Its Effect on Rate of Return for Utilities," *Public Utilities Fortnightly* 110 (2 September 1982) 40-44

³⁹ See Joseph R Rose, "The Rate of Utility Returns," *Public Utilities Fortnightly* 23 (1939) 113, W R Buckwalter, "The Rate of Return on Pennsylvania Utilities," *University of Pennsylvania Law Review* 91 (1943) 626-49

Such standard returns die slowly, see Lee Metcalf and Vic Reinemer, *Overcharge* (New York: David McKay Co, 1967)

⁴⁰ Temporary National Economic Committee, *Economic Standards of Government Price Control*, Monograph No 32 (Washington, D C: U S Government Printing Office, 1941), 38

⁴¹ Bonbright, *Public Utility Rates*, 282. See also *Electric World*, 5 May 1958, 97-100, Fred P Morrissey, "Relation of Growth and Rate of Return for Utilities," *Public Utilities*

Fortnightly 60 (12 September 1957) 361-73, *In re Peoples Water & Gas Co*, 99 PUR(NS) 516 (Fla 1953)

⁴² See Federal Power Commission, *Federal and State Commission Jurisdiction and Regulation of Electric, Gas, and Telephone Utilities*, 1973 (Washington, D C U S Government Printing Office, 1974), 50-51

⁴³ *In re American Tel & Tel Co*, 57 FCC2d 960 (1976), *In re American Tel & Tel Co*, 86 FCC2d 221 (1981), 87 FCC2d 34 (1981), *aff'd sub nom United States v Federal Communications Comm'n*, 707 F 2d 610 (D C Cir 1983)

⁴⁴ *In re Area Rate Proceedings for Permian Basin*, 59 PUR3d 417, 473 (FPC 1965)

⁴⁵ *In re National Rates for Natural Gas*, 17 PUR4th 317 (FPC 1976) A return of 20 percent was found necessary for small producers of natural gas *In re Small Producers Regulation*, 11 PUR4th 179 (FPC 1975)

⁴⁶ Federal Energy Regulatory Commission, "Establishing the Rate of Return on Equity for Wholesale Electric Sales Potential Regulatory Reforms," Discussion Paper on Electric Rate of Return by a Staff Study Group, 15 December 1980 (photocopy), Appendix D

⁴⁷ *In re Authorized Rates of Return for the Interstate Services of AT&T Communications and Exchange Telephone Carriers*, Phase III, 51 Fed Reg 32920 (FCC 1986) (1986 *Represcription Proceeding*)

⁴⁸ *In re Represcribing the Authorized Rate of Return for Interstate Services of Local Exchange Carriers*, FCC 90-315 (1990)

Annual surveys of rate cases (including rates of return granted) for electric, gas and telephone utilities are published in *Public Utilities Fortnightly*

⁴⁹ *In re Reduced Pipe Line Rates & Gathering Charges*, 243 ICC 115 (1940), *Petroleum Rail Shippers Ass'n v Alton and S R*, 243 ICC 589 (1941), *Minnelusa Oil Corp v Continental Pipe Line Co*, 258 ICC 41 (1944), *In re Petroleum Products, Williams Pipe Line Co*, 351 ICC 102 (1975), *aff'd full comm'n*, 355 ICC 479 (1976)

⁵⁰ *In re Reduced Pipe Line Rates & Gathering Charges* at 142

⁵¹ *Minnelusa Oil Corp v Continental Pipe Line Co* at 53

⁵² See *In re Williams Pipe Line Co*, Opinion 154, 21 FERC ¶ 61,260 (1982), *reh'g denied*, 21 FERC ¶ 61,260 (1983), *aff'd in part and remanded in part sub nom Farmers Union Cent Exch v Federal Energy Regulatory Comm'n*, 734 F 2d 1486, 59 PUR4th 1 (D C Cir 1984), *cert denied sub nom Assoc of Oil Pipe Lines v Farmers Union Cent Exch*, 469 U S 1034 (1984) (*Farmers Union II*), *on remand*, 67 PUR4th 669 (FERC 1985), *modified on reh'g*, 33 FERC ¶ 61,327 (1985), *In re Trans-Alaska Pipeline Sys*, Dkt No OR78-1 (1980), *In re ARCO Pipe Line Co*, Opinion 351, 52 FERC ¶ 61,055 (1990), *modified on reh'g*, 53 FERC ¶ 61,398 (1990)

More recently, the commission has been developing a "light-handed" approach for oil pipelines that can demonstrate that their rates are competitively constrained See, e g, *In re Buckeye Pipe Line Co, L P*, Opinion 360, 53 FERC ¶ 61,473, 119 PUR4th 543 (1990), *modified on reh'g*, 55 FERC ¶ 61,084, 123 PUR4th 129 (1991), *settlement*, 56 FERC ¶ 61,222 (1991)

⁵³ See *In re Southern Natural Gas Co*, 35 PUR3d 179 (FPC 1960), *In re Kansas-Nebraska Natural Gas Co, Inc*, 38 PUR3d 136 (FPC 1961), *In re Panhandle E Pipe Line Co*, 38 PUR3d 307 (FPC 1961), *In re Alabama-Tennessee Natural Gas Co*, 44 PUR3d 19 (FPC 1962)

⁵⁴ *In re Panhandle E Pipe Line Co* Dkt No RP68-15 (Phase I) (FPC 1968), *In re Natural Gas Pipeline Co*, Dkt Nos RP67-21 and RP68-17 (Phase I) (FPC 1968)

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⁵⁵ *In re Tennessee Gas Pipeline Co*, 20 PUR4th 355 (FPC 1977), *In re Natural Gas Pipeline Co*, Opinion No 762 (FPC 1976), *In re United Gas Pipe Line Co*, 23 PUR4th 234 (FERC 1977)

⁵⁶ 1989 *Annual Report on Utility and Carrier Regulation* (Washington, D C National Association of Regulatory Utility Commissioners [hereafter, NARUC], 1990), 410

⁵⁷ Mary Ann Walker, "Settlement Practice at the FERC Boom or Bane," *Energy Law Journal* 7 (1986) 343-59 See also Richard A Drom, "Settlement of Contested Transportation Rate Cases at FERC Should the Squeaky Wheel be Greased?" *Ibid* 12 (1991) 339-61

⁵⁸ For exhaustive studies, see A Lawrence Kolbe et al, *The Cost of Capital Estimating the Rate of Return for Public Utilities* (Cambridge MIT Press, 1984), Roger A Morin, *Utilities' Cost of Capital* (Arlington, Va Public Utilities Reports, 1984), Howard E Thompson, *Regulatory Finance Financial Foundations of Rate of Return Regulation* (Boston Kluwer Academic Publishers, 1991)

⁵⁹ While the two terms "cost of capital" and "fair rate of return" are often used interchangeably, there is a significant distinction found in the literature on public utility regulation The cost of capital is a *minimum* return, often referred to as the "bare-bones" return, a return that any firm must earn if it is to maintain its financial integrity The allowed rate of return (usually referred to as the "fair rate of return") may well be higher than the cost of capital (1) to provide an incentive to management for efficiency (*New England Tel & Tel Co v New Hampshire*, 44 PUR3d 498 [1962]), (2) to reward management for good performance under some forms of incentive systems (*In re Consumers Power Co*, 25 PUR4th 167 [Mich 1978]), (3) to provide an attrition allowance to permit the utility an opportunity to earn its cost of capital (*In re Tampa Elec Co*, Order No 9599 [Fla 1980]), (4) to produce a necessary cash flow level (*Pennsylvania Pub Util Comm'n v Philadelphia Elec Co*, 33 PUR4th 319 [Pa 1980]), and/or (5) to compensate for extraordinary risk (*Pennsylvania Pub Util Comm'n v Metropolitan Edison Co*, 56 PUR4th 230 [Pa 1983])

⁶⁰ *Missouri ex rel Southwestern Bell Tel Co v Missouri Pub Serv Comm'n*, 262 U S 276, 306 (1923) (Brandeis, J dissenting)

⁶¹ *In re New England Tel & Tel Co*, 13 PUR4th 65 (Me 1976), *In re Arkansas Power & Light Co*, 66 PUR4th 167 (Ark 1985) Short-term debt also may be included where it is soon to be converted into permanent long-term capital (*In re Huntington Water Corp*, Case No 84-173-W-42T [W Va 1985]) or where its inclusion provides a closer matching of rate base and capitalization (*In re Sierra Pac Power Co*, 73 PUR4th 306 [Nev 1985]) But especially where short-term debt is relatively small, it may be excluded because it is "volatile and difficult to measure" (*In re Arizona Pub Serv Co* Decision No 53761 [Ariz 1983])

⁶² Two additional items are often considered First, where customers are required to make deposits, they are sometimes included in the capital structure at the annual interest rate that a commission requires the utility to pay its customers on such deposits (*In re Northern Ind Pub Serv Co*, Cause No 36689 [Ind 1982]) Second, customer advances, where appropriate, may be included in the capital structure (*In re UtiliCorp United, Inc*, 123 PUR4th 519 [Kan 1990])

⁶³ See, e g, Mark Cicchetti, "Reconciling Rate Base and Capital Structure The Balance Sheet Method," *Public Utilities Fortnightly* 115 (27 June 1985) 41-45

⁶⁴ Joseph R Rose, "Cost of Capital' in Public Utility Rate Regulation," *Virginia Law Review* 43 (1957) 1082 See also A B Jackson, "The Determination of the Fair Return for Public Utilities," *Canadian Public Administration* 7 (1964) 343-52, Harry M

Trebing and R Hayden Howard, eds, *Rate of Return Under Regulation New Directions and Perspectives* (East Lansing MSU Public Utilities Studies, 1969), W Truslow Hyde, Jr, "Rate of Return — An Art or a Science?" *Public Utilities Fortnightly* 96 (18 December 1975) 27-32, J Rhoads Foster, "Fair Return Criteria and Estimation," *Baylor Law Review* 28 (1976) 883-936, Basil L Copeland, Jr, "Alternative Cost-of-Capital Concepts in Regulation," *Land Economics* 54 (1978) 348-61

⁶⁵ As previously noted, Franco Modigliani and Merton H Miller have questioned this assumption "The Cost of Capital, Corporate Finance, and the Theory of Investment," *American Economic Review* 48 (1958) 261-97 These two authors concluded that the cost of capital is primarily a function of basic business risk and not of how that risk may be apportioned between debt and equity holders They subsequently modified their position to acknowledge the effect of savings in federal income tax charges resulting from the deductibility of bond interest payments "Corporate Income Taxes and the Cost of Capital A Correction," *Ibid* 53 (1963) 433-43 But see two comments by Joseph R Rose and by David Durand, *Ibid* 49 (1959) 638, 639-55, Alexander Barges, *The Effect of Capital Structure on the Cost of Capital* (Englewood Cliffs, N J Prentice-Hall, 1963), J Fred Weston, "A Test of Cost of Capital Propositions," *Southern Economic Journal* 30 (1963) 105-12, Robert H Dodge, "How Leverage Affects the Cost of Capital to a Public Utility," *Management Accounting* 51 (August 1969) 39-44, A James Heins and Case M Sprengle, "A Comment on the Modigliani-Miller Cost of Capital Thesis," *American Economic Review* 59 (1969) 590-2, and the authors' "Reply to Heins and Sprengle," *Ibid* 59 (1969) 592-5, Joseph Stiglitz, "A Re-Examination of the Modigliani-Miller Theorem," *Ibid* 59 (1969) 784-93, Robert W Resek, "Multidimensional Risk and the Modigliani-Miller Hypothesis," *Journal of Finance* 25 (1970) 47-51, Thomas J Velk and William L Baldwin, "The Modigliani-Miller Cost of Capital Thesis A Further Comment," *Quarterly Review of Economics and Business* 10 (1970) 75-76, Merton H Miller, "Debt and Taxes," *Journal of Finance* 32 (1977) 261-97, Alan J Auerbach, "Taxation, Corporate Financial Policy, and the Cost of Capital," *Journal of Economic Literature* 21 (1983) 905-40, Stewart C Myers, "The Capital Structure Puzzle," *Journal of Finance* 39 (1984) 575-92, Cleveland S Patterson, "The Effects of Leverage on k," in J Rhoads Foster et al, eds, *Regulatory Reform The State of the Regulatory Art, Emerging Concepts and Procedures* (Washington, D C Institute for Study of Regulation, 1984), 237-60, Eugene F Brigham et al, "Capital Structure, Cost of Capital, and Revenue Requirements," *Public Utilities Fortnightly* 119 (8 January 1987) 15-24 For empirical studies of the electric utility industry, see Merton H Miller and Franco Modigliani, "Some Estimates of the Cost of Capital to the Electric Utility Industry, 1954-57," *American Economic Review* 56 (1966) 333-48, three comments by J Crockett and I Friend, by Myron J Gordon, and by A A Robichek et al, *Ibid* 57 (1967) 1267-78, 1278-88, and a reply by the authors, *Ibid* 57 (1967) 1288-1300, Eugene F Brigham and Myron J Gordon, "Leverage, Dividend Policy, and the Cost of Capital," *Journal of Finance* 23 (1968) 85-103, A A Robichek et al, "The Effect of Leverage on the Cost of Equity Capital of Electric Utility Firms," *Ibid* 28 (1973) 353-67

⁶⁶ As interest rates rose to record levels in the late 1970s, some contended that the cost of new debt was greater than the current cost of equity capital

Bonds are denoted in nominal terms A substantial risk to holding bonds is that the inflation rate may increase in the future, raising the cost of debt and lowering the market price of existing bonds This risk was fairly slight when inflation rates were low and stable In the current environment of high and

uncertain rates of inflation, this risk has increased and risen to a level where inflation risk is large in relation to any risk premium for holding equities (Robert M Spann, "Inflation Risk and the Cost of Debt and Equity Capital" [Washington, D C ICF Incorporated, 1982] (photocopy), 2)

There is little empirical evidence to support the premise See, e g , Joseph F Brennan, "Does Utilities' Long-Term Debt Really Cost More than Common Equity?" *Public Utilities Fortnightly* 109 (18 February 1982) 34-39, Gordon T C Taylor and Charles F Peake, "A Utility's Cost of Common Equity May Be Less Than Its Cost Rate for New Debt," *Ibid* 109 (24 June 1982) 23-30, Dennis B Fitzpatrick, "Does the Negative Risk Premium Really Exist?" *Ibid* 110 (8 July 1982) 27-33, and three articles — Basil L Copeland, Jr , "Inflation, Monetary Policy, and the Equity Risk Premium," Dennis B Fitzpatrick, "A Review of the Theoretical and Empirical Evidence Regarding Equity-Debt Risk Premia for Electric Utilities," and Charles M Linke, "Equity-Debt Risk Premia Issues in Utility Rate Regulation" — in Foster et al , *Regulatory Reform*, 183-236

⁶⁷ D Philip Locklin, *Economics of Transportation*, 6th ed (Homewood, Ill Richard D Irwin, 1966), 382

⁶⁸ Rose, "Cost of Capital," 1088-9

⁶⁹ See Chapter 6, 234-235

⁷⁰ A utility's financing decision at any point in time depends upon such factors as the condition of the market, the availability of funds and the financial condition of the company These factors are constantly changing

⁷¹ Bonbright, *Public Utility Rates*, 243-4

⁷² G Stanley Joslin and Arthur S Miller, "Public Utility Rate Regulation A Reexamination," *Virginia Law Review* 43 (1957) 1060 See also *Peoples Natural Gas Div of N Natural Gas Co v Colorado Pub Utils Comm'n*, 567 P 2d 377 (1977)

⁷³ *Alabama v Southern Bell Tel & Tel Co* , 47 PUR3d 65, 67 (1962)

⁷⁴ *New England Tel & Tel Co v Dept of Pub Utils* , 327 Mass 81, 97 N E 2d 509 (1951)

⁷⁵ *Mississippi Pub Serv Comm'n v Southern Bell Tel & Tel Co* , 16 PUR3d 415, 461 (Miss 1956)

⁷⁶ *In re Chesapeake & Potomac Tel Co* , 57 PUR3d 1, 39 (D C 1964) See also *In re Mountain States Tel & Tel Co* , 2 PUR3d 75 (Utah 1953), *In re Southern Bell Tel & Tel Co* , 4 PUR3d 195 (Ala 1954), *In re Illinois Bell Tel Co* , 7 PUR3d 493 (Ill 1955), *In re Northwestern Bell Tel Co* , 20 PUR3d 385 (S D 1957), *In re New England Tel & Tel Co* , 42 PUR3d 57 (N H 1961), *In re Southern New England Tel Co* , 42 PUR3d 310 (Conn 1962)

⁷⁷ *In re New York Tel Co* , 84 PUR(NS) 267, 290 (N Y 1950)

⁷⁸ *In re New York Tel Co* , 11 PUR3d 320, 332 (N Y 1955)

⁷⁹ *In re Mountain States Tel & Tel Co* , 1 PUR3d 129, 140 (Colo 1954)

⁸⁰ *In re Mountain States Tel & Tel Co* , 7 PUR3d 115, 122 (Ariz 1954)

⁸¹ *In re Florida Power & Light Co* , 67 PUR3d 113, 162 (Fla 1966)

⁸² *In re American Tel & Tel Co* , 70 PUR3d 129, 193 (FCC 1967)

⁸³ See, e g , *In re Southern New England Tel Co* , 23 PUR4th 251 (Conn 1977), *In re Consumers Power Co* , 25 PUR4th 167 (Mich 1978)

⁸⁴ Foster, "Fair Return Criteria," 891 "A slightly lower return now might well result in sharply higher financial costs in the future and would be self-defeating in the long-run " *In re Orange & Rockland Utils* , 92 PUR3d 479, 490 (N Y 1971) See also *Mississippi ex*

rel *Pittman v Mississippi Pub Serv Comm'n*, 538 So 2d 387, 91 PUR4th 545 (1989) (upholding commission's use of a gas company's actual capital structure, which contained nonutility investment in a troubled savings and loan)

⁸⁵ See, e g, *In re Carrabassett Light & Power Co*, 17 PUR4th 246 (Me 1976), *In re Gas Co*, 28 PUR4th 20 (N M 1978), *In re Mars Hill & Blaine Water Co v Maine Pub Utils Comm'n*, 397 A 2d 570 (1979), *In re Walnut Hill Tel Co*, 56 PUR4th 501 (Ark 1983), *In re Cook Inlet Pipe Line Co*, 66 PUR4th 77 (Alaska 1985), *In re Citizens Utils Co*, 72 PUR4th 340 (Idaho 1986)

In 1977, a lower court rejected the FCC's use of an imputed capital structure for the Communications Satellite Corporation (COMSAT) "The fault of the Commission's action in this opinion is to deny COMSAT even the opportunity to make that choice and begin to phase in debt. As of the moment the opinion was issued, COMSAT shareholders were subjected to a less than adequate rate of return." *Communications Satellite Corp v Federal Communications Comm'n*, 611 F 2d 883, 908 (D C Cir 1977) Indiana (*In re Indianapolis Water Co*, 65 PUR4th 368 [Ind 1985]) and Ohio (*In re Cincinnati Gas & Elec Co*, 63 PUR4th 585 [Ohio 1984]) are two of several states that have rejected use of hypothetical capital structures. The FERC has "a general policy" favoring actual capital structures (*In re Williams Pipe Line Co*, Opinion 154, 21 FERC ¶ 61,260 [1982], *reh'g denied*, 21 FERC ¶ 61,260 [1983], *aff'd in part and remanded in part sub nom Farmers Union Cent Exch v Federal Energy Regulatory Comm'n*, 734 F 2d 1486, 59 PUR4th 1 [D C Cir 1984], *cert denied sub nom Ass'n of Oil Pipe Lines v Farmers Union Cent Exch*, 469 U S 1034 [1984] [*Farmers Union II*], *on remand*, 67 PUR4th 669 [FERC 1985], *modified on reh'g*, 33 FERC ¶ 61,327 [1985]), but see *In re Tarpon Transp Co*, 88 PUR4th 123 [FERC 1987])

See Phillip S Cross, "Capital Structure Rate-making Developments," *Public Utilities Fortnightly* 127 (1 March 1991) 46-48. See also David E Eckmann et al, "The Capital Structure Impact of Off-Balance Sheet Financing," *Ibid* 125 (15 February 1990) 28-32.

⁸⁶ See, e g, *In re Bell Tel Co of Nev*, 75 PUR3d 92 (Nev 1968), *In re New York Tel Co*, 92 PUR3d 321 (N Y 1971), *In re Chesapeake & Potomac Tel Co of Va*, 19 PUR4th 349 (Va 1977), *In re Kentucky-West Virginia Gas Co*, 24 PUR4th 349 (FERC 1978), *In re Southern Bell Tel & Tel Co*, 35 PUR4th 1 (S C 1980), *In re Ohio Power Co*, 76 PUR4th 121 (Ohio 1986), *In re Missouri Pub Serv Corp*, 122 PUR4th 220 (Wis 1990)

⁸⁷ Foster, "Fair Return Criteria," 889

⁸⁸ *Ibid*

⁸⁹ See Basil L Copeland, Jr, "Double Leverage One More Time," *Public Utilities Fortnightly* 100 (18 August 1977) 19-24, *In re Hawkeye State Tel Co*, 2 PUR4th 166 (Iowa 1973), *In re United Tel Co of N J*, 2 PUR4th 299 (N J 1974), *In re Continental Tel Co of Minn, Inc*, 14 PUR4th 310 (Minn 1976), *In re Mountain States Tel & Tel Co*, 29 PUR4th 97 (Mont 1978), *In re General Tel Co of the Southwest*, 63 PUR4th 663 (Ark 1984), *In re Tennessee-American Water Co*, 67 PUR4th 630 (Tenn 1985)

⁹⁰ See Eugene M Lerner, "What Are the Real Double Leverage Problems?" *Public Utilities Fortnightly* 91 (7 June 1973) 18-23, James E Brown, "Double Leverage Indisputable Fact or Precarious Theory?" *Ibid* 93 (9 May 1974) 26-30, Dennis B Fitzpatrick, "Subsidiaries' Capital Costs — A Compromise Approach," *Ibid* 99 (23 June 1977) 23-26, John Robert Jones and John L O'Donnell, "Double Leverage — Lawful and Based on Sound Economics?" *Ibid* 101 (8 June 1978) 26-31, Robert S Stich, "The Four Fables of

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Double Leverage," *Ibid* 116 (8 August 1985) 36-40, John L. O'Donnell and M. Mark Walker, "Double Leverage and Unregulated Corporate Practice," *Ibid* 124 (3 August 1989) 24-26

⁹¹ "If the risks are not comparable, the relevant cost rates are those which relate to the capital structure of the operating company" Foster, "Fair Return Criteria," 889-90. But see *Central Tel Co of Va v Virginia State Corp Comm'n*, 252 S E 2d 575 (1979) (upholding commission's use of a consolidated capital structure in a case involving a telephone subsidiary, despite the fact that the parent company owned electric and water utilities, as well as telephone companies, in other states)

In a 1976 decision, the North Carolina commission rejected the double leverage approach because the underlying assumption that the "equity of a subsidiary is provided by its parent from the parent's permanent capital in the same proportion that the parent has historically developed its own capital structure" was "contrary to the known facts" *In re General Tel Co of the Southeast*, 18 PUR4th 440, 470 (N C 1976)

⁹² *New England Tel & Tel Co v Maine Pub Utils Comm'n*, 27 PUR4th 1, 42 (1978)

⁹³ See "Determination of Debt Cost in the Rate of Return," *Public Utilities Fortnightly* 81 (23 May 1968) 53-55

⁹⁴ See, e.g., *In re Georgia Power Co*, 22 PUR4th 321 (Ga 1977)

⁹⁵ See, e.g., *In re Alberta Natural Gas Co Ltd* (NEB 1980)

⁹⁶ But see Eugene M. Lerner, "The FCC's 7.5 Per Cent Ruling," *Public Utilities Fortnightly* 80 (12 October 1967) 40-44

⁹⁷ See, e.g., *Chicopee Mfg Co v Public Serv Co*, 93 A 2d 820 (1953)

⁹⁸ See, e.g., *In re New England Tel & Tel Co*, F C No 2213 (Me 1977) (amortization permitted over a thirty-three-year period, a period equal to the full life of the repurchased bonds)

Gains from reacquiring debt prior to maturity are commonly amortized over the remaining life of the debt being retired. See, e.g., *In re Consolidated Gas Supply Corp*, 10 FERC ¶ 61,029 (1980), *aff'd sub nom Consolidated Gas Supply Corp v Federal Energy Regulatory Comm'n*, 653 F 2d 129 (4th Cir 1981), *In re Appalachian Power Co*, 123 PUR4th 447 (Va 1991)

⁹⁹ See, e.g., *In re Washington Gas Light Co*, Order No 6051 (D C 1979). But in a 1991 decision, the Alberta Public Utilities Board held that flotation costs "are ongoing costs and therefore should not be reflected only at the time of issuing common equity in order to provide the required financing flexibility to the utility" *In re Transalta Utils Corp*, Decision E91093 (Alberta 1991), 198. See Eugene F. Brigham et al., "Common Equity Flotation Costs and Rate Making," *Public Utilities Fortnightly* 115 (2 May 1985) 28-36, Keith M. Howe and William Beranek, "Issue Costs and Regulated Returns: A General Approach," *Journal of Regulatory Economics* 4 (1992) 365-78

¹⁰⁰ See Trebing and Howard, *Rate of Return Under Regulation*, Walter A. Morton, "Guides to a Fair Rate of Return," *Public Utilities Fortnightly* 86 (2 July 1970) 17-30, Ezra Solomon, "Alternative Rate of Return Concepts and Their Implications for Utility Regulation," *Bell Journal of Economics & Management Science* 1 (Spring 1970) 65-81, Stewart C. Myers, "The Application of Finance Theory to Public Utility Rate Cases," *Ibid* 3 (Spring 1972) 58-97, Myron J. Gordon, *The Cost of Capital to a Public Utility* (East Lansing: MSU Public Utilities Studies, 1974), Foster, "Fair Return Criteria," Robert L. Hagerman, "Finance Theory in Rate Hearings," *Financial Management* 5 (Spring 1976) 18-22, Robert E. Levy, "Fair Return on Equity for Public Utilities," *Business Economics* 9/29

(September 1978) 46-57, J Rhoads Foster and Stevan R Holmberg, eds, *Earnings Regulation Under Inflation* (Washington, D C Institute for Study of Regulation, 1982), Harold Bierman, Jr, "We Cannot Measure the Cost of Equity Capital Exactly," *Public Utilities Fortnightly* 114 (16 August 1984) 31-35

¹⁰¹ See Eli W Clemens, "Some Aspects of the Rate-of-Return Problem," *Land Economics* 30 (1954) 32-43, Lionel W Thatcher, "Cost-of-Capital Techniques Employed in Determining the Rate of Return for Public Utilities," *Ibid* 30 (1954) 85-111, Fred P Morrissey, "Current Aspects of the Cost of Capital to Utilities," *Public Utilities Fortnightly* 62 (14 August 1958) 217-27, Ralph E Badger, "Important Concepts as to Fair Return and Cost of Money," *Ibid* 66 (21 July 1960) 93-101, Arnold H Hirsch, "Earnings-Price Ratios and the Current Cost of Common Equity," *Ibid* 67 (16 February 1961) 225-38, John H Bickley, "What Is Wrong with Earnings-price Ratios? Part II," *Ibid* 70 (5 July 1962) 18-27, Stephen H Fletcher, "Current Problems in the Determination of the Cost of Equity Capital for Rate of Return Purposes," American Bar Association Annual Report, Section of *Public Utility Law, 1963*, 46-50, "Earnings-Price Ratios Test Equity Capital Costs," *Public Utilities Fortnightly* 81 (18 January 1968) 59-62, Robert J Gelhaus and Gary D Wilson, "An Earnings-Price Approach to Fair Rate of Return in Regulated Industries," *Stanford Law Review* 20 (1968) 287, and comment by L M Ross, *Ibid* 21 (1969) 644 See also *In re Pacific Tel & Tel Co*, 5 PUR3d 306 (Cal 1954), *In re Southern Bell Tel & Tel Co*, 66 PUR3d 1 (Fla 1966)

¹⁰² *In re American Tel & Tel Co*, CC Dkt No 79-63, Bell Statement No 2, Testimony of Irwin Friend (December 1979) (photocopy), 2 (hereafter, testimony of Irwin Friend)

¹⁰³ There are many versions of the basic DCF model Many use d_1 the expected dividend per share in the next twelve months There are constant and varying growth models, annual and quarterly models See, e g, Louis E Buck, Jr, and John C Groth, "Yes, Dear Friends, We Can Improve Our Discounted Cash Flow Estimate of a Utility's Cost of Equity," *Public Utilities Fortnightly* 113 (1 March 1984) 38-41, Robert Rosenberg, "Dealing With Varying Expected Growth In a Discounted Cash Flow Analysis," *Ibid* 118 (11 December 1986) 28-34, *In re So California Edison Co*, 119 PUR4th 574 (FERC 1990) On the FERC's generic rate of return methodology, see *In re Generic Determination of Rate of Return*, 75 PUR4th 219, 227 (FERC 1986), on the FCC's methodology, see *In re Authorized Rates of Return for the Interstate Services of AT&T Communications and Exchange Telephone Carriers*, Phase I, 50 Fed Reg 41350 (FCC 1985), *modified on reconsideration*, 51 Fed Reg 1103 (FCC 1986), *remanded sub nom American Tel & Tel Co v Federal Communications Comm'n*, 836 F 2d 1386 (D C Cir 1988) (remanding the automatic refund mechanism), Phase II, 51 Fed Reg 1796 (FCC 1986), *modified on reconsideration*, 104 FCC2d 1401 (1986) See Steven M Spaeth, "The Balance of Interests in Administrative Law and Telecommunications Regulation Have We Broken the Scales?" *Federal Communications Law Journal* 43 (1990) 23-43

¹⁰⁴ $k = \$3/\$38 = 7.89\%/0.95 = 8.31\% + 4.5\% = 12.81\%$

¹⁰⁵ To illustrate, assume market price is above book value The sum of d/p plus g (which is a measure of what an investor anticipates on *market value*), when applied to a lesser *book value* figure, will produce insufficient earnings to provide the indicated dividend and the indicated growth In fact, over time, the earnings will be insufficient to pay the dividends, and both earnings and book value will necessarily decline

¹⁰⁶ See, e g, David A Kosh, "Recent Trends in Cost of Capital," *Public Utilities Fortnightly* 72 (26 September 1963) 19-26 But see Win Whittaker and Robert Sefton,

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"The Discounted Cash Flow Methodology A Fair Return in Today's Market?" Ibid 120 (9 July 1987) 16-20, Lawrence C Pharo, III, "Regulated Companies Are Being Slighted Through Misstated Market Equity Returns," Ibid 125 (15 February 1990) 11-15, Win Whittaker, "The Discounted Cash Flow Methodology Its Use in Estimating A Utility's Cost of Equity," *Energy Law Journal* 12 (1991) 265-90

¹⁰⁷ Foster, "Fair Return Criteria," 919 Bonbright has argued

Market prices are beyond the control, though not beyond the influence, of rate regulation. Moreover, even if a commission did possess the power of control, any attempt to exercise it [so as to prevent the market prices of utility equities from rising to substantial premiums above book values] would result in harmful, uneconomic shifts in public utility rate levels. Regulation is simply powerless to assure the purchasers of public utility equities that future corporate earnings will suffice to maintain market prices on par with book values or with any other dollar figure (Bonbright, *Public Utility Rates*, 255, 256)

And Solomon contends that if regulation were to maintain the market price to book value equality, utility common stocks would be

transformed into a peculiar hybrid form of security which is neither contractual debt nor equity, it can best be described as a perpetual low-grade subordinated debenture which offers neither upside price potential nor any guarantee of dividend or capital recoupment, but which does offer a differential rate of return above the rate on bonds if rates allowed by regulation are actually earned (Ezra Solomon, "Comments on Commission's Proposed Statement of Policy," FPC Dkt No RM77-1 February 1977) [photocopy] 17)

Throughout the 1970s, for most utilities, market prices fell below book values. See Thomas G Marx, "Market-to-Book Return on Equity Correlation," *Public Utilities Fortnightly* 96 (4 December 1975) 28-31. However, in more recent years, market prices (except for those utilities with construction difficulties) have been above book values.

¹⁰⁸ See, e.g., *In re Narragansett Elec Co*, 52 PUR4th 271 (R I 1983)

¹⁰⁹ Only under the assumption of a constant payout ratio will the growth rates of dividends per share, earnings per share and book value per share be the same.

¹¹⁰ B G Malkiel and J G Cragg, "Expectations and the Structure of Share Prices," *American Economic Review* 60 (1970) 601-17

¹¹¹ See, e.g., Testimony of Irwin Friend, 4-9

¹¹² Foster, "Fair Return Criteria," 915

¹¹³ Solomon, "Comments," 13. See Robert S Stich, "'K' is Not the Cost of Capital," *Public Utilities Fortnightly* 85 (12 March 1970) 30-36, Joseph F Brennan and Paul R Moul, "Does the Constant Growth Discounted Cash Flow Model Portray Reality?" Ibid 121 (21 January 1988) 24-29. See also Jeffery E Marshall, "Discount Rates and Returns on Equity," Ibid 125 (1 February 1990) 19-25

Argued the National Energy Board in a 1979 decision

The Board considers that, as a measurement of the cost of common equity capital, the adjusted DCF rate has some merits and should be given some consideration, notwithstanding the difficulty in estimating future growth rates, the susceptibility of stock prices to erratic movements based on factors that may be unrelated to a particular stock's anticipated performance, and the

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difficulty of segregating the regulated business from that of the corporate entity as a whole (*In re Westcoast Transp Co Ltd* [NEB 1979], 4-7)

Similarly, the Indiana commission stated in a 1990 decision that the assumptions underlying the DCF model rarely, if ever, hold true, so that an "unadjusted DCF result is almost always well below what any informed financial analyst would regard as defensible, and therefore requires an upward adjustment based largely on the expert witness' judgment" *In re Indiana Mich Power Co* , 116 PUR4th 1, 17 (Ind 1990)

¹¹⁴ Diana R Harrington, "The Changing Use of the Capital Asset Pricing Model in Utility Regulation," *Public Utilities Fortnightly* 105 (14 February 1980) 28-30, and "Trends in Capital Asset Pricing Model Use," *Ibid* 108 (13 August 1981) 27-30 See also *In re Portland Gen Elec Co* , 23 PUR4th 209 (Or 1977), *aff'd*, 30 PUR4th 468 (1979)

¹¹⁵ See Eugene F Brigham and Roy L Crum, "On the Use of the CAPM in Public Utility Cases," *Financial Management* 6 (Summer 1977) 7-15, "Utility Regulation and the CAPM A Discussion," *Ibid* 7 (Autumn 1978) 52-76, Ronald W Melicher, "Risk Measurement and Rate of Return under Regulation," in Harry M Trebing, ed , *Issues in Public Utility Regulation* (East Lansing MSU Public Utilities Papers, 1979), 325-41, Robert Litzenberger et al , "On the CAPM Approach to the Estimation of a Public Utility's Cost of Equity Capital," *Journal of Finance* 35 (Papers and Proceedings, 1980) 369-83, Joseph I Rosenberg, "Risk, Return, and Regulation Among Energy Industries," *Public Utilities Fortnightly* 118 (7 August 1986) 31-38

¹¹⁶ $7.8\% + (13.9\% - 7.8\%) 0.90 = 13.29\%$ See "Recent Cases Discuss the Capital Asset Pricing Model," *Public Utilities Fortnightly* 102 (21 December 1978) 41-43

¹¹⁷ "These assumptions are (1) Investors are risk averse (2) All investors compose their portfolios (with regard to anticipated risk and return) using a common single investment period (3) Investors make decisions to maximize their expected utility of wealth (4) Capital markets are perfect (5) All investors form, on the basis of this common information, identical subjective expectations of future returns, the variance of these returns for specific securities and the covariance among securities (6) There is a riskless rate of return investment opportunity with no variance or covariance commonly available to all with the same rate of return prospect for each investor " Robert F Vandell and James K Malernee, "The Capital Asset Pricing Model and Utility Equity Returns," *Public Utilities Fortnightly* 102 (6 July 1978) 24

¹¹⁸ *Ibid* See also Richard W Roll, "A Critique of the Asset Pricing Theory's Tests," Part I "On Past and Potential Testability of the Theory," *Journal of Financial Economics* 4 (1977) 129-76

¹¹⁹ Vandell and Malernee, "Capital Asset Pricing Model," 27

The beta coefficient compares the volatility and direction of movement of the return on an investment with those of the market as a whole Specifically, the beta coefficient of a particular stock measures the degree to which the return on the stock follows the trend of the market It indicates that change in the rate of return on a stock associated with a one percentage point change in the rate of return on the market The beta coefficient thus measures the degree to which that stock shares the same risk as the market as a whole A stock with a beta coefficient of one can be expected, on the average, to follow closely the market trend in return so that investment in such a stock would be subject to the same market risk as that characterizing stocks as a whole " (Testimony of Irwin Friend, 11)

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¹²⁰ For example "Investments in electric utilities involved more risk in the mid-1960s than they do today. Considering that industry conditions deteriorated substantially between the 1960s and the present time, we reject that interpretation and consider it absurd." Leonard S. Hyman and Joseph M. Egan, "The Utility Stock Market: Regulation, Risk, and Beta," *Public Utilities Fortnightly* 105 (14 February 1980) 24. See also Gerald J. Glassman, "Discounted Cash Flow versus the Capital Asset Pricing Model (Is g Better than b?)," *Ibid* 102 (14 September 1978) 30-34, William J. Breen and Eugene M. Lerner, "On the Use of β in Regulatory Proceedings," *Bell Journal of Economics & Management Science* 3 (1972) 612-21, and comment by Stewart C. Myers, *Ibid* 3 (1972) 622-7, Richard H. Pettway, "On the Use of β in Regulatory Proceedings: An Empirical Examination," *Ibid* 9 (1978) 239-48.

¹²¹ Vandell and Malernee, "Capital Asset Pricing Model," 23. See also J. Chartoff et al., "The Case Against the Use of the Capital Asset Pricing Model in Public Utility Ratemaking," *Energy Law Journal* 3 (1982) 67-95.

Stated the Nova Scotia Board of Commissioners of Public Utilities in a 1981 decision:

The Board considers that the "state of the art" seems to have advanced to a point where the earnings/price ratio test has been largely supplanted by the discounted cash-flow method, except perhaps in limited circumstances, and the capital asset pricing model has not yet been developed to a point where it can yield a reliable indicator of a utility's required return on common equity (*In re Maritime Tel & Tel Co., Ltd.*, MT-1373 [Nova Scotia 1981], 12.)

The Arbitrage Pricing Theory (APT) has been proposed as an alternative to the CAPM. See, e.g., Stephen A. Ross, "The Arbitrage Theory of Capital Asset Pricing," *Journal of Economic Theory* 13 (1976) 341-60, Richard W. Roll and Stephen A. Ross, "An Empirical Investigation of the Arbitrage Pricing Theory," *Journal of Finance* 35 (1980) 1073-1102, and "Regulation, the Capital Asset Pricing Model, and the Arbitrage Pricing Theory," *Public Utilities Fortnightly* 111 (26 May 1983) 22-28, Jay Shanken, "The Arbitrage Pricing Theory: Is It Testable?" *Journal of Finance* 37 (1982) 1129-40, David H. Goldenberg and Ashok J. Robin, "The Arbitrage Pricing Theory and Cost-of-Capital Estimation: The Case of Electric Utilities," *Journal of Financial Research* 14 (1991) 181-96, Thompson, *Regulatory Finance*, chaps. 5, 10.

¹²² See Harold Leventhal, "Vitality of the Comparable Earnings Standard for Regulation of Utilities in a Growth Economy," *Yale Law Review* 74 (1965) 989-1018, Herman G. Roseman, "Comparable Earnings and the Fair Rate of Return," American Bar Association Annual Report, Section of *Public Utility Law, 1970*, 26-40, Richard H. Adelaar and Leonard S. Hyman, "The Comparable Earnings Approach as a Useful Tool in Utility Regulation," *Public Utilities Fortnightly* 87 (4 March 1971) 30-40, David R. Kamerschen and Richard L. Wallace, "Opportunity Cost and the Capital Attraction for Utility Rate Regulation," *Ibid* 91 (15 February 1973) 43-50.

¹²³ *In re Tampa Elec. Co.*, Dkt. No. 800011-EU, Testimony of Stephen F. Sherwin (February 1980) (photocopy) 16 (hereafter, Testimony of Stephen F. Sherwin).

¹²⁴ *Consolidated Gas Co. v. Newton*, 267 Fed. 231, 237 (S.D. N.Y. 1920).

¹²⁵ The comparable earnings standard logically implies an original cost rate base. Nonregulated enterprises report earnings on an original cost basis. Therefore, to argue that a 15 percent return on equity capital, for instance, indicated by the comparable earnings standard, should be applied to a fair value rate base would be inconsistent. See *Farmers* 93.

Union Cent Exch v Federal Energy Regulatory Comm'n, 734 F 2d 1486, 59 PUR4th 1 (D C Cir 1984), cert denied sub nom *Ass'n of Oil Pipe Lines v Farmers Union Cent Exch*, 469 U S 1034 (1984) (*Farmers Union II*)

¹²⁶ "These standards of comparison may include both regulated and unregulated companies. Indeed, this commission has never advocated basing allowed rates of return solely on what other regulated companies have been allowed to earn in the past. Such a process, rather like observing an endless series of duplicate images in multiple mirrors, would be hopelessly circular." *In re Union Elec Co*, 94 PUR3d 87, 100 (FPC 1972)

Another consideration. During periods of rapid inflation, regulated firms find it nearly impossible to earn what regulatory commissions determine to be fair (due to attrition). At a minimum, therefore, comparisons must be made with commission decisions, and not with actual returns.

¹²⁷ See, e.g., Richard S. Bower and Dorothy H. Bower, "Risk and the Valuation of Common Stock," *Journal of Political Economy* 77 (1969) 349-62, R. Hayden Howard, ed., *Risk and Regulated Firms* (East Lansing: MSU Public Utilities Studies, 1973), Ronald W. Melicher, "Risk and Return in the Electric Utility and Natural Gas Industries," *MSU Business Topics* 23 (Spring 1975) 48-54, G. K. Rakes, "Risk Factors Affecting Power Company Securities," *Public Utilities Fortnightly* 96 (31 July 1975) 22-25, H. G. Mülle, "Some Testimony on Risk: The Case for the Utilities and Regulation," *Ibid* 97 (15 January 1976) 22-27, Stevan R. Holmberg, "Investor Risk and Required Rate of Return in Regulated Industries," *Nebraska Journal of Economics and Business* 16 (Autumn 1977) 61-73, J. Gordon Christy and George A. Christy, "Who Says Utilities Are Less Risky?" *Public Utilities Fortnightly* 105 (8 May 1980) 11-18, P. R. Chandrasekaran and William P. Dukes, "Risk Variables Affecting Rate of Return of Public Utilities," *Ibid* 107 (26 February 1981) 32-35, William P. Dukes and P. R. Chandy, "Rate of Return and Risk for Public Utilities," *Ibid* 112 (1 September 1983) 35-41, Jay A. Copan, "The Case for Higher Common Equity Ratios for Natural Gas Companies," *Ibid* 116 (11 July 1985) 24-29. See also Phillip S. Cross, "Equity Returns and Risk Evaluation: Recent Cases," *Ibid* 129 (15 February 1992) 45-46.

On diversification risk, see, e.g., Frank J. Hanley and A. Gerald Harris, "Does Diversification Increase the Cost of Equity Capital?" *Ibid* 128 (15 July 1991) 26-30, Charles M. Studness, "Earnings from Utility Diversification Ventures," *Ibid* 130 (1 September 1992) 28-29.

¹²⁸ Jeffery A. Dubin and Peter Navarro, "The Effect of Rate Suppression on Utilities' Cost of Capital," *Ibid* 111 (31 March 1983) 18-22, Louis E. Buck, Jr., and John C. Groth, "Regulatory Uncertainty and the Cost of Capital for Utilities," *Ibid* 117 (20 February 1986) 23-27, Philip Fanara, Jr., and Raymond Gorman, "The Effects of Regulatory Risk On the Cost of Capital," *Ibid* 117 (6 March 1986) 32-36, Chang Mo Ahn and Howard E. Thompson, "An Analysis of Some Aspects of Regulatory Risk and the Required Rate of Return for Public Utilities," *Journal of Regulatory Economics* 1 (1989) 241-57.

¹²⁹ See, e.g., Robert S. Stich, "An Additional Standard for Measuring Common Equity Costs," *Public Utilities Fortnightly* 97 (26 February 1976) 34-39.

¹³⁰ See Whittaker, *Regulatory Finance*, 286-90, for a discussion of the comparable earnings methodology and implementation.

¹³¹ Harold Leventhal, testimony filed before the Federal Communications Commission (September 1962) (photocopy). "As typically applied under the 'just and reasonable' standard, original cost rate-making attempts to set the rate of return for a regulated enterprise at the same level as the rate of return of an unregulated enterprise with similar

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associated risks " *Farmers Union Cent Exch v Federal Energy Regulatory Comm'n*, 734 F 2d 1486, 1515 (1984)

¹³² See, e g , Eugene F Brigham et al , "The Risk Premium Approach to Measuring a Utility's Cost of Equity," *Financial Management* 14 (Spring 1985) 33-45

¹³³ *In re American Tel & Tel Co* , 86 FCC2d 221 (1981)

¹³⁴ See *Stocks, Bonds, Bills and Inflation 1992 Yearbook* (Chicago Ibbotson Associates, 1992)

¹³⁵ See, e g , *In re Iowa Elec Light & Power Co* , 118 PUR4th 179 (Iowa 1990) But see *In re Hawaii Elec Light Co , Inc* , 120 PUR4th 427 (Hawaii 1991), where the commission assigned equal weight to the results of three methods (i e , discounted cash flow method, capital asset pricing model and the risk premium method) in determining the required rate of return

¹³⁶ See, e g , *In re Alabama Power Co* , Dkt No 17094 (Ala 1976)

¹³⁷ See, e g , Carl W Treleaven, "The Use of Financial Planning Models in Utility Rate Making," *Public Utilities Fortnightly* 108 (16 July 1981) 33-38

¹³⁸ *In re Trans-Canada Pipe Lines Ltd* (NEB 1971), 6-2 - 6-3, 6-6 Concludes Thompson "Rate of return witnesses usually use multiple methodologies in the search for credibility of their judgments as to the required rate of return This is a reasonable approach since there is no way to ultimately assess which methodology is best " Thompson, *Regulatory Finance*, 173 Concludes Judge Breyer "This discussion is meant to suggest that setting a rate of return cannot — even in principle — be reduced to an exact science To spend hours of hearing time considering elaborate rate-of-return models is of doubtful value, and suggestions of a proper rate, carried out to several decimal places, give an air of precision that must be false " Stephen Breyer, *Regulation and Its Reform* (Cambridge Harvard University Press, 1982), 47

¹³⁹ In an effort to overcome the problems inherent in determining the cost of equity capital, it has been proposed that common stock be placed on a contractual basis See Arthur P Becker, "Fixed Dividends for All Public Utility Stock," *Journal of Land & Public Utility Economics* 21 (1945) 243-9, John Bauer, *Transforming Public Utility Regulation* (New York Harper & Bros , 1950), chaps x, x1 There is little support, however, for such a proposal

¹⁴⁰ *Missouri ex rel Southwestern Bell Tel Co v Pub Serv Comm'n*, 262 U S 276, 290 (1923) (Brandeis, J dissenting)

¹⁴¹ *In re General Tel Co of Fla* , 44 PUR3d 247, 255 (Fla 1962)

¹⁴² Bonbright, *Public Utility Rates*, 262

¹⁴³ Richard B Blatz, "Efficiency Incentives for Telephone Companies," *Public Utilities Fortnightly* 72 (12 September 1963) 19

¹⁴⁴ Thus, the Iowa commission added 0 30 percent to the cost of common equity because of management efficiency (*In re IPS Elec , A Div of Iowa Pub Serv Co* , Dkt No RPU-91-6 [Iowa 1992], the New Hampshire commission allowed 0 20 percent in excess of the cost of capital as an efficiency allowance (*New England Tel & Tel Co v New Hampshire*, 44 PUR3d 498, 506 [1962]), the New Mexico commission allowed an extra 0 50 percent on common equity, partly because of efficiency (*In re Southwestern Pub Serv Co* , 27 PUR4th 302, 313 (N M 1978), and the Pennsylvania commission added 0 25 percent to the cost of common equity "in recognition of the utility's outstanding record of promoting efficient operation" (*Pennsylvania Pub Util Comm'n v West Penn Power Co* , 119 PUR4th 110 [Pa 1990]) More commonly, commissions state that efficiency is taken into account in determining the overall rate of return

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¹⁴⁵ See Chapters 11 and 12 for a discussion of performance and incentive measures (including price cap regulation) It should be noted, however, that some incentive rate plans have been held to violate state statutes prohibiting retroactive rate making by requiring refund of earnings in excess of a benchmark rate of return on equity See, e g , *In re Illinois Bell Tel Co* , 108 PUR4th 89 (Ill 1989), *rev'd sub nom Illinois Bell Tel Co v Illinois Commerce Comm'n*, 561 N E 2d 711, 129 PUR4th 221 (2d Dist 1990), *on remand*, 129 PUR4th 422 (Ill 1991)

¹⁴⁶ *In re Rochester Tel Corp* , 24 PUR3d 262 (N Y 1958), *Hogan v Hampden Tel Co* , 36 PUR4th 480, 497-98 (Me 1980) (Smith, Comm'r, dissenting) See also *Texas Pub Util Comm'n v Houston Lighting & Power Co* , 715 S W 2d 98 (Tex App 1986) (holding that commission lacked statutory authority to levy a penalty for mismanagement without objective standards)

¹⁴⁷ See, e g , *In re Western Light & Tel Co , Inc* , 17 PUR3d 422 (Okla 1957), *Ex parte Southern Bell Tel & Tel Co* , 26 PUR3d 55 (La 1959), *In re North Mo Tel Co , Inc* , 49 PUR3d 313 (Mo 1963) Such a penalty was upheld in *North Carolina ex rel Utilities Comm'n v General Tel Co of the Southeast*, 208 S E 2d 681 (1974)

¹⁴⁸ *In re Norfolk & Carolina Tel & Tel Co* , 18 PUR4th 592 (N C 1977)

¹⁴⁹ *In re Virginia Elec & Power Co* , Dkt No E-22, Sub 257 (N C 1981) (The penalty was removed a year later See *In re Virginia Elec & Power Co* , 48 PUR4th 327, 359-60 [N C 1982])

¹⁵⁰ *In re General Tel Co of Cal* , 37 PUR4th 127 (Cal 1980)

¹⁵¹ *In re Iowa Gas Co* , 76 PUR4th 425 (Iowa 1986) See *In re Standards for Public Utility Management Efficiency*, 65 PUR4th 189 (Iowa 1985)

¹⁵² *In re Gulf Power Co* , Order No 23573 (Fla 1990)

¹⁵³ Bonbright, *Public Utility Rates*, 265

¹⁵⁴ Walter A Morton, "Creative Regulation," *Land Economics* 39 (1963) 371 As the D C Circuit Court argued in rejecting the FCC's refund rule

The refund rule requires the carrier to refund any earnings above the upper bound of [the allowed rate of return plus a specified margin], while the carrier may not recoup any shortfall in its earnings below [the allowed rate of return] Thus, over the long run the carrier is virtually guaranteed to fall short of earning its required target rate of return Since the Commission views the rate of return as a minimum [necessary return], the refund rule under the Commission's view would operate over the long run to put a carrier out of business It should be stressed that this result does not reflect merely the business risk that a carrier is bound to accept under the accepted view that regulation does not guarantee the regulated company a profit Rather, it is the Commission's refund rule that seems to guarantee the regulated company an economic loss (*American Tel & Tel Co v Federal Communications Comm'n*, 1390-1)

¹⁵⁵ See Chapter 8, 335-6

¹⁵⁶ Bonbright, *Public Utility Rates*, 267 It should be emphasized again that the arguments supporting an inflation adjustment pertain to original cost jurisdictions, a reproduction cost or fair value rate base makes a full or partial allowance for inflation

¹⁵⁷ Walter A Morton, "Rate of Return and the Value of Money in Public Utilities," *Land Economics* 28 (1952) 119

¹⁵⁸ According to Sherwin

Regulation of public utilities is generally viewed as a substitute for competition. Under competition, the level of profits will vary with the business cycle, but will in the long run be equal to the cost of attracting or retaining physical resources whose earning power is related to dollars of current purchasing power as distinguished from nominal dollar values. Under competitive conditions, however, investors are not always able to achieve the preservation of real capital values and protect their assets against the ravages of inflation. The competitive principle requires that utility investors should be given an opportunity — not a guarantee — to preserve the real value of their capital to no greater, but also to no lesser, a degree than that to which investors in industrial companies (of similar risk to utilities) can achieve a preservation of real capital values (Testimony of Stephen F. Sherwin, IV-V)

Proper use of the comparable earnings standard achieves this objective

¹⁵⁹ Martin G. Glaeser, *Public Utilities in American Capitalism* (New York: Macmillan Co., 1957), 399

¹⁶⁰ See, e.g., *In re New York Tel. Co.*, 91 PUR(NS) 231 (N.Y. 1951), *In re Michigan Bell Tel. Co.*, 91 PUR(NS) 129 (Mich. 1951), *In re Wisconsin Elec. Power Co.*, 93 PUR(NS) 97 (Wis. 1952)

¹⁶¹ Consistency in regulatory rate-making policy is closely connected to the fairness issue. Stockholders who purchase the common stocks of utilities that are in fair value jurisdictions, for example, have the right to expect that commissions will continue to adhere to a fair value theory. See Bonbright, *Public Utility Rates*, 272-3. The issue is considered further in the last section of this chapter.

¹⁶² In the words of the California commission: "The law contemplates that people who buy securities are charged with the knowledge that certain risks will be attached to their ownership and that one of the risks is the possibility of the decline in purchasing power of the dollar." Quoted in Glaeser, *Public Utilities* 398.

¹⁶³ Thatcher, "Cost-of-Capital Techniques," 111. See also *In re Missouri States Tel. & Tel. Co.*, 2 PUR3d 75 (Utah 1953), *In re New York Tel. Co.*, 5 PUR3d 33 (N.Y. 1954), *In re Pacific Tel. & Tel. Co.*, 5 PUR3d 396 (Cal. 1954).

¹⁶⁴ Clemens, "Rate-of-Return Problem," 38-39.

¹⁶⁵ See, e.g., Fergus J. McDiarmid, "Are Public Utility Stocks an Inflation Hedge?" *Public Utilities Fortnightly* 80 (12 October 1967) 33-39; Morrissey, "Current Aspects"

¹⁶⁶ See Fred P. Morrissey, "Inflation and Public Utility Regulation," *California Management Review* 1 (1959) 74-87; Ralph E. Badger, "Important Concepts as to Fair Return and Cost of Money," *Public Utilities Fortnightly* 66 (21 July 1960) 93-101.

¹⁶⁷ *In re Tampa Elec. Co.*, Order No. 9599 (Fla. 1980), 14. See also Peter C. Manus and Charles F. Phillips, Jr., "Earnings Erosion during Inflation," *Public Utilities Fortnightly* 95 (8 May 1975) 17-22; David R. Kamerschen and Chris W. Paul, II, "Erosion and Attrition: A Public Utility's Dilemma," *Ibid.* 102 (21 December 1978) 21-28; Walter G. French, "On the Attrition of Utility Earnings," *Ibid.* 107 (26 February 1981) 19-24.

¹⁶⁸ There is an obvious limitation to this method. Inflation is not generally considered to be a "known change."

¹⁶⁹ See, e.g., "Use of a Year-end Rate Base to Offset Effects of Inflation," *Public Utilities Fortnightly* 64 (30 July 1959) 241-5; "Recent Decisions Compare Averaged and Year-end Rate Bases," *Ibid.* 104 (16 August 1979) 53-55; *In re Commonwealth Edison Co.*, 71 PUR4th 81 (Ill. 1985)

¹⁷⁰ See J Michael Harrison, "Forecasting Revenue Requirements," *Public Utilities Fortnightly* 103 (15 March 1979) 11-15, "Alternative Test Year Methods in Public Utility Rate Proceedings" (Washington, D C NARUC, 1980), 37-43 A few commissions have experimented with a split-year approach, e g , six months actual, six months projected, a few require that data be filed for both a past test year and for a future test year

¹⁷¹ *Ex parte Louisiana Power & Light Co* , Order No U-14690-A (La 1981)

¹⁷² *In re New Jersey Bell Tel Co* , 31 PUR3d 453 (N J 1959), *In re Columbia Gas of Md* , 57 PUR3d 460 (Md 1965) See also "Rate Base Allowance for Attrition," *Public Utilities Fortnightly* 80 (7 December 1967) 59-60

¹⁷³ "Offsets to Attrition and Regulatory Lag," *Public Utilities Fortnightly* 66 (13 October 1960) 585-88, *In re Consolidated Edison Co of N Y* , 41 PUR3d 305 (N Y 1961), *In re Tampa Elec Co* , Order No 9599 (Fla 1980), 14 See also "Recent Cases on Attrition Allowance," *Public Utilities Fortnightly* 98 (18 November 1976) 44-46 and *Ibid* 99 (9 June 1977) 51-52

¹⁷⁴ "Offsets to Attrition and Regulatory Lag," 585-6, *In re Montana Power Co* , 42 PUR3d 241 (Mont 1962)

¹⁷⁵ "Recent Cases Discuss Interim Rate Policy," *Public Utilities Fortnightly* 104 (13 September 1979) 53-55

¹⁷⁶ See Edward L Flippen and Daniel M Walker, "Financial Review of Utilities The Virginia Plan," *Ibid* 108 (30 July 1981) 30-34

¹⁷⁷ *In re Public Serv Co of N M* , 9 PUR4th 113 (N M 1975) In 1978, the commission eliminated the quarterly adjustment and the return on common equity range, and provided for an annual adjustment and a 13.5 percent return on common equity *In re Pub Serv Co of N M* , Case No 1419 (N M 1978) See David S Cohen and Charles F Noble, "Cost of Service Indexing An Analysis of New Mexico's Experiment in Public Utility Regulation," *New Mexico Law Review* 9 (1979) 287, Alvin Kaufman and Russell J Profozich, *The New Mexico Cost of Service Index An Effort in Regulatory Innovation* (Columbus, Ohio National Regulatory Research Institute, 1979), Michael Schmidt, *Automatic Adjustment Clauses Theory and Application* (East Lansing MSU Public Utilities Studies, 1980), 49-53

In 1980, the Michigan commission adopted an experimental indexing approach for Michigan Bell Telephone Company, under which the allowable annual rate increase (decrease), from October 1980 through October 1982, was computed as follows the annual rate of inflation (December-to-December), less a 4 percent productivity offset, times 90 percent (10 percent was treated as an offset to regulatory lag, since a case was filed in July of each year and the rates were in effect in October) Thus, if the annual inflation rate were 12 percent, the allowed increase would be 7.20 percent (12 percent - 4 percent = 8 percent x 0.90 = 7.20 percent) See Schmidt, *Automatic Adjustment Clauses*, 57-58

The New Jersey commission experimented with indexing plans (see, e g , *In re New Jersey Power & Light Co* , 53 PUR[NS] 1 [N J 1944], *In re Adjustment Clauses in Telephone Rate Schedules* , 3 PUR4th 298 [N J 1974]) and cost-of-service adjustments have been used in Canada for gas transmission companies (see, e g , *In re Westcoast Transp Co Ltd* [NEB 1979]) But the Illinois commission rejected a comprehensive "cost and efficiency" proposal filed by the Illinois Bell Telephone Company (see *In re Illinois Bell Tel Co* , Cause No 58916 [Ill 1975])

¹⁷⁸ See, e g , Paul L Joskow and Paul W MacAvoy, "Regulation and the Financial Condition of the Electric Power Companies in the 1970's," *American Economic Review* 65 (Papers and Proceedings, 1975) 295-301, M W Keran, "Inflation, Regulation, and Utility

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Stock Prices," *Bell Journal of Economics* 7 (1976) 268-80, Eugene M Lerner, "Competition for the Funds of Investors and the Cost of Capital for Utilities," *Public Utilities Fortnightly* 105 (28 February 1980) 15-18, Paul W MacAvoy, *Industry Regulation and the Performance of the American Economy* (New York W W Norton & Co, 1992), esp chap 3

But see *Electric and Telephone Utility Stockholders Returns — 1972-1991* (Washington, D C, NARUC, 1992) and an analysis by John F Childs, "An Examination of NARUC's Stockholder Return Reports," *Public Utilities Fortnightly* 129 (1 January 1992) 21-22

¹⁷⁹ Said the Massachusetts Supreme Court, in reversing a commission decision

The department has been proceeding for years on the assumption that the company's rate base will remain constant during the period following a decision of the department In substance this is an assumption that there will be no inflation That assumption is not only speculative and uncertain, it is clearly erroneous It has proved wrong, year after year, and the department errs when it stubbornly persists in an erroneous assumption (*New England Tel & Tel Co v Massachusetts Dept of Pub Utils*, 16 PUR4th 346, 350 [1976])

Yet, in 1979, the U S Supreme Court dismissed an appeal by the California Association of Utility Shareholders, which urged, among other things, that the California commission be compelled to account for inflation in rate decisions The association claimed that its members lost more than \$270 million through stock dilution since 1973 *California Ass'n of Util Shareholders v Public Utilv Comm'n*, 444 U S 986 (1979)

¹⁸⁰ See "For the Utilities, It's a Fight for Survival," *Fortune*, March 1975, 97

¹⁸¹ During the 1970s, as the utility sector's financial position deteriorated, security analysts began to rate the regulatory commissions See, e g, Salomon Brothers, Inc, "Electric Utility Regulation — Semiannual Review," 21 February 1989, 7 There is evidence that such ratings or evaluations have an impact on the cost of capital See Robert R Trout, "The Regulatory Factor and Electric Utility Common Stock Investment Values," *Public Utilities Fortnightly* 104 (22 November 1979) 28-31, Stephen H Archer, "The Regulatory Effects on Cost of Capital in Electric Utilities," *Ibid* 107 (26 February 1981) 36-39 See also Thomas M Tole and Sammy O McCord, "A Bond Rating Agency's Influence on Utilities' Cost of Capital," *Ibid* 117 (9 January 1986) 34-37

¹⁸² *In re Potomac Edison Co*, 74 PUR4th 428, 432 (Va 1986)

While today's recessionary economic environment calls for lower returns, we must assess them against our past decisions to not let utility ROEs be driven in lock step with the interest rate Just as we have used caution in not setting the utilities' returns on common equity too high in inflationary times, we must balance this by refraining from setting them too low in today's recessionary economy (*In re Pacific Gas & Elec Co*, 137 PUR4th 449, 495 [Cal 1992])

¹⁸³ See note 127

¹⁸⁴ *Duquesne Light Co v Barasch* The complete citation *Pennsylvania Pub Util Comm'n v Duquesne Light Co*, 51 PUR4th 198 (1983), *reconsideration denied*, 52 PUR4th 644 (1983), *aff'd sub nom Cohen v Pennsylvania Pub Util Comm'n*, 494 A 2d 58 (Pa Commw 1985), *rev'd and remanded sub nom Barasch v Pennsylvania Pub Util Comm'n*, 532 A 2d 325, 95 PUR4th 521 (1987), *aff'd sub nom Duquesne Light Co v Barasch*, 109 U S 609, 98 PUR4th 253 (1989)

¹⁸⁵ *Duquesne Light Co v Barasch*, 98 PUR4th 253, 262 (1989) The act excluded "such nonrevenue producing, nonexpense reducing investments as may be reasonably shown to be necessary to improve environmental conditions at existing facilities or improve safety at existing facilities or as may be required to convert facilities to the utilization of coal " 98 PUR4th at 262

¹⁸⁶ In 1967, Duquesne Light and Pennsylvania Power joined a venture (known as the Central Area Power Coordination Group [CAPCO] and involving three other electric utilities) to build seven nuclear plants In 1980, the participants canceled plans for construction of four of the plants At the time of the cancellation, Duquesne had expended nearly \$35 million, and Pennsylvania Power nearly \$9 6 million, on preliminary construction See *Pennsylvania Pub Util Comm'n v Pennsylvania Power Co* , 60 PUR4th 593 (Pa 1984) (consolidated on appeal with *Duquesne Light*) Duquesne sought permission in 1980, and again in 1981, to recover its expenditures through amortization over a ten-year period, but the commission deferred ruling on the request pending receipt of a report on an investigation of the CAPCO construction After receiving the report, the commission concluded that the decision to cancel the plants was timely and prudent, and permitted Duquesne Light's amortization request in the company's 1982 rate case (It later made a similar decision with respect to Pennsylvania Power's request for recovery) On reconsideration, following enactment of Act 335, the commission affirmed its original order, holding that the new statute did not prevent recovery through amortization

¹⁸⁷ *Federal Power Comm'n v Hope Natural Gas Co* , 320 U S 591 (1944) But see Basil L Copeland, Jr , and Walter W Nixon, III, "Procedural Versus Substantive Economic Due Process for Public Utilities," *Energy Law Journal* 12 (1991) 81-110

¹⁸⁸ *Duquesne Light Co v Barasch*, 98 PUR4th 253, 260 (1989)

¹⁸⁹ 98 PUR4th at 260 Less than three years later (in late 1985), Pennsylvania enacted another statute permitting amortization recovery of prudently incurred investment in canceled generating units 98 PUR4th at 262

¹⁹⁰ 98 PUR4th at 258

¹⁹¹ 98 PUR4th at 258

¹⁹² A Lawrence Kolbe and William B Tye, "The *Duquesne* Opinion How Much 'Hope' is There for Investors in Regulated Firms?" *Yale Journal on Regulation* 8 (1991) 127 But see Stephen F Williams, "Fixing the Rate of Return After *Duquesne*," *Ibid* 8 (1991) 159-63, Alan Buchmann, "The *Duquesne* Opinion A Practitioner's Comment," *Ibid* 8 (1991) 165-70, Richard D Cudahy, "Comment Shedding Light on *Duquesne*," *Energy Law Journal* 12 (1991) 259-64 See also William B Tye and A Lawrence Kolbe, "The Supreme Court's *Duquesne* Opinion — Practical Implications For Regulated Industries," *Public Utilities Fortnightly* 126 (30 August 1990) 19-22

¹⁹³ Kolbe and Tye, "*Duquesne* Opinion," 131-2 The authors also question the Court's measurement of "slight " (1) "The Court's decision to examine the definition of 'slight' on a company-specific basis leaves open the cumulative impact industry-wide " (2) "The Court did not limit the number of 'slight' losses that could be imposed " (3) The Court's measures "are flawed " First, "the loss was 5 3% of the amount put up by [common stockholders] who actually bore the loss, nearly three times the proportion recognized by the Court " Second, "if the loss is to be calculated as the decrease in a single year's rate, the present value of the future lost amounts should be calculated and treated as the loss for that year " *Ibid* , 148-9

¹⁹⁴ *Cedar Rapids Gas Light Co v Cedar Rapids*, 223 U S 655, 669 (1912)

¹⁹⁵ Badger, "Fair Return and Cost of Money," 101

940

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¹⁹⁶ Foster, "Fair Return Criteria," 884

¹⁹⁷ "Recommendations for Restoration of Financial Health to the U S Electric Power Industry," Report of an Informal Task Force to the Energy Transition Team (17 December 1980) (photocopy), 11-12 See also MacAvoy, *Industry Regulation*

Attachment 10:

Price Caps for Electric Utilities:

Olson, Wayne P. and Costello, Kenneth W., "*Electricity Matters: A New Incentives Approach for a Changing Electric Industry*," Electricity Journal (January/February 1995)

Electricity Matters: A New Incentives Approach for a Changing Electric Industry

The method of regulating a utility's rates should be changed fundamentally to promote responses to competition. An approach that addresses price caps, profit sharing and affords flexibility in pricing can offer utilities and those they serve a "win-win" scenario.

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The views and opinions expressed here are solely those of the authors and do not necessarily reflect the views and opinions of any organization with which they are associated. The authors gratefully acknowledge the editorial assistance of Ms. Dawn Gallagher, formerly of the Maine Public Utilities Commission staff.

[T]he distinction between the natural-monopoly features of the utility companies and the competitive features of so-called private industry is not nearly as sharp as was once supposed. On the one hand, a modern utility business faces keen competition, on the other hand, most of the great private industries enjoy partial monopoly.¹

U.S. businesses face fiercely difficult challenges to compete in the global marketplace, requiring many firms to search for new and innovative competitive strategies.² American businesses must make fundamental changes to cope with the forces of competition—or risk going out of business.

Energy industries, and electricity in particular, are no exception. Electric services are as important a contributor to the nation's infrastructure as its highways, bridges and schools,³ consequently, America's electric services industry would face competitive and financial pressures to meet its customers' needs, even if the electricity industry worldwide were not gravitating toward greater competition.⁴

Electricity suppliers can facilitate economic progress by providing cost-effective, high-quality and reliable service to their customers. But as many utility man-

agers know too well, this goal is not easy to achieve. For regulators, it is important to frame and resolve the issues in a proactive way. At the outset, American electric utilities must have strong incentives to be efficient.

The purpose of this paper is to explore some of the incentive regulation techniques, such as price-cap regulation, which U.S. and foreign electric utilities should use to facilitate change. These techniques can better accommodate the current mixed competitive and regulated environment while providing an appropriate transition to a dynamically competitive electric services market.

I The Coming of Competition in the Electric Services Industry

The electric services industry, in both the U.S. and abroad, has become increasingly competitive. The U.S. helped to "jump start" this trend, through the passage of the Public Utility Regulatory Policies Act of 1978. Early on, PURPA was viewed as a means to encourage the use of alternative fuels and cogeneration. As time passed, however, it became clear that the more important long-term effect of PURPA was to break the generation "monopoly." PURPA enhanced the competitiveness of the electric energy marketplace by providing new entrants with a "gateway" into the power generation market. The entrance of new players, owners of qualified facilities (QFs), which enjoy a "home field advantage" because of the

utility's obligation to buy from them at or below avoided cost, has shown that non-utility generating plants (NUGs) represent a viable and reliable source of electric energy and capacity. More recently, independent power plants, though lacking the preferential treatment that QFs enjoy, have emerged as a major source of new generating capacity.

The next several years will likely see continued incremental change in the U.S. electric services industry. Bolstered by the Energy

The U.S. has played a path-breaking role in increasing competition in the electric services industry

Policy Act of 1992 (EPAct), competition between power producers has intensified as new producers have entered the industry and both producers and consumers have increased access to a broader power market.⁵ EPAct lifts barriers to entry for both vertically integrated utilities and NUGs. Vertically integrated utilities may choose to establish unregulated NUG subsidiaries to compete in the generation market. NUGs may eventually threaten a utility's franchise market if retail consumers gain the right to purchase power from someone other than

their local utility. In a sense, EPAct expands state authority over the future of the electric services industry.⁶

Because of EPAct, broad transmission access will become available to wholesale power participants. Eventually, the electric services industry will include spot markets and electricity futures as well as swap markets.⁷ The electric services industry has followed a fundamental and irreversible path toward competition—the passage of EPAct better accommodates the ongoing evolution.

The U.S. has played a path-breaking role in increasing competition in the electric services industry. America is in danger, however, of losing the competitive advantages that could result from this leadership. Change in the U.S. has been incremental, while many countries around the world have begun to take more dramatic steps to reform and restructure their electric systems.⁸ For example, England and Argentina have each restructured along competitive lines and privatized their formerly state-owned electric utility infrastructure. Privatization can increase a country's self-sufficiency and financial strength by improving the reliability and efficiency of its electric utility systems.⁹ Restructuring in a way that facilitates a competitive electric services industry allows a country to take giant steps, including dramatic reengineering and reorganizing of their electric power systems that enhances the

competitiveness of the country's electric utility infrastructure. Given the steps that other nations are taking, there is an increased risk that a major source of the US's competitive advantage—its access to low-cost energy—could be squandered. If the US does not begin to vigorously respond to global developments, the electric services industry may soon be "behind the curve" relative to Europe and other parts of the world.

Utility Responses to Competition

Electric utilities, both in the US and globally, have begun to confront the challenge of providing competitively priced, reliable and high-quality energy services. Many electric utilities have actively responded to the competitive environment. Others have not.¹⁰

The question that Wall Street reportedly asks is: Which utilities will be the "winners" and "losers" in the competitive electricity market of the future? The ability of a utility to meet the competition that it faces will vary depending on a number of factors. Relative to its competitors, a "winner" will have (1) a cost advantage, (2) the ability to control its own destiny, through sound tactical use of strategic assets, such as transmission, and (3) regulators that allow the flexibility needed to compete. A utility's ability to marshal and deploy these sources of competitive advantage will determine its fate.

In order to determine whether the techniques of utility regulation need to change, regulators should understand the competitive forces that are affecting the electric services industry.¹¹ Regulators need to consider whether the current system of utility regulation in the US, which relies heavily on modified cost-plus regulation (also known as rate-of-return regulation), encourages actions by the utility that enhance the utility's efficiency.

The fear of retail wheeling on the state level, however, has already driven electric utilities to be more efficient

A Developing an Efficient Organization

Since EPCA was passed in 1992, retail wheeling has been the "topic of the hour."¹² EPCA explicitly prohibits mandatory retail wheeling on the federal level. The fear of retail wheeling on the state level, however, has already driven electric utilities to be more efficient. The "low-cost producer" of electricity will be the winner in the competitive energy market of the future.¹³ Like Southwest Airlines, the most profitable carrier in the airline industry, electric utili-

ties may find that they can best achieve success by "stripping down" and "selling a product at a cheaper price by offering less."¹⁴

Electric utilities must

- Strive to become the "low-cost producer" in a region. Both utility customers and shareholders will benefit from these efforts *even if* the utility fails to become *the* cost leader in the industry, because of the substantial barriers to entry.¹⁵

- Recognize that the discipline of *competition*, which all unregulated companies must meet, is the most effective way to encourage efficiency.

- Understand and satisfy the customer.¹⁶ In this information-intensive era, successful electric utilities will be *decentralized, market-oriented, customer-driven* and organized around the *flow of market information*.¹⁷

- Embrace new and changing technology to improve electric utility operating performance. Technology can be a critically important competitive tool, whether it is mundane or cutting-edge.

- Strive for *quality*. Total Quality Management (TQM) has become an oft-cited buzzword that nevertheless is not always well understood or properly applied. Yet, the principles of TQM—a focus on *customer satisfaction, participatory management* and *continuous improvement*—embody the core affirmative components of an involved, committed and successful work environment. In terms of cost control, TQM requires an ardent commitment to maximizing the "product cost to product value relationship."¹⁸

• US electric utilities are *reengineering* their operations by redesigning workflow, systems and procedures. Utilities have begun to *outsource* by contracting out services that traditionally were provided in-house. As a result, the competitive *benchmark* is rising.

On an individual basis, each of these internal responses is relatively modest and incremental. These responses are not nearly as dramatic, for example, as that of a major restructuring. If actively pursued, however, they can measurably increase a utility's efficiency.

From a regulatory standpoint, these efforts make the regulators' job easier by reducing the need for rate increases. In addition, regulatory approval is typically not required prior to implementing these measures.

B Corporate Restructuring

Restructuring is a potential strategic response to the global and industry-wide forces that are reshaping the electric utility business environment. During the last few years, restructuring has been at the forefront of many foreign countries' efforts to privatize and restructure their electric utility systems. Through restructuring, a utility could develop an organizational framework that is both flexible and low cost. If that occurs, the demands of both investors and consumers would be met.

Restructuring can require dramatic change. England, for example, has restructured its electric utility system along competitive

lines. The catalyst of England's privatization was the desire to end an era of stagnation.¹⁹ To foster economic growth, the highest levels of England's government supported privatization. To stimulate a more efficient electricity system, England chose to restructure the non-nuclear portions of its utility system in a way that actively promoted competition.²⁰ It separated its electric utility system into three generating companies, 12 distribution companies,

The US has not greatly changed its electric utility structure since it dismembered the far-flung holding companies

and a transmission company (held by the 12 distributors).

The US electricity industry, a *mélange* of generally larger investor-owned and smaller consumer-owned utilities, augmented of late by a large and growing non-utility generator industry, has not greatly changed its electric utility structure since it dismembered the far-flung public utility holding companies.²¹ The Public Utility Holding Company Act of 1935 (PUHCA) is predicated on the notion that the electric utility business is a "natural" monopoly. Consequently, PUHCA prescribes

a system of local, vertically integrated utilities.²²

In the US, some utilities have taken modest steps to restructure to improve their competitive position. Because these steps represent a fundamental change in the way that utilities conduct business, regulatory approval for such steps is required in most states. Examples include

• *Mergers and acquisitions* An obvious way to contain costs and gain competitive advantage is through a merger or acquisition. Successful mergers typically resolve some major immediate problem a utility faces and/or achieve economies of scale.²³ Other merger proposals aim at gaining strategic advantage.²⁴

• *Diversification* Many electric utilities have restructured by either (1) forming a parent holding company above the utility and non-utility subsidiaries, or (2) forming a non-utility subsidiary under the electric utility that can invest in non-utility ventures. In recent years, the dominant trend has been to diversify within the energy field, by forming subsidiaries to invest in energy-related projects, such as NUGs, outside the utility's service territory.

• *Devolution* Unbundling a utility into distinct generation, transmission and distribution business units could have strategic benefits. In the US, regulators have rejected the most familiar devolution proposals.²⁵ In the US, only incremental asset repositioning efforts, such as placing Pacific Gas & Electric's Diablo Canyon Nuclear Station into a competi-

/performance-based status investment, have been successfully completed²⁶

Change has been fundamental in the US in recent years. Utilities and regulators should continue to explore creative and thoughtful restructuring proposals. Other aspects of utility regulation, such as the exploration of incentive regulation, should, however, be at the forefront of the regulatory agenda.

Encourage Further Competitive Responses

There is a clear difference between the paths that England and the US have taken in response to competition. The catalyst of England's dramatic change was crisis: inefficient, state-owned industries that had fostered inefficiency through high costs. England responded to this crisis by restructuring and privatizing in a way that actively promotes competition. It also developed a regulatory regime that applies price-cap regulation rather than modified cost-plus regulation. In the UK, states have an affirmative duty to promote competition where possible. In contrast, most electric utilities in the US have not faced a competitive situation since the break-up of utility holding companies. CA did not promote competition rather the notion that electric utilities were "natural" monopolies that must be subject to tight modified cost-plus regulation. Since US regulation generally does not recognize promoting competition as an impor-

tant goal, change has been gradual. The US continues to rely upon modified cost-plus regulation, largely because of the barriers presented by the process of state utility regulation.

But the absence of crisis—usually something to be thankful for—should not be viewed as an opportunity for the US to "rest on its laurels." Regulators should consider changing the method of regulating a utility's rates to promote additional competitive re-

The absence of crisis—usually something to be thankful for—should not be viewed as an opportunity for the US to rest on its laurels.

sponses. While modified cost-plus regulation provides some limited incentives for the utility to boost efficiency—such as regulatory lag and the risk of after-the-fact prudence disallowance—an alternative regulatory paradigm could provide stronger incentives. US utility regulators should begin to implement broad-based systematic incentive mechanisms, such as price-cap regulation, to encourage utilities to aggressively control costs.

III Current Regulatory Frameworks Have Major Deficiencies

A Limitations of Modified Cost-Plus Regulation

In a competitive marketplace, it is difficult to justify any cost-plus passthrough mechanism that both shifts risks to consumers and provides weak incentives for efficient utility actions. In dealing with this asymmetry, regulators can either reduce the utility's risks or increase the utility's profit opportunities.

Modified cost-plus regulation has two major limitations. *First*, utilities have better information than regulators about the marketplace and how to achieve least-cost efficiency. *Second*, the goals and preferences of utilities that possess market power would likely deviate from those of society at large.

Because of the regulators' limited access to good information, it is both difficult and costly for regulators to assess the performance of a utility's management. Although regulatory lag and after-the-fact prudence reviews provide utilities with incentives to be efficient, those incentives are weak compared to those confronting firms in unregulated competitive markets.

To assess management performance, regulators rely upon backward-looking tools such as after-the-fact prudence reviews and management audits. The performance statistics available to regulators, such as fuel costs or expenditures on demand-side

management activities, may provide little information about the actual performance of utility management. Because the regulatory tools are retrospective, regulators may be unable to craft an effective remedy to insulate consumers from excessive costs associated with poor management practices.

The primary goal of utility management is to serve the interests of shareholders. This goal may not always be consistent with maximizing consumer welfare. To better align the goals of shareholders and consumers, explicit incentive systems are needed in order to effectively encourage the utility to exploit its detailed (internal) knowledge of its operations in a way that is compatible with broader social objectives.

Because of the shortcomings of modified cost-plus regulation in the current competitive environment, regulators should reassess their current rate-making procedures to achieve a more balanced risk-reward relationship for electric utilities. Traditional modified cost-plus utility regulation has an asymmetric reward structure compared to unregulated markets. Utilities have sustained large losses for poor management actions and unanticipated outcomes, while enjoying little added benefit from exceptionally good performance.²⁷

From the standpoint of maximizing benefits to electricity consumers, reducing risks to the utility (by shifting more risks to consumers) would be incompatible with the competitive environment now confronting the electric

services industry. As competition increases, the dynamics of market forces will expose the utility to greater risks. From a public-interest perspective, it can be argued that utilities should control and manage these risks in a manner that imposes minimal harm upon consumers. Holding utilities accountable for their actions provides the proper incentive to managers to achieve this objective.

If consumers bear the risk of management mistakes, then utili-

In maximizing the social benefits of increased competition, it can be argued that reducing risks to the utility would be counterproductive.

ties could become indifferent to risk management. In competitive and unregulated markets, firms suffer the most harm from poor performance because the market protects consumers from the effects of poor management practices. Largely for this reason, firms have a strong incentive to be efficient and to operate their businesses in a manner consistent with the interests of consumers. In maximizing the social benefits of increased competition, it can therefore be argued that reducing risks to the utility would be coun-

terproductive. Ultimately, efforts to shift risks to consumers are likely to be futile. Electricity consumers would seek to avoid paying for risks by searching out other suppliers. Competition ultimately forces shareholders and managers to bear most of the risks associated with a firm's operations and investments.

B Limitations of Partial Incentive Mechanisms

Most of the current incentive systems for electric utilities are "partial" mechanisms. A partial mechanism may distort a utility's incentives by focusing its efforts on improving its performance in the targeted area, which may not be compatible with minimizing the utility's total cost of service. For example, a utility might "game" a power plant productivity incentive by inflating its fuel costs to improve the heat rate or the availability of base-load generating facilities. In addition, partial incentive mechanisms may bias the utility to focus on gaining short-term efficiencies while ignoring the long term. Therefore, partial incentive mechanisms may not provide benefits to consumers. Experience with partial incentive mechanisms in the electric services industry shows that continual regulatory oversight is required. The little empirical evidence on the overall effects of supply-side incentives shows mixed results.²⁸⁾

Some analysts would argue that partial incentive plans are most appropriate when a utility has broad monopoly power and

needs additional incentives to improve a particular aspect of its operations. Up to now, few if any partial incentive plans have been instituted to either accommodate or respond to increased competitive forces in the electric services industry.

V The 3P Plan: Aligning Utility and Regulatory Responses to Competition

The 3P plan, which includes comprehensive incentive mechanisms, is well suited to the current mixed competitive and regulated environment. The three components of the 3P plan provide a regulatory framework that is consistent with the realities of competition while protecting the interests of core customers that lack viable alternatives.

The 3P plan has three components: the Price-Cap Component, the Profit-Sharing Component, and the Pricing Flexibility Component (see the Inset on page 35 for formal description and illustration of the 3P plan).²⁹ The plan should have a duration of at least five years, with a brief annual proceeding to implement any applicable rate changes. In addition, the plan includes a detailed review at the end of the third or fourth year to investigate the performance of the 3P plan and to identify potential changes.

A 1P—Price-Cap Component

The price-cap component of the 3P plan is the sum of three factors: (1) a broad-based US *price index*, (2) a *productivity offset*, and (3) a *passthrough factor*. Under the price-

cap model, the principles of traditional modified cost-plus regulation could establish the appropriate level of rates at the time the plan is implemented. Subsequent annual adjustments to rates would typically be based on changes in inflation, productivity and other factors outside the control of the utility. The appropriate productivity offset would be determined during the initial implementation proceeding. A passthrough factor would be included to protect the utility from cost increases brought on by con-



ditions beyond its control and that affect only the utility or the electric services industry.

Most current price-cap plans apply an economy-wide index such as the consumer price index (CPI) or the GNP Implicit Price Deflator.³⁰ A case can be made, however, for using a narrower index such as an average cost index for a selected group of regional electric utilities.³¹ This index would explicitly account for actual inflationary (or deflationary) conditions and productivity changes for a group of regional utilities.³²

The productivity offset can reflect a number of considerations:

- The productivity offset could measure the long-term total factor productivity trend of the electric services industry or an individual utility,

- If an economy-wide index is used, the productivity offset could reflect the difference between the long-term total factor productivity trends of the electric services industry and the economy as a whole,

- As another alternative, the British government initially established a productivity offset based on expected profits for the newly formed privatized utilities. The objective of the productivity offset was to allow utilities to earn sufficient revenues to attract investors;³³

- The productivity offset could be designed to protect consumers.³⁴ For example, it could be set at a value that would cause expected price increases to be less than what they would be under, say, modified cost-plus regulation,

- A sales growth offset could be used to share the benefits of increased kWh sales with consumers,

- Finally, regulators could apply a "stretch factor" or consumer "dividend" to the productivity offset to minimize risks to consumers and to place more pressure on a utility to improve its cost efficiency.³⁵

Passthrough costs are those uncontrollable or exogenous cost changes that are unique to a utility or the electric services indus-

try It can be argued that costs affecting other industries, such as general tax increases and new broad-based government regulations (for example, higher health-care costs), would be reflected in an economy-wide price index. Passthrough costs should be kept

to a minimum, the utility would otherwise have less incentive to control its costs. Current passthrough mechanisms such as fuel adjustment clauses (FACs) and regulatory plans that decouple revenues from kWh sales should be seriously reevaluated

in view of the increasingly competitive electric services industry³⁶

B 2P—Profit-Sharing Component

Like a postscript at the end of a letter, the profit-sharing component should be precise, simple

Inset. Illustration of 3P Plan

Price-Cap Component (Primary)

$$P = (PI - X) + Z$$

where

P = annual maximum price change in percentage terms; the same price-change ceiling would apply to all customers,

PI = actual Price Index (PI) for the latest reporting period,

X = productivity offset, and

Z = passthrough costs (as a percentage of total costs), defined up front, narrow in scope and limited to those unique to the electric services industry or the subject utility; passthrough of these costs would be determined at the annual review.

Assume that PI, defined as the Consumer Price Index, increases by 3 percent, assume also that the productivity offset, X, is set at 1 percent, and finally, assume that the passthrough costs, Z, represent 0.5 percent of the utility's costs. Under the price-cap component, the allowable price increase would be 2.5 percent (3 - 1 + 0.5). The utility may not be able to increase its rates to customers that have viable options by the full 2.5 percent. Under the pricing flexibility component, no customer would face a rate increase of more than 2.5 percent and the utility could charge a price below the price ceiling to any customer. Shareholders would bear any "revenue deficits" from offering special rates.

Profit-Sharing Component (Secondary)

$$\gamma = \gamma_e - g(\gamma_e - \gamma_a)$$

where

γ = actual rate of return on equity at the new prices

γ_e = earned rate of return on equity at the prevailing prices,

γ_a = rate of return on equity at the boundary of the "neutral zone" region (determined at the last formal rate review), and

g = sharing parameter (equal to the share of the difference between the earned rate of return and the boundary rate of return that is re-

flected in rates), g = 0 when the value of γ_e lies within the "neutral zone" region.

Assume that a 10 to 14 percent earned return on equity falls within the "neutral zone" region ($\gamma_a = [10\% - 14\%]$), the midpoint, 12%, represents the utility's allowed cost of equity capital. Assume also that the sharing parameter, g, equals 0.5. During the past year, the utility earned a 16 percent rate of return on equity (γ_e). Under the profit sharing component, the utility would lower its rates to "give back" to consumers one-half (0.5 x 2) of the 2% that it initially earned beyond the upper boundary of the "neutral zone" region (14%). After the "give back" — for example, an annual rebate check — the utility's actual earned return on equity (γ) would be 15 percent (14% + 5(16 - 14)).

Pricing-Flexibility Component

$$P_c' = [P_a' - MC']$$

where

P_c' = actual price for electric service,

P_a' = 8 cents/kWh allowed price ceiling for electric service, and

MC' = 4 cent/kWh marginal cost of electric service.

Under the 3P Plan, the utility could charge any price in the range of [P_a' , MC'] without case by case approval from its state regulatory authority. Assume, for example, that the maximum price allowed under the price-cap formula is 8 cents/kWh (modified by any price adjustment under the profit sharing component) and the marginal cost of the service is 4 cents/kWh. Under the Plan, the utility could vary its price within the range of 4 to 8 cents/kWh.

In the case where competitive conditions prevail for a particular service, the utility may have to offer a price close to its marginal cost. Irrespective of the profit margin earned by the utility for the service (subject to the limits of the profit sharing component), the utility could not increase prices for its other services. The utility, for example, would not be able to petition its state regulatory authority to increase prices for other services if the profit margin earned for competitive services falls below a "fair" return.

d supplemental Its main purpose is to act as a "safety net" by reducing the chances of a utility earning extremely high or low profits. The profit-sharing adjustment would be made at the annual review.

Since profit-sharing plans have important limitations, a profit-sharing component could be merely a "back-stop" to a price-cap component of the 3P plan. Weisman, for example, notes that "the general welfare superiority of price-cap regulation breaks down under profit-sharing."³⁷ In order to avoid "gaming" the profit-sharing component, a secondary component should be relatively simple, with a broad "neutral zone" band (that is, a range of actual rates of return that a utility could permanently retain for its shareholders), and an equitable sharing arrangement beyond the neutral zone. Setting a broad "neutral zone" region has the objective of avoiding an annual rate adjustment (excluding price-cap adjustment) unless a utility experiences other than "normal" or "reasonable" deviations in its earned rate of return. Technically, the profit-sharing adjustment could occur by adjusting the latest rates (subject to the price-cap component) to reflect the required revenue changes compatible with the profit-sharing component.³⁸ The profit-sharing mechanism is symmetrical because the utility could not increase rates as long as the earned rate of return does not fall, for example, more than 200 basis points below the allowed rate of return.

Although no simple decision rule can be applied to determine the single "best" value of the sharing parameter, equity and other regulatory objectives, such as the continuity of the rate plan, should ultimately influence its proper value. Regulatory sharing arrangements typically have a sharing parameter that allocates 50-80 percent to consumers. Of course, allocating most of the benefits and risks to consumers also increases consumer risks from poor utility performance.



C 3P—Pricing Flexibility Component

The current "command-and-control" method of regulating the design of a utility's rates and tariffs is overly rigid and inflexible. The pricing flexibility component of the 3P plan would provide a new, more flexible framework for regulating a utility's rate design, consistent with the current market environment.

Rate design regulation, as traditionally practiced in the U.S., is static rather than dynamic. For example, the detailed cost-of-service

study, which provides the basis for a comprehensive redesign of all or most of the utility's rates, relies upon many assumptions. Despite the uncertainty inherent to any cost-of-service study, the end result is a single set of utility rates that stays in effect until the next rate redesign case is completed—usually a number of years.

In recent years, of course, a parade of requests for "special rate contracts" has chipped away the static facade of rate design regulation.³⁹ These special rates have a variety of names, including economic development rates, cogeneration bypass avoidance rates or incremental energy rates. Special rates present challenges to regulators. For example, customers who would not have reduced their load in the absence of a discounted rate (e.g., "free riders") may gain reduced rates by "gaming" the regulatory approval process. It is difficult for regulators to determine if the customer really would leave the grid absent the special rate. Regulators are compelled to modify rate design on a case-by-case basis for particular customers.

Real-time pricing will eventually become widely available.⁴⁰ The strength that real-time pricing enjoys is its dynamism, namely, its ability to signal prices based on very short-term (daily or hourly) forecasts of marginal cost. Real-time pricing would be much less rigid than the current methods of designing rates. Currently, while breakthroughs in computer and metering technologies are making real-time pricing increasingly vi-

able, it is not yet feasible for most utility customers. In addition, the challenge of gaining customer acceptance assures that real-time pricing will only gradually become widely available.

The pricing flexibility component of the 3P plan could provide a flexible rate design framework, and therefore could be a valuable transition mechanism until real-time pricing becomes widely available. Under the 3P plan, a utility gains increased pricing flexibility because the rates that the utility could charge to any customer become *maximum* prices or "caps."⁴¹ Marginal-cost price floors are needed to minimize the possibility that the utility will drive out actual or prospective competitors by pricing below cost.⁴² Under the pricing flexibility component, a comprehensive rate redesign or rebalancing would occur, if needed, at the beginning of the plan. The utility could charge rates below the cap

to any customer at any time without formal regulatory consent.

For both economic and political reasons, placing the utility in a position where it would have to cut costs to make up for these deficits should be an essential component of any alternative regulatory paradigm. This proposal is compatible with the workings of a competitive market. If the utility cannot recover these costs from other customers, cost cutting would represent the only option available to the utility to recover its fixed costs and reestablish prior profit levels. Ultimately, both core and non-core customers would pay lower prices for utility services. Revenue deficits resulting from competitive conditions would typically be borne by shareholders.⁴³

D The 3P Plan Works with Competition

In a competitive environment, it is important that utilities have the

opportunity to profit from risk-taking activities and have flexibility for pricing and other activities. The 3P plan can better enable utilities to offer new services, retain existing customers, achieve higher earnings and compete with other market participants. From the regulator's perspective, the 3P plan can encourage greater efficiencies in the electric services industry, translating into improved financial performance for the utility and economic gains for consumers. These outcomes are consistent with the public interest.

Increased competition in the electric services industry will ultimately result in the electric industry being more affected by market forces and less by regulation. Regulators, as some have already discovered, will face increased pressures to allow utilities more pricing flexibility and opportunities to earn higher profits. Pricing flexibility will allow a utility to compete equally with other suppliers and to prevent what is commonly called "uneconomic bypass."⁴⁴ If utilities have the opportunity to earn supernormal profits that are consistent with actual or perceived risks, utilities would have an incentive to undertake risky, but promising, welfare-enhancing activities.

The 3P plan properly aligns the interests of shareholders and consumers. The plan gives the utility a strong incentive to seek to become the low-cost producer in its region. Both shareholders and consumers would gain from the utility's increased efficiency.



The 3P plan can work, I tell you!

7 Conclusion

Changing a regulatory paradigm is never an easy task. It requires hard work and commitment to accomplish. Regulators need to set goals, priorities and deadlines, and they should not try to do too much at once. A precondition for reform is that regulators should not be afraid to experiment with the *process* of change in striving for the opportunity to achieve better outcomes.

If the process of utility regulation is not fully meeting the needs of consumers, and a better alternative is available, then the process should be changed. To address the need for change in the process, regulators should

- (1) Explore the forces that call for change,
- (2) Objectively determine whether the limitations of modified cost-plus regulation require a new approach,
- (3) Determine whether a broad-based incentive plan can better accommodate the new competitive environment,
- (4) Confront the philosophical and institutional barriers to developing a new regulatory paradigm, and
- (5) Seek a regulatory paradigm that best meets the needs of consumers.

To improve the regulatory process, regulators should seek to

- **Understand and satisfy the customer.** If the customer wants predictable and stable rates, an efficient utility, and reliable and high quality service, determine whether a new regulatory para-

digam can best meet the customers' requirements

- **Reengineer.** Consider whether regulators can secure dramatic gains for consumers by improving the utility's efficiency incentives. Reevaluate both the substance and the process of utility regulation to gain the benefits that an alternative regulatory paradigm could provide.

- **Make continuous improvement.** Once the giant steps have been taken through reengineering, focus on the many small steps that can be taken to improve the process of regulation.



- **Be market-oriented.** Focus on competitive approaches, since that is the best way to encourage utility efficiency. Incentive regulation is merely a "transitional step" on the way to true competition.⁴⁵

- **Strive for quality.** Use the tools of TQM to improve the performance of utility regulation.

The method of regulating a utility's rates should undergo fundamental change to promote further internal responses to competition. Regulators must prepare to answer the question, "Is incentive regulation for real?" If improved efficiency is the end result of

change, then incentive regulation can benefit society. If that occurs, then an alternative regulatory paradigm *can* foster economic progress by improving the utility's ability to provide cost-effective, high-quality and reliable service to all of their customers. The 3P plan is a classic example of a "win-win" scenario. ■

Endnotes

1 JAMES C. BONBRIGHT, PUBLIC UTILITIES AND THE NATIONAL POWER POLICIES 7-8 (Columbia U. Press 1940; reprint ed. New York: Da Capo Press, 1972). While Bonbright acknowledged the views of Philip Cabot and others in this quotation, he supported the natural monopoly justification for regulation.

2 Christopher Farrell and Zachary Schiller, *Stuck! How Companies Cope When They Can't Raise Prices*, BUSINESS WEEK, Nov. 15, 1993, at 147-55.

3 The high quality of life of modern day society is not possible without a vital, least-cost and reliable electric utility system. For example, telecommunications and other information age technologies—the keys to the development of a 21st century economy—depend on availability of a high-quality and reliable supply of electricity. If electricity were unavailable, basic indispensable resources such as potable water would be more scarce and costly. The ubiquity of electricity in America makes it difficult to clearly appreciate its importance to every-day life.

4 Energy services industry refers to utilities, energy service companies, power-marketing agencies, non-utility generators, self-generators, and any other participants in this industry. This term was coined by Jeffrey D. Sovich, William Meyer and Virginia A. Coe in their report entitled CALIFORNIA'S ELECTRIC SERVICES INDUSTRY: PERSPECTIVES ON THE PAST, STRATEGIES FOR THE FUTURE I (Calif. Pub. Util. Comm'n.

Division of Strategic Planning Feb 3, 1993)

5 Retail wheeling allows consumers to select their generator of electricity. Retail wheeling is currently allowed in Chile, England, New Zealand and Norway.

6 The states will have the ability to determine who goes through the 'door' that EPA has opened because of provisions that give the states authority over rate-based plants spun off as exempt wholesale generators (EWGs), power sales involving affiliated EWGs, and foreign investments by public utilities not part of a registered holding company. See KENNETH W COSTELLO ET AL. A SYNOPSIS OF THE ENERGY POLICY ACT OF 1992. NEW TASKS FOR STATE PUBLIC UTILITY COMMISSIONS (Nat'l Reg. Res. Inst. June 1993).

7 The New York Mercantile Exchange (NYMEX) plans to initiate trading in a standard electricity futures contract.

8 This reflects the reality that the US has already been operating at favorable levels relative to some other countries. In the authors' opinion the strengths of the US electric power industry include (1) its transparent regulation, (2) the high degree of coordination among utilities, (3) its access to fully developed capital markets and (4) the considerable pressure placed on utility management to avoid conspicuously bad actions. The major weaknesses as seen by the authors include (1) rigid, tightly controlled regulation, (2) high regulatory-induced rent-seeking/administrative costs, (3) the existence of too many small utilities, and (4) the dominance of monopolistic and vertically integrated utilities.

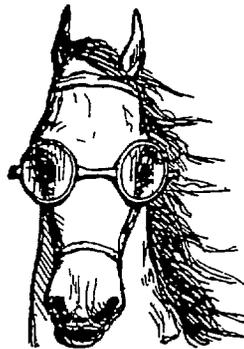
9 PHILIP R O CONNOR WAYNE P OLSON AND JAY TAPARIA. GLOBAL CHALLENGES IN ENERGY AND THE ENVIRONMENT 26-27 (Palmer Bellevue Corp. Chicago, Oct 1992).

10 For a useful review of utility responses, see Roger W Gale, *How Utilities Are Responding to the New Realities*, in *ELECTRIC UTILITIES MOVING INTO THE 21ST CENTURY 18 VIEWS OF THE ELEPHANT*

205 33 (eds Gregory B Enholm and J Robert Malko, PUR, 1994).

11 A framework for analyzing these issues can be found in Gregory A Wagener, *Valuing Electric Utilities in a Competitive Environment*, in *ELECTRIC UTILITIES MOVING INTO THE 21ST CENTURY 18 VIEWS OF THE ELEPHANT 291-302* (eds Gregory B Enholm and J Robert Malko, PUR, 1994).

12 Despite the absence of retail wheeling, retail competition has become increasingly prevalent, especially with respect to those customers, primarily industrial, that have viable options to substitute for electricity. Many industrial customers have options to the extent that they can switch fuels, peak-shave or self-generate. Special rate contracts have become widely



used to keep these industrial customers on the electric grid. It is important to recognize, moreover, that for certain end uses, even residential customers have viable options. Residential customers, for example, can choose between an electric blanket and a warm quilt, or between electric, gas, or oil for their water and/or space heating needs. Thus, even without retail wheeling, many electric utilities face significant competition for particular customers or particular end-use services.

13 See MICHAEL E PORTER. *COMPETITIVE STRATEGY TECHNIQUES FOR ANALYZING INDUSTRIES AND COMPANIES* 35-38 (New York: The Free Press, 1980) and MICHAEL E PORTER. *COMPETITIVE ADVANTAGE. CREATING AND SUSTAINING SUPERIOR PERFORMANCE* 12 (New York: The Free Press, 1985).

14 Farrell and Schiller, *supra* note 2, at 154-55.

15 Porter, *supra* note 13, at 13.

16 Philip R O Connor and Marc Valen, *Information: The Core of the Realm in a Competitive Electric Market*, *ELEC J*, Feb 1994 at 16-24.

17 Drucker notes that, "[T]he biggest implication is that the economy is changing structure. From being organized around the flow of things and the flow of money, it is becoming organized around the flow of information." Peter F Drucker, *The Economy's Power Shift*, *THE WALL STREET JOURNAL*, Sept 24, 1992 at A16.

18 See Seetaram Motupalli, *Retooling to Enhance Competitive Capability*, *ELEC J* December 1991 at 59.

19 See Larry E Ruff, *Electricity Restructuring in Two Nations: Different Paths to a Competitive Future*, *PUB UTIL FORT* June 22 1989 at 13-19.

20 In England, utility regulators' primary statutory duties are to (1) assure that ratepayers' demand for electricity is satisfied, (2) assure that the utilities' ability to attract capital is maintained and (3) promote competition in the industry. See M E Beesley and S C Littlechild, *The Regulation of Privatized Monopolies in the United Kingdom* *RAND J ECON* Autumn 1989, at 454-55.

21 See CHARLES F PHILLIPS JR. *THE REGULATION OF PUBLIC UTILITIES* 228-30 (2nd ed. Arlington, Va., PUR, 1988).

22 See Phillips, *id.* at 580-58.

23 For example, contrast Entergy Corp.'s acquisition of Gulf States with the various Iowa electric utility mergers.

24 Examples include (1) PacifiCorp's acquisition of Utah Power & Light gained it increased control over the flow of electricity in the West, (2) the merger of Cincinnati Gas & Electric Company and PSI Resources, Inc. into CINergy Corp. would increase PSI's ability to sell its excess capacity in the power markets of the East, and (3)

Central & South West Corp's potential acquisition of El Paso Electric Co would grant it direct access to the rapidly growing Maquilladora power market on both sides of the Mexican border

25 For a discussion of the Public Service Co. of New Mexico and Commonwealth Edison Co. restructuring proposals, see Philip R. O'Connor and Wayne P. Olson, *PUHCA Reform: Maintaining State Prerogatives*. REGULATORY RESPONSES TO CONTINUOUSLY CHANGING INDUSTRY STRUCTURES. PROCEEDINGS OF THE INSTITUTE OF PUBLIC UTILITIES TWENTY-THIRD ANNUAL CONFERENCE 85-86 (Michigan State U., 1993)

26 See JOHN H. LANDON, INCENTIVE REGULATION IN THE ELECTRIC UTILITY INDUSTRY 26-27 (White Plains, NY: National Economic Research Associates, 1993)

27 Regulatory lag does provide some positive incentives to a utility: the longer the regulatory lag, the larger the utility's share of the total economic gains from improved productivity or successful innovations. Consequently, regulatory lag can block the flow of a portion of these benefits to consumers.

28 Note the contrasting results contained in Sanford Berg and Jim Cook (ed.), *An Evaluation of Incentive Regulation for Electric Utilities* 3 J REG CON at 45-55 (1991) and ROBERT J. TRANIERE, DANIEL J. DUANN and YOUSSEF BEGAZY, THE EFFECTS OF FUEL RELATED INCENTIVES ON THE COSTS OF ELECTRIC UTILITIES (Nat'l Reg. Res. Inst. 1993)

29 Maine Public Utilities Commission adopted a similar framework for Central Maine Power Co., which it calls its Rate Stability Plan, in its Order in Docket No. 92-345 (Dec. 14, 1993). The Commission's order left a number of implementation issues to be negotiated by the parties and/or determined by the Commission. A decision is expected in the implementation phase of that case by mid-1994.

30 See John E. Kwoka, Jr., *Implementing Price Caps in Telecommunications* J

POL. ANAL. & MCT vol. 13, no. 4 at 726-52 (1993)

31 See Mark Newton Lowry, *The Case for Indexed Price Caps for U.S. Electric Utilities*, IITC J. Oct. 1991 at 30-37

32 This approach has some theoretical appeal since it has the advantage of replicating competitive markets where a firm is able to earn above-normal profits if it outperforms other firms in the same industry. How the index should be precisely defined and calculated, however, would be subject to debate. Further, a regional industry cost index may reflect the efficiency of a group of utilities that face weak incentives.

33 Beesley and Littlechild, *supra* note 20 at 457



34 *Central Maine Power Company Proposed Increase in Rates*, Dec. 14, 1993, Docket No. 92-345 at 137

35 Ronald R. Braeutigam and John C. Panzera, *Effects of the Change from Rate of Return to Price Cap Regulation*, AM. ECON. REV. PAPERS AND PROCEEDINGS, May 1993 at 194-95

36 A good critique of fuel adjustment clauses can be found in Robert J. Michaels, *Fuel Cost Adjustments: An Idea Whose Time Has Gone*, ELFC J. Feb. 1994 at 78-85

37 Dennis L. Weisman, *Superior Regulatory Regimes in Theory and Practice* J. REC. ECON., Dec. 1993 at 364

38 In the case of a utility returning surplus profits, as one option it may distribute an annual check to consum-

ers that reflects a consumer productivity dividend. See for example David E.M. Sappington and Dennis L. Weisman, *Designing Superior Incentive Regulation*, FORTNIGHTLY, March 1, 1994, at 27

39 See EDWIN A. ROSENBERG ET AL., CONTRACT PRICING OF ELECTRIC AND TELEPHONE SERVICE: CURRENT PRACTICE AND POLICY (Nat'l Reg. Res. Inst., 1992), and CSA ENERGY CONSULTANTS INC., SURVEY OF INNOVATIVE RATES 1991 (Palo Alto, Elec. Power Res. Inst., 1992)

40 Juliet C. Mak and Bruce Chapman, *A Survey of Current Real Time Pricing Programs*, ELEC. J. Aug./Sept. 1993 at 54-65

41 From an environmental standpoint, some might argue that the utility's ability to selectively lower prices could inappropriately induce additional kWh usage.

42 This pricing practice, commonly called predatory pricing, is highly unlikely given its irrationality under most circumstances. A regulated utility, especially one subject to modified cost-plus regulation, however, would have an incentive to shift its costs toward its captive customers and services. Since the 3P plan breaks the linkage between a utility's prices and its actual or reported costs, cost shifting would have little or no effect on the utility's profits.

43 This treatment of revenue deficits is consistent with the price cap model contained in Dasovich, *supra* note 4, at 178.

44 Uneconomic bypass occurs when a customer leaves the local utility for a substitutable service provided at a lower price but at a higher economic cost. It is widely viewed as something to avoid. It can result in costly duplication of capital facilities and potentially higher prices for core customers. Most economists would argue that allowing the utility sufficient pricing flexibility would largely eliminate the possibility of uneconomic bypass.

45 Terrence L. Barnich, *The Challenge for Incentive Regulation*, PUB. UTIL. FORTNIGHTLY, June 15, 1992 at 15

**THE ROLE OF THE REGULATOR IN THE PROCESS OF
PRIVATIZATION OF THE REGIONAL ELECTRICITY
COMPANIES IN KAZAKHSTAN**

**NIS Institutional Based Services Under the Energy
Efficiency and Market Reform Project
Contract No CCCN-Q-00-93-00192-00**

**Kazakhstan Electricity
Delivery Order No 05**

Prepared for

U S Agency for International Development
Bureau for Europe and NIS
Office of Environment, Energy and Urban Development
Energy and Infrastructure Division

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September 1998

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Attachment 11:

Testimony Regarding Rate of Return:

Direct, Rebuttal and Surrebuttal Testimony
by John C. Dunn, witness for the regulated
entity; filed in Missouri Public Service
Commission Case No. ER-97-394
(Rate Case of Utilicorp United, Inc , an
electric entity).

JCS

F 84

Exhibit No	
Issue	Capital Structure
	ROE
Witness	John C Dunn
Sponsoring Party	Missouri Public Service
Case No	

Before the Public Service Commission
of the State of Missouri

Direct Testimony

of

John C Dunn

**BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
 PREPARED DIRECT TESTIMONY
 OF
 JOHN C. DUNN
 ON BEHALF OF
 MISSOURI PUBLIC SERVICE
 DIVISION OF UTILICORP UNITED INC.
 INDEX TO TESTIMONY**

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**BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
PREPARED DIRECT TESTIMONY
OF
JOHN C. DUNN
ON BEHALF OF
MISSOURI PUBLIC SERVICE
DIVISION OF UTILICORP UNITED INC.**

1 Q Please state your name and business address

2 A My name is John C Dunn My business address is 8826 Santa Fe Drive, Suite 304,
3 Overland Park, Kansas 66212

4

5 Q What is your occupation?

6 A I am an economist and partner in the firm of John C Dunn and Company I am an
7 economic consultant specializing in the general area of public utility economics and
8 corporate finance with special emphasis on the analysis of money cost and rate o
9 return

10

11 Q Have you prepared a statement of your qualifications and background?

12 A Yes, I have It is attached to my prepared testimony as Schedule JCD-11

13

Summary of Testimony

14 Q What is the purpose of your direct testimony in this proceeding?

15 A I have three assignments in this proceeding relating to the rate of return
16 determination for the Missouri Public Service ("MPS" or "Company") operating
17 division of UtiliCorp United Inc ("UtiliCorp") The first assignment is to recommend
18 the appropriate capital structure for the cost of capital calculation. Second, I will
19 describe a study which I have completed to determine the appropriate return c

1 equity for MPS for the test year ended December 31, 1996 Finally, I will combine
2 my recommended return on equity with the capital structure and the cost of debt to
3 develop the rate of return or cost of capital which should be used in calculating the
4 MPS overall revenue requirement

5 Identification of Schedules

6 Q Are you sponsoring any schedules in connection with your testimony?

7 A Yes I am sponsoring Schedules JCD-1 through JCD-11

8

9 Q Were these schedules prepared by you or under your direct supervision?

10 A Yes, they were

11

12 Q Please summarize the results of your rate of return determination.

13 A This case to a significant degree is about the transition from full regulation to
14 competition/regulation The filing is reflective of the fact that the electric utility
15 industry is in transition and that this transition can be uncontrolled, unpredictable,
16 and perhaps detrimental to all interested parties if not undertaken in a somewhat
17 orderly fashion. As a part of its filing, MPS has proposed required regulatory
18 treatments which represent the first step in opening its markets to competitive
19 sourcing of electric generation It has also made proposals with respect to
20 depreciation and transition costs and it is offering a rate design which is appropriate
21 for the competitive provision of electric services

22

23 The rate of return which I have proposed recognizes these changes to a degree and
24 the fact that the transition of the industry from fully regulated, monopoly delivery to

1 substantially deregulated, competitive delivery appears to have adequate momentum
2 to take place with or without regulatory control. At this juncture, it is clear that the
3 industry has been altered irrevocably and a substantial level of change is inevitable
4 and, consequently, the return must reflect this change at least in part.

5
6 With these facts in mind, I have determined that it is appropriate to grant MPS a rate
7 of return of 10.33 percent after taxes. This return is based on the per books capital
8 structure of the Company, its book cost of debt, and a cost of common equity of 12
9 percent. The specific calculation of the rate of return is as follows:

	<u>Ratio</u>	<u>Cost</u>	<u>Weighted Cost</u>	
10				
11				
12				
13	Long-term debt	52.69%	8.39%	4.42%
14	Common equity	<u>47.31</u>	12.50	<u>5.91</u>
15				
16	Total	<u>100.00%</u>		<u>10.33%</u>

17
18 I believe that this rate of return and more specifically, this return on equity
19 recognizes some of the risks associated with the change in the industry but does not
20 move as far as will be eventually necessary to recognize the full risk of a substantial
21 competitive operation. The recommended return assumes that the transition will
22 orderly and anticipates that ultimately the return allowance built into the rates may
23 be increased but at the same time the Company must be given rate flexibility so
24 to better mirror the competitive model. I believe that the limit of 12.5 percent return
25 on equity appropriately recognizes that imminent significant change while maintaining
26 continuity between the regulated past and the partially regulated future.

1 Q Specifically, Mr. Dunn, what is being proposed in this case which makes MPS a more
2 competitive entity resulting in a higher return requirement?

3 A As is discussed in the testimony of other witnesses in this proceeding, MPS is
4 proposing, as anticipated in the enabling legislation, the formation and approval of
5 an Exempt Wholesale Generator ("EWG"). This is the first step in opening MPS's
6 retail customers to competitive or market choice of generating suppliers. This step
7 must be completed first and must be approved by the appropriate regulatory
8 commissions before the market can be actually opened.

9
10 In addition, MPS has proposed rate design changes which will increase available
11 customer information including the data which will be needed by the customer to
12 make appropriate choices. Ultimately, the rate design proposed here would facilitate
13 the selection of alternative suppliers. MPS has also proposed regulatory treatment
14 for the depreciation of certain assets and the amortization of certain transition costs.

15
16
17 In addition to these recommendations, MPS has proposed several less significant
18 adjustments which, in combination, prepare the Company and its customers for a new
19 industry structure.

20
21 Q Will the industry-wide structural changes affect the required return on equity whether
22 or not the changes have been implemented at this point?

23 A Yes. There is an inevitability associated with the structural changes in the electric
24 utility industry. The industry, like the telephone industry and the natural gas industry

1 before it, is moving toward "reregulation" which will augment the current regulatory
2 authority of commissions with the market discipline of competition. While it is not
3 possible to forecast with great detail the exact future of the industry, it is certain that
4 that future will contain a substantial element of competition and that companies will
5 be subjected to more risk in the future than the past. This will require a return
6 which is commensurate with the returns earned by other competitive enterprises
7 including the typical industrials

8
9 It is the expectation which has been created by this inevitability which drives the
10 current return requirement. Whether or not the regulatory environment changes this
11 week, this year, or next year impacts the return only insignificantly. The new
12 return/cost structure has been established based upon the expectation and the current
13 environment of uncertainty. That expectation and environment has increased risk
14 and increased the required return on equity.

15
16 Q Does that mean that the future customers of electric utilities will pay more because
17 the change to competition has increased the cost of equity?

18 A No. Just because the return requirement is increased, there is no assurance that the
19 return will be earned in a competitive environment. More than ever before, the
20 authorized return will be a limit on potential earnings and in this case, even more.
21 The likely realized income will be less as a consequence of the process of deployment
22 of competitive forces in the service area. Further, MPS which has held and even
23 reduced some costs in the past several years will likely continue that effort with even
24 greater enthusiasm in the future. Also, new technologies will emerge and cap

1 intensity will likely decrease impacting the dollar amount of return requirement
2 needed to meet the Company's capital cost requirements. In sum, while percentage
3 return requirements may increase, overall costs will be decreased and the dollar
4 amount of return will also be decreased, yielding decreased charges for customers
5

6 Q Why is the return established in this proceeding a limit on MPS's potential earnings?

7 A There are two reasons. First, when the Missouri Public Service Commission
8 ("Commission") structures a rate which incorporates a return requirement, it considers
9 the level of sales, the structure of costs, and the array of facilities and capital
0 necessary to meet those sales, and it sets rates to exactly collect the forecast cost
1 The Commission uses a proforma or forecast analysis in this effort. The grind of
2 inflation, increases in capital intensity at the distribution level, and the substantial
3 consumption of productive goods by electric utilities tends to increase the operating
4 cost of utilities. This leads in turn to an erosion of the forecasted return. Simply,
5 except for the recent past, utility revenues have not increased as rapidly as costs.
6 These traditional factors will be amplified and increased in intensity by competition,
7 particularly the eroding effect competition will have on planned revenues
8

9 But more important, in this case is an MPS proposal to limit earnings using a return
0 sharing matrix. Other witnesses for MPS have presented and discussed this concept
1 and I have reviewed their testimony as it relates to risk. In brief summary, the
2 concept involves the sharing of benefits and efficiencies created by MPS between the
3 Company's shareholders and its customers. To the extent MPS is successful in
4 reducing costs and increasing returns above the level authorized in this case,

1 customers will benefit by reduced charges produced by the sharing matrix proposed
2 by MPS. That sharing matrix further limits the ability of any specific rate design,
3 management effort or fortuitous event to generate income above the cost of service
4 level authorized by the Commission in this proceeding.

5 Structure of Testimony

6 Q Please describe the structure of your direct testimony.

7 A First, I will discuss some of the economic background of regulation and very briefly
8 the current economic environment. I will then turn to the specific concept which
9 will use in my testimony and in my recommendations to the Commission, i.e., the
10 component cost of capital, the concept of investment risk, my procedure, the
11 Discounted Cash Flow ("DCF") model, the capital structure, and the various
12 calculations. Next, I will turn to the specifics of MPS, its operations, its specific risk
13 its relationship to UtiliCorp, and its capital structure.

14
15 As a part of my discussion on capital structure, I will comment on the use of the
16 consolidated capital structure as an alternative to MPS's per books capital structure.
17 I am doing this because at times in the past the Commission has used a consolidated
18 capital structure, particularly in connection with Southwestern Bell Telephone
19 Company. For the past several years, however, including an MPS case, I believe
20 the Commission has rejected the consolidated approach and used the specific component
21 capital structure. If the Commission's prior decision to reject the consolidated
22 approach in the case of MPS, which I believe to be correct, remains controlling,
23 section of the testimony can be skipped. Part of this section will also deal with some
24 of the advantages of the UtiliCorp capital structure system and the specific I

1 capital structure

2

3 Next, I will turn to the cost of debt and the cost of common equity I will discuss the
4 theory of the discounted cash flow model and my specific DCF analysis I will
5 calculate an electric utility return on equity using the discounted cash flow model
6 I will adjust the industry return on equity to the specifics of MPS I will calculate a
7 cost of debt from MPS's books and then weight these costs with the per books capital
8 structure of the Company to produce my recommended rate of return

9

Economic Background to Regulation

0 Q How does the determination of rate of return fit into the regulatory proceeding?

1 A There are several aspects to Commission regulation as it is currently structured One
2 of the most important is the process of rate review and authorization By historic
3 precedent, the Commission authorizes prices which a utility can charge customers for
4 its services based on the actual costs incurred by the utility in delivering the services.
5 The procedure used by the Commission involves the development of the utility's total
6 cost of service or revenue requirement through the systematic step-by-step
7 accumulation of its component parts Through the process of rate design, this total
8 cost is converted into prices for individual services

9

0 An important component of total cost incurred by MPS to provide electric utility
1 service are payments made to the suppliers of capital These payments include
2 interest on borrowed capital and return for the equity investment. These payments
3 constitute the cost of capital portion of total cost

1 The specific procedure used by the Commission in developing the component costs
2 and the overall revenue requirement can be symbolized as follows

3 Cost of Service Equation

4
5 $RR = E + D + T + R (V - AD + A)$

6
7 Where

8
9 RR = Revenue requirement
10 E = Operating requirement
11 D = Depreciation on plant in rate base
12 T = Taxes including income tax related to return
13 R = Return requirement
14 (V-AD+A) = Rate base

15
16 Where

17 V = Gross plant
18 AD = Accumulated depreciation
19 A = Other rate base items

20

21 This set of relationships shows the revenue requirement as the sum of several
22 elements including the return amount. The return amount is calculated as the rate
23 of return times the rate base. Key in this process is original cost of plant and actual
24 precisely quantified cost of production and rate of return.

25

26 Q Has this process changed in any material respects in the past several years?

27 A The principles underlying the process and the assumptions used in determining the
28 components are changing as a consequence of the changing structure of the utility
29 industry in general and now the electric utility industry in particular. Several years
30 ago, before competition was contemplated as an adjunct to or a supplement to the
31 regulatory process, utilities were considered to be monopolies and lower risk

1 businesses Because of the inelasticity of consumption and the monopoly granted to
2 the utility, the prices authorized in a regulatory order could be changed and collected
3 with a high degree of certainty As a consequence, the revenue forecast in the rate
4 case was usually reasonably close to reality

5
6 Soon electric utilities will no longer be monopoly suppliers of services and soon the
7 electric industry will be substantially transformed into at least a partially competitive
8 industry This change in the marketplace and the economic and institutional
9 structure of the industry, while certainly beneficial to customers, radically changes the
10 validity of the assumptions about the risk of utilities, the predictability of revenue,
11 and the investment and return requirements It also means that while historic data
12 is still useful and necessary in determining a return requirement, it must be modified
13 and changes must be factored into the end result to reflect the effect of the
14 transformation on the risk/return profile and the future return requirement The
15 new "unpredictability" of revenue must also be factored into the analysis

16
17 All other things equal, there is no question that electric utilities are becoming more
18 risky This, combined with expectations created by the changes, requires a
19 substantially higher return requirement for the future than in the past I would
20 hasten to add that although a higher return is necessary, it is highly probable that
21 consumers will enjoy lower total costs even after the higher percentage return and
22 transition and stranded costs are taken into consideration

23
24 Finally, as the transition progresses and to this point there has been significant

1 change, the Commission must relax the limit on return which is currently set at the
2 cost of capital. If the Commission continues to use only cost of capital as the return
3 component, it is certain that the actual market of cost of capital will not be earned.
4 The effect will be reduced access to needed capital, reductions in credit quality with
5 resultant cost increases and, ultimately, an inability of the industry to perform as a
6 vital element in the economy.

7 Component Cost of Capital

8 Q How is the cost of capital calculated?

9 A The process involves a determination of the capital structure or the amount of each
10 type of capital used in financing the Company. Next, the percentage of each type of
11 capital in the capital structure is calculated. Then the cost of each type of capital is
12 established. Finally, the capital ratios are multiplied by the cost of each of the capital
13 components to develop a weighted average cost of capital stated as a percentage.

14

15 The average cost of capital or the rate of return percentage times the rate base is the
16 dollar return amount which is included in the cost of service. The general formula
17 used in the calculation of rate of return is as follows:

18

Rate of Return Equation

19
$$R = DK_D + PK_P + EK_E$$

20

Where

- 21 R = Return requirement
22 D = Debt ratio
23 K_D = Cost of debt
24 P = Preference stock ratio
25 K_P = Cost of preference stock
26 E = Equity ratio
27 K_E = Cost of equity

1 Q Is the capital cost determination important for MPS?

2 A Absolutely. MPS uses substantial facilities to provide service to its customers which
3 for regulatory purposes are depreciated over long time periods. In the terminology
4 of accounting and economics the business is capital intensive. Since these facilities
5 provide service to many different customers and are depreciated for book purposes
6 over many generations of customers and since they are so expensive they can't be
7 paid for in a single year or in most cases even a decade. Therefore, these long-lived
8 facilities must be financed for these extended regulatory lives. The financing involves,
9 among other elements, a combination of debt and equity. The suppliers of debt and
0 equity must in turn be compensated for the use of their capital and also must be
1 repaid as the facilities are consumed, used up or worn out. Since all of the facilities
2 used in providing service must be financed and because the facilities are costly, the
3 amount of capital used by MPS is large and, therefore, the cost of capital is an
4 important element of the rate determination.

5
6 Q Who are the suppliers of MPS's capital?

7 A Ultimately, all of the capital used by MPS is supplied by individuals. The process
8 may involve the accumulation and direct investment of capital by individuals through
9 personal savings or it may be accumulated by institutions such as insurance
0 companies, banks, pension funds, and mutual funds (investment intermediaries) on
1 behalf of individuals. The intermediaries then redistribute the accumulated funds to
2 various investments.

3
4 UtiliCorp performs the primary intermediary function in the accumulation and supply

1 of MPS capital UtiliCorp raises debt and equity from the public financial markets
2 and directly supplies that capital to MPS and other corporate divisions and
3 subsidiaries to finance needed facilities. Directly, in this context, means that
4 UtiliCorp does not add leverage or cost to the capital but passes it straight through
5 to MPS

6

7 Q How is the cost of capital determined?

8 A The cost of capital is an opportunity cost. It is the amount of return or income
9 foregone by the investor selecting or choosing one investment as compared to the
10 next best investment alternative.

11

12 The idea behind the concept is the reality of limited resources. Whenever scarce
13 resources are committed to a specific activity such as replacing wires or extending the
14 MPS system, the same resources cannot be used for some other activity and cannot
15 generate the profits which would have been associated with that other activity. To
16 make the commitment, the activity which ultimately receives (or attracts) the
17 investment must attract it away from the alternatives and, all other things equal, must
18 produce risk-adjusted returns just better than the most similar activity which was also
19 bidding for the funds

20

21 Q You just indicated that the cost of capital by itself is not adequate for a utility now
22 that the transition to a mixed regulated/competitive environment is underway. Why
23 then do you have this emphasis on the cost of capital as the basis for your analysis?

24 A The cost of capital is a starting point and I believe for the regulatory determination,

1 a minimum now that a transition to the competitive market has begun. This is true
2 for at least two reasons. First, the cost of capital is usually determined in the
3 regulatory environment using the discounted cash flow model. The model worked
4 well for utilities during the pure regulatory era but has not been shown to be as
5 useful for nonutility determinations except as a screening device. The utility industry
6 is one industry among many in this country. The utility industry must earn a return
7 which is proportionate to the other industries in order to garner its share of available
8 capital. The utility industry therefore must earn a return which produces
9 proportionate results for the utility companies as the returns actually earned by other
10 industries produce for their companies. This has not happened recently and since
11 utility returns are linked to the DCF it points to a failure of the DCF in the new
12 environment.

13
14 Q Please explain.
15 A During 1996 and the first part of 1997, the Standard and Poor's 500 composite
16 increased 25.4 percent and the Standard and Poor's industrials increased 24.4 percent.
17 During that same period, the Standard and Poor's utility index declined by 3.7
18 percent. The returns of the major Standard and Poor's indexes for 1996 are as
19 follows.

	1996 Return <u>To Investors</u>
20	
21	
22	
23	Composite 21.3%
24	Industrial 21.7
25	Transportation 12.2
26	Utilities (3.7)

1 The performance of the utilities index was not proportionate and, as a consequence,
2 the utility industry as a sector of the economy is not positioned to attract the capital
3 necessary

4

5 Q How does this relate to the cost of capital determination?

6 A In every year some groups of stocks do not produce for shareholders actual cost of
7 capital Persistent inadequacy will mean that a sector cannot attract adequate capital
8 at reasonable prices The utility industry, with earnings based to a substantial degree
9 on DCF analysis, is moving into that position during the transition

10

11 Q Does this mean that the DCF approach is no longer useful?

12 A No, but it is not the complete tool it once was The DCF indication is not the final
13 answer but rather a starting point Further, its application and calculation will
14 require more thoughtful judgment

15

Investment Risk

16 Q How does the investor make the investment decision?

17 A Investors choose individual investments from the wide variety of investment
18 alternatives available These alternatives range from very low risk to very high risk
19 along what is usually called a risk spectrum The risk spectrum can be divided into
20 parts and most investors focus on a segment of the spectrum or a single risk category
21 That is to say it is not typical for investors to invest in radically different instruments
22 such as utility bonds and exotic derivatives at the same time. Investors tend to be
23 risk focused

1 Within a risk category, investors rank alternatives by estimating the risk of each
2 investment and its related return potential. Investors rank these risk/return pairs
3 with the best combination of risk and return available at the top of the list or the
4 most desirable investment. The best investment in this context is the combination of
5 the lowest risk and highest return available within the risk class.

6
7 At any time, there are usually a number of investments which are similar to the "best"
8 investment. However similar, there are always slight differences in both risk and
9 return -- either real or perceived by investors. It is within this group of near
10 alternatives that the opportunity cost for a similar investment will be found.

11
12 To be an attractive investment alternative and to have access to the capital needed
13 to meet customer demands, it is necessary for MPS to have risk/return characteristics
14 which locate its securities among the best choices within the appropriate risk
15 category. Since little can be done to lower or change the risk of MPS, the return,
16 therefore, must be set to match the risk of MPS.

17
18 Q Does the level of risk associated with a particular investment change through time?

19 A Yes, it does. There may be changes in the level of risk associated with a long-term
20 debt security such as a bond and these changes are usually signified by changes in
21 bond rating. The changes in risk are usually precipitated by the overall increase in
22 riskiness in the industry or perhaps a reduction in the coverage of a specific
23 company's interest payments, a reduction in the company's equity ratio, or some other
24 specific change.

1 In the case of equity, changes in risk occur rather frequently. For example, the
2 electric utility business was one where fairly substantial investments were deployed
3 to provide service to a group of essentially captive customers. This is all changing
4 and with it the risk level of the industry. In my opinion, the risk of the electric utility
5 industry is increasing significantly in an unprecedented way.

6 MPS Specific Risk

7 Q What are the risks faced by MPS in providing electric service to its service area in
8 Missouri?

9 A MPS experiences a full range of business or operating risks. First, there is a risk that
10 sales will be different than the expected level and, thus, earnings will also be
11 different. This could happen because of changes in business conditions, variations in
12 the supply or demand ^{or} ~~for~~ fluctuations in the number of ultimate customers, variations
13 in ultimate customer usage patterns (e.g., resulting from intensified conservation
14 efforts), price competition from other types of energy or changes in weather. These
15 risk factors are embedded in the business and tend to be reflected in income over
16 long periods of time. For these factors, past can be reasonably considered prologue.
17 The past is not an absolute, but a reasonable indicator of the future except to the
18 extent that the structure of the industry is changed as it has been recently.

19
20 Second, MPS makes investments in facilities which, as a result of regulatory
21 depreciation rulings, have extremely long book lives. This exposes the related capital
22 to a number of business cycles and the effects of long-term inflation. It also exposes
23 the capital to the long run risk of technological innovation changing customer
24 requirements and changing demographics. From an investor's perspective, man

1 things with good and bad can happen during the 15 to 30 year period which
2 represents the useful life of many electric utility assets.

3
4 An example of one very significant adverse change is the change in the structure of
5 the industry from regulated to substantially competitive. When many of today's
6 equity investors made commitments to MPS through UtiliCorp they did so under a
7 very specific industry structure. That structure is now changing in significant ways

8
9 Third, MPS needs large quantities of material, capital and labor to supply its services.
10 This makes MPS vulnerable to inflation, and to the availability and the price of labor,
11 capital and material. Since the prices MPS charges its customers cannot be changed
12 quickly, the impact of inflation and general price increases is first reflected as a
13 decrease in MPS's earnings. Like other risks, MPS tends to be exposed to this
14 complex of negative factors over long periods of time. In some time frames, labor
15 will be scarce and inflation high. In others, labor abundant and inflation low and
16 stable. So while these risks change through time they tend to always be present and,
17 again, past is to a significant degree prologue.

18
19 To this point, I have listed "traditional" risks which MPS has experienced and will
20 continue to experience into the future. More important is the fact that MPS operates
21 a business in an industry which is in the process of a major transformation. The
22 Federal Energy Regulatory Commission ("FERC") has issued a Notice of Proposed
23 Rulemaking ("NOPR") in Docket No. RM95-8-000 on the restructuring of the
24 industry. Numerous states have undertaken similar investigations and some have

1 ordered trial competitive experiments In this case, MPS has made proposals to the
2 Commission which will move the Company through the threshold toward competition
3 The changes in business structure, attitude, risk and the way of doing business will
4 completely transform the industry in the years ahead and have already changed
5 expectations for the industry

6

7 Q What is the nature of the changes which can be foreseen at this point?

8 A The regulated monopoly industry of the past will disappear and be replaced with a
9 new, part competitive part regulated industry Most companies including MPS will
10 operate in both spheres at least at the outset Regardless of the ultimate disposition
11 of the formerly regulated companies, at least a significant portion and maybe all of
12 the Company's current asset base will be deployed in a highly competitive market

13

14 Specifically, at least a major part of MPS will cease to be a traditional electric utility
15 and become a competitive supplier of electric power to its customers The extent and
16 suddenness of the change is unknown at this time This will first appear in the FERC
17 jurisdiction and will create substantial risks for MPS which I believe should
18 appropriately be recognized in the rate of return Later, this FERC jurisdiction
19 change will lead to more competitive markets in other jurisdictions.

20

21 Q What type of risks will be created?

22 A MPS is a regulated incumbent Over the years, MPS has developed significant service
23 obligations. Part of MPS will probably remain subject to regulation while part of the
24 Company will be moved into a competitive market In my view, this will lead, as it

1 has in the past in similar restructurings, to a margin squeeze and an erosion in return
2 on equity. There will also be continued service obligations for the incumbent (MPS)
3 and, as a consequence, an uneven playing field in favor of the new entrants. This
4 should be taken into consideration when the return on equity is set in this proceeding
5 although, as I will explain later, not yet fully reflected in the return level
6

7 Q Are there any specific risks related to this transition?

8 A There are. At this point, the extent and precise nature of the change to the industry
9 is unknown. Furthermore, the pace of change is also unknown. There are also
0 known changes and risks related to the transition which can be identified at this time
1

2 The first known risk is stranded investment and transition costs. During its regulated
3 history, MPS has committed capital, constructed facilities, and planned its operations
4 using a very long time horizon and governed by the responsibility of meeting all of
5 the demands of its service area. Likewise, the Commission has set MPS's prices
6 based on the expectation of continued regulated status, the inelasticity of demand of
7 its customers, and the high predictability of revenue. Significantly, the regulatory
8 process has extended depreciable book lives
9

0 As assets are moved from a regulated marketplace into a competitive marketplace,
1 the predictability of revenue diminishes rapidly and the ability of MPS to collect the
2 capital associated with some of its past regulated expenditures becomes questionable.
3 It is these past regulated expenditures which become transition costs or stranded
4 costs. These terms will be described in greater detail and proposals of the Company

1 presented by other witnesses. From the perspective of an investor, it is apparent that
2 part and maybe all of the capital of the Company has now been placed in a category
3 where its future is uncertain and the probability of adequate earnings and prompt
4 repayment less today than it was in the recent past. This is truly a substantial risk
5 and one which also must be taken into consideration as the Commission establishes
6 the appropriate return.

7

8 Q What do you expect to be the pace of change in the electric utility industry to its new
9 reregulated structure?

10 A I expect the pace to be more rapid than the pace associated with the previous
11 restructurings in the natural gas industry and the telecommunication industry. The
12 technological and payment complexities associated with the telecommunication
13 industry are not present in the electric industry and the contractual relations which
14 existed between various entities in the natural gas industry are likewise not a factor.
15 As a consequence, the major impediments to rapid change in those industries do not
16 exist which suggests the pace of change in the electric utility industry should be more
17 rapid.

18

Procedure

19 Q With this background, what is the proper procedure to determine the cost of capital
20 for MPS?

21 A MPS uses debt and common equity capital in financing its facilities. The cost of each
22 type of capital is different and it is the average cost of all of the capital which is used
23 in financing the facilities which must be determined. This means that the first step
24 is to determine the capital structure or mix of capital used in financing the facilities.

1 The next step is to determine the cost of each type of capital and, finally, with these
2 inputs, to calculate the average cost of the total capital employed.

3
4 Q Will you develop one cost of capital for the amounts committed to the competitive
5 marketplace and another cost of capital for the amounts committed to the regulated
6 marketplace?

7 A No. It is premature to do so. While it is reasonable to expect that some portion of
8 the assets and the capital of MPS will remain subject to the same comprehensive
9 regulation which it experiences today, another portion of the capital will surely be
10 moved into a competitive environment. At this point, it is impossible to determine
11 the terms and conditions associated with the transfer of the assets and the capital into
12 the competitive marketplace. It is also impossible to allocate the costs of capital
13 based upon an expectation of the risks which will be experienced by the two sectors
14 in the future. Furthermore, in spite of the fact that expectations about the transitions
15 are formed and controlling, the exact timing of the change is unknown. I believe,
16 however, that it will be soon and it will happen quickly. Furthermore, it may be
17 more extensive than now anticipated. As a result, I will not attempt to calculate
18 separate returns for the competitive capital and the regulated capital.

9
10 I would hasten to add that just because the cost of capital has increased in the short
11 run, it does not mean that the total cost of providing service under the reregulated
12 format or restructured format will be greater than before. As I explained earlier, the
13 amounts of capital committed to all of the activities will likely decline through time
14 and even though the return requirement on the capital will be higher, the lower

1 capital base will likely yield a lower overall dollar requirement for return
2 Furthermore, it is reasonable to expect that competition will force further efficiencies
3 and decreases in cost which ultimately will be realized as customer savings

4 Component Capital Costs

5 Q Why are different types of capital used in financing the Company?

6 A Different types of capital have different costs. Using the right blend of capital will
7 produce the lowest overall cost of capital for MPS

8

9 Q Why do different types of capital have different costs?

10 A Because the terms and conditions and the amount of senior or supporting capital for
11 each of the different types of capital make the risk for each type of capital different
12 For example, the lowest cost, lowest risk permanent capital is long-term debt. It is
13 the lowest cost, lowest risk because it has first claim on income each year, substantial
14 remedies if the interest is not paid when due, and first claim on assets in a wind up
15 of the enterprise. The capital commitment is also for a fixed term with full
16 repayment scheduled at the end of the term.

17

18 In contrast to debt, common equity is last in line for income each year and is paid
19 only after contractual obligations to all other suppliers of capital have been met. In
20 the event of a wind up, equity is repaid last after all other claims, including
21 noncapital claims. This may mean equity will not be repaid and would be impaired.
22 Finally, there is no fixed term for repayment of the equity investment and no
23 provision for a contractual or fixed dividend payment.

1 Q How are the costs of the different types of capital determined for this calculation?

2 A All capital costs are estimated by measuring investor requirements. There are
3 differences, however, in the procedures used to measure investor requirements. The
4 cost of debt is usually set for the term of the investment when the borrowing
5 agreement is made. Therefore, for the debt capital used by MPS, the investor
6 requirements are fully disclosed in the initial commitment and documented by its
7 terms. This makes the cost of debt determination a matter of calculation.

8
9 The cost of equity is quite different. The cost of equity is not a contractual cost. It
10 is expectational. Investors have expectations concerning risk and return and make
11 investments on the basis of those expectations. The cost, therefore, must be
12 estimated by evaluating the actions of investors and evaluating the costs of the similar
13 alternatives. This is done to determine investor expectations and return
14 requirements.

15 The Discounted Cash Flow Model

16 Q What procedure did you use to calculate the cost of common equity?

17 A I used the Discounted Cash Flow ("DCF") model to make my initial calculations.
18 The DCF model is a well accepted tool of financial analysis which has been tested
19 repeatedly and proved worthwhile over many years of application. The Commission
20 has historically received evidence on the DCF methodology. Also, the Office of the
21 Public Counsel and the Commission Staff both usually use this approach to estimate
22 the cost of equity, and the Commission frequently discusses and relies on the
23 methodology in its orders and in developing its conclusions. In fact, the Commission
24 has been for many years at the forefront in implementing sound economic and

1 financial principles in the return determination The DCF model has been
2 traditionally accepted as one of those principles However, in this case, I used the
3 DCF model as a starting point because of the transition to a new industry structure
4 After the DCF calculations were completed I used that data and judgment in
5 finalizing my recommendations to the Commission

6

7 The concept which underlies the DCF model is the assumption that investors value
8 investments based upon the future stream of income which is expected to be
9 produced by the investments Therefore, if the future stream of income can be
10 quantified, the investor discount rate can be estimated by the price which the investor
11 sets on the investment since the price set is the discounted value of the future stream
12 of income Unfortunately, deciphering investor thinking involves analysis of historic
13 data which is less relevant today than in the past

14

15 Q Has the historic role of the DCF analysis in the regulatory process changed?

16 A Yes

17

18 Q Please explain

19 A For many years, utilities were regulated and the pattern of utility operations and
20 revenue predictable from year to year In that environment, the use of historic data
21 to forecast future results was a very reasonable and accurate approach to the
22 determination of the required return on equity Now, because of the change from
23 fully regulated to a regulated/competitive environment, electric utilities will be
24 different in the future than in the past This difference or discontinuity between the

1 past and the future makes the DCF a less valuable tool. The DCF will not be as
2 powerful a tool in the new environment as in the past and the data used (historically
3 extrapolat^{ed}~~ed~~) will not be as reliable. Instead of providing the cost of capital as the
4 DCF output, the results of the DCF analysis must now be used as a starting point to
5 determine the cost of equity. Unfortunately, at this juncture we have no better tools
6 so the importance of the DCF is not diminished. Rather, its application and its role
7 is changed.

8 Capital Structure

9 Q Please describe the capital structure which you have used in the calculation of rate
10 of return.

11 A I have calculated the rate of return using the MPS per books division capital
12 structure. The MPS per books total capital structure at December 31, 1996 totals
13 \$573,356,000. The structure is comprised as follows:

14 Missouri Public Service
15 Division Capital Structure
16 December 31, 1996

	<u>Amount</u> <u>(000)</u>	<u>Ratio</u>
Long-term debt	\$302,088	52.69%
Common equity	<u>271,268</u>	<u>47.31</u>
Total	<u>\$573,356</u>	<u>100.00%</u>

26
27 Q Why is the MPS division capital structure the correct capital structure for the
28 regulatory calculation of rate of return?

29 A There are several reasons.

- 1) This is the actual capital structure of MPS at the end of the test year and represents the actual financing of the properties which make up the rate base in this proceeding
- 2) The capital structure is similar to the capital structures of comparable electric utility companies. This is the primary standard for determining appropriateness and, in this case, the MPS per books capital structure meets that standard
- 3) The capital structure is consistent with the historic and expected capital structure of MPS, and it represents the actual financing required by MPS as the properties and facilities were put in place through time.
- 4) The capital structure is the result of the application of a system of capital allocation which has been repeatedly audited and market tested and accepted
- 5) It has the advantages of consistency, predictability, rationality and responsibility
- 6) It insulates MPS from the other activities of UtiliCorp and the other divisions
- 7) It has been tested and accepted by this Commission after consideration in the last MPS rate proceeding

UtiliCorp Capital Allocation System

Q MPS is a division of UtiliCorp and MPS receives all of its capital from UtiliCorp. How does UtiliCorp assign capital to MPS?

A MPS's capital structure is initially a result of the operation of UtiliCorp's comprehensive system of capital allocation. Under this comprehensive system UtiliCorp establishes and funds capital structures for each of the divisions and subsidiaries. The primary criteria used by UtiliCorp in establishing the capital structure for a division is to make it appropriate to the line of business being financed. This means the capital structure must be closely comparable to the capital structures of similar publicly traded companies, in this case, electric utility companies. The end result of the UtiliCorp process for its utility divisions is a capital structure for each division which is similar to the capital structures of comparable electric

1 natural gas utilities Also, the process produces the capital structures of the
2 nonregulated subsidiaries which are appropriate for their respective industry
3 classifications as has been shown by market tests of those capital structures.

4
5 Q. What are the procedures used by UtiliCorp to make sure each division is properly
6 financed?

7 A. There are two primary activities required to establish a proper initial capital
8 structure. The first is to establish the proper capital structure ratios. The second is
9 to establish the proper total amount of capital. Once these two inputs are
10 established, multiplication of the amount needed by the ratios sets the proper amount
11 of each type of capital. Once the proper initial ratios are established, the
12 maintenance of the capital structure is a product of conventional accounting and
13 financial methods customized to UtiliCorp's situation. In total, this is a set of
14 activities albeit somewhat formalized which support the development of any capital
15 structure.

16
17 Q. How are the capital ratios determined?

18 A. The appropriate capital ratios were developed using a "pure play" analysis. Pure play
19 analysis is a frequently used technique in financial analysis. In pure play analysis, a
20 group of companies as nearly as possible in a single line of business (i.e. without
21 diversification) is analyzed to determine the operational and financial characteristics
22 necessary for the line of business. These pure play characteristics are then used to
23 establish the requirements and performance of "lines of business" within a multi-line
24 company. Pure play analysis is very similar to the "comparative company" analysis

1 recommended by courts in most regulatory reviews

2

3 For the capital structure analysis, groups of pure play, publicly traded natural gas
4 distribution companies and electric utility companies were selected. Analysis of the
5 capital ratios of these groups was used to develop planned capital ratios for the utility
6 lines of business. These lines of business capital structures were called "target
7 capital structures

8

9 The first target ratio study for electric utilities is reproduced on Schedule JCD-
10 page 1 of 3. Since the initial analysis, there have been further studies to assure that
11 the target remains valid

12

13 During 1996 and 1997, UtiliCorp completed a study which comprehensively reviewed
14 the capital ratio targets of the divisions. The conclusion of that study was a moderate
15 increase in the target ratios for the electric division from 45 percent equity to 47
16 percent equity. This change is consistent with the increases in the equity ratios of
17 other electric utilities

18

19 Q What was the next step in the initial analysis?

20 A The initial target equity ratio for electric utility divisions was set at 45 percent
21 common equity as a result of the first study and was not changed until the 1996 study
22 which increased the ratio to 47.5 percent. The risk level of each division was
23 reviewed and the target ratio was adjusted to compensate for higher or lower levels
24 of structural risk at the division level compared to the pure play group. There

1 no adjustment for MPS since its structural risk was deemed to be average except for
2 the fact that it was somewhat smaller and it had a slightly lower equity ratio than its
3 most comparable peer group, the smaller nonnuclear midwest electric utilities.

4
5 Q Will the actual equity ratio of MPS calculated from its financial statements always be
6 47.5 percent?

7 A No. The 47.5 percent ratio is set as a target. There was initial funding designed to
8 establish the 45.0 percent equity ratio and initial debt assignments were also made
9 to complement that equity ratio and fully finance the division. Subsequent to that
10 time, MPS has, in the ordinary course of business, engaged in long-term debt
11 financing using UtiliCorp as a primary financial intermediary and has accrued
12 retained earnings and paid dividends in the manner of a typical electric utility
13 company. The results of all of these transactions, as would be the case for MPS if it
14 were freestanding, is to produce a ratio that tends to closely move around the target
15 ratio but does not actually "hit" the target except by chance.

16 Assignment of Debt

17 Q What are the terms and conditions under which UtiliCorp assigns long-term debt to
18 the individual divisions?

19 A All debt is assigned to the division for the life of the issue. Once a division is
20 assigned long-term debt, that long-term debt becomes a part of the division's
21 permanent capital and is not reallocated or used in the financing of other divisions.

22
23 The cost of the assigned debt to the division is exactly the same as the cost of the
24 debt to UtiliCorp. There are no adjustments and no changes in the cost of the debt.

1 over the life of the issue unless they are related to the terms of the issue itself

2

3 Recently, UtiliCorp has been able to refinance some higher cost long-term debt

4 When this was done, the long-term debt which was refinanced was replaced with the

5 new long-term debt at the new and more advantageous rates

6

Consolidated Capital Structure Alternative

7 Q Why isn't the much simpler approach of using the consolidated capital structure for
8 each of the divisions appropriate?

9 A In a diversified company such as UtiliCorp, the consolidated capital structure is only
10 the summation of all of the individual divisions and subsidiary capital structures plus
11 or minus accounting eliminations. The consolidated capital structure bears no
12 particular relationship to any one of the individual parts which contribute to its total
13 It is an accounting artifact

14

15 This is because UtiliCorp is in effect a portfolio of several different investments
16 Some of the investments are in the natural gas utility business, some in the electric
17 utility business, and some in nonregulated or international businesses. Each of these
18 activities has a specific capital structure or capital mix requirement based upon
19 specific industry and risk characteristics. The consolidated capital structure addresses
20 none of these specifics and reflects none of these particular circumstances. It
21 simply an additive construct with no special relationship to any of the parts which
22 make it up.

23

24 Q Is it possible to show the relationship between the consolidated capital structure and

1 the individual capital structures?

2 A For purposes of an example, consider a company with two separate business activities
3 Assume that one of these activities is in a very high risk business, its appropriate
4 capital structure is 10 percent debt and 90 percent equity Call this company
5 Subsidiary A

6
7 Assume the other activity is in a low risk business such as short-term leasing and
8 requires only 10 percent equity and 90 percent debt Call this Subsidiary B

9
10 Finally, assume that both entities are the same size and both have total capital of
11 \$100

12
13 The capital structure for each of these activities and the consolidated capital structure
14 would calculate as follows.

	<u>Percent and Dollars</u>		<u>Consolidated</u>	
	<u>Subsidiary</u>		<u>Amount</u>	<u>Ratio</u>
	<u>A</u>	<u>B</u>		
Debt	10	90	\$100	50%
Equity	<u>90</u>	<u>10</u>	<u>100</u>	<u>50</u>
Total	<u>100</u>	<u>100</u>	<u>\$200</u>	<u>100%</u>

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22
23 Assuming that each of the capital structures is absolutely appropriate, it is clear that
24 the consolidated capital structure (which is simply the summation of the two
25 component parts) is not appropriate for either In fact, the consolidated capital
26 structure is radically different than the proper capital structure of either component

1 This is because the consolidated structure is simply the sum of the two components
2 Therefore, the consolidated structure bears no particular relationship to either
3 company even though it is derived from additions of the two companies. As such, the
4 consolidated structure is inappropriate for the financing of either company

5

6 This is UtiliCorp's situation. Each of the different activities which make up UtiliCorp
7 requires a different capital structure. On the other hand, the weighted average
8 capital structure for all of the activities, the consolidated capital structure, is not
9 appropriate for any of the activities. Therefore, each activity must have a unique
10 structure, the total of all of which equals the consolidated

11

12 Q Isn't the consolidated capital structure seen by investors as the source of capital to
13 the entire group of companies and divisions?

14 A The consolidated capital structure is presented to investors and capital is raised at the
15 parent company level. It is, however, naive to say that just because capital is raised
16 at the parent level, that the parent cost of capital and capital structure is appropriate
17 for each of the divisions

18

19 Q Why is that so?

20 A There are several reasons. First, UtiliCorp, because of its size and investment status,
21 is the subject of continuing and ongoing financial analysis. The only way for a
22 financial analyst to determine if UtiliCorp's total company capital structure is
23 appropriate is to examine the parts that make up the total, then add them back
24 together independently. If UtiliCorp does not meet this test, it will have difficulty in

1 financing with common equity because the news that it is improperly financed would
2 depress the stock. Furthermore, UtiliCorp would have substantial difficulty in
3 maintaining bond ratings which would also limit capital access.

4
5 Second, analysts, as a part of their continuing review of UtiliCorp, measure its
6 performance against various standards. One of those standards is that the company
7 uses contemporary and effective tools and techniques of capital budgeting. If
8 UtiliCorp used crude and primitive approaches to capital budgeting and allocation,
9 analysts would regard that as a substantial management deficiency and it would no
0 doubt reflect on the entire company and its bond rating.

1
2 Third, individual parts of UtiliCorp, particularly on the nonregulated side, can and
3 do engage in financing which is not dependent on UtiliCorp. Even though this
4 financing carries no UtiliCorp guarantee or other assurance, it may be reflected in
5 the consolidated capital structure. To be capable of financing, those individual parts
6 must present financial statements which will support such financing. It would be
7 inappropriate to offer too much equity in the financing of those entities since it might
8 impair the utility equity balance. On the other hand, if there is too little equity, the
9 debt financing would not be forthcoming.

0
1 Finally, UtiliCorp, aside from the requirements which are imposed upon it by the
2 various constituencies which it serves, has an internal need to properly allocate the
3 capital. This is necessary so the corporation can produce weighted average returns
4 from all of its investments commensurate with the total weighted average risk of the

1 company This is because the consolidated return, seen by investors, is just like the
2 consolidated capital structure -- a weighted average of the parts

3

4 To accomplish this objective, UtiliCorp must have a capital structure for each of its
5 divisions and subsidiaries which is appropriate for their individual lines of business

6 This is so capital can be allocated to or withheld from such divisions and so the
7 return performance of each division and subsidiary can be measured and tested It

8 is also necessary to have a capital structure to establish appropriate goals and
9 objectives at the division level and measure progress toward such goals and

10 objectives.

11

12 Q Are there any other reasons why the consolidated capital structure is not appropriate?

13 A In the case of UtiliCorp, much of the capital included in the consolidated capital

14 structure is very specific to individual activities of the company and to individual

15 assets For example, some long-term debt on the consolidated balance sheet was

16 assumed as a part of the acquisition of Michigan Gas Utilities. That long-term debt

17 was not available to finance any of the properties now under construction or owned

18 by MPS or any other division or subsidiary

19

20 Likewise, long-term debt used to finance the construction of MPS properties, the

21 Sibley Power Plant and the distribution and transmission systems in Raytown, Lee

22 Summit and other parts of the service area has not been available to be used

23 financing other properties in other states. And finally, the long-term debt used

24 financing properties in Canada is virtually precluded under Canadian law from

1 flowing to the United States to finance properties constructed for utility customers
2 in the United States although that may be impacted by NAFTA.

3
4 More recently, a UtiliCorp subsidiary, Aquila Southwest, completed a \$100 million
5 financing without the financial support and assistance of UtiliCorp. That financing
6 was used to retire ~~required~~ debt of the subsidiary. Clearly, those funds can't work
7 their way up the corporation and out to finance part of a utility division's plant even
8 though accounting principles may require that the debt be reflected on the
9 consolidated balance sheet

10
11 For each of these cases and for all of the other assets of UtiliCorp, when long-term
12 debt is used to finance a specific piece of property, that long-term debt becomes
13 intimately bound to the property. The funds are not available to finance other
14 properties of UtiliCorp any more than the purchase money financing to buy a house
15 can be used later to buy a car.

16
17 Q Is the comprehensive capital allocation system unique to UtiliCorp or is it used by
8 other companies?

9 A The concept behind the comprehensive capital structure allocation system is very
10 common. It is widely used by companies with effective capital budgeting or with
11 diversified activities. Furthermore, it is an integral part of modern financial theory.
12 Its widespread use and acceptance is recognition of material differences in business
13 risk among different types and lines of business and the growth of diversified firms
14 since the 1960's.

1 Q Can this assertion be supported with a reference to the financial literature on capital
2 structure?

3 A In Managerial Finance (Gitman, Joehnk and Pinches), the authors state that almost
4 all companies with multiple lines of business base their investment decisions on
5 division cost of capital. They go on to state that the appropriate procedure for
6 determining capital costs and making financial structure decisions in a multi-line
7 business involves determining appropriate target capital structures for each division
8 followed by the calculation of explicit costs for each source of financing for each
9 division (page 726)

10

11 There are also numerous articles in the literature of finance which use this assertion
12 as a point of departure in an exposition on cost of capital, capital structure or capital
13 budgeting

14

Advantages to UtiliCorp System

15 Q Are there other advantages associated with the capital structure system used by
16 UtiliCorp?

17 A Yes. One significant advantage associated with the system is that it creates an
18 historical association between a division's financing and the gradual build-up of the
19 division's rate base. Not only does this place responsibility and costs appropriately,
20 it also creates management incentive and responsibility for each part of the total
21 company. For a regulated entity such as MPS, it also provides a record of progress
22 which is a performance measurement useful not only for management, but also by
23 regulators

1 In addition, UtiliCorp remains active in the acquisition area. The use of a division
2 capital structure insulates and separates each of the existing divisions from the other
3 activities of UtiliCorp (and the activities of the other divisions and subsidiaries). It
4 also holds the cost of debt and equity for each of the divisions to a level which is
5 precisely related to that division's activities and, more importantly, not related to the
6 overall activities of UtiliCorp. Over the long run, this works to give UtiliCorp's
7 individual utility divisions the lowest possible cost of capital.

8
9 Q How does the system work to produce the lowest possible cost of capital for the
0 divisions?

1 A Individual division capital costs are accumulated as the division develops its rate base
2 through time. UtiliCorp, as the opportunities occur, has worked to lower its capital
3 costs by selective refinancing. The effect of matching capital costs to rate base and
4 service area needs means that capital costs are never any higher than they absolutely
5 must be to finance what is demanded by customers. When this is combined with the
6 careful refinancing of higher cost debt, the cost of capital for each division moves
7 toward the lowest feasible level.

8
9 This approach also eliminates subsidies either to or from a division and insulates
0 each division from the impact of any other division or subsidiary activities. From the
1 regulatory perspective, this insulation should be sufficient by itself to support the
2 adoption of the capital structure allocation system since there is no other logical and
3 consistent way that the individual division can be isolated from other activities of the
4 Company.

1 Q Has UtiliCorp's capital structure system been reviewed in previous rate proceedings
2 before commissions?

3 A It has In Michigan, Kansas, Missouri, Minnesota, Iowa, Colorado, Nebraska and
4 West Virginia, the system was reviewed by regulatory authorities and generally
5 accepted In most of these states it has been used as the basis of the cost of capital
6 for ratemaking

7

8 Q Has the capital structure allocation system been reviewed by UtiliCorp's auditors?

9 A It has UtiliCorp's auditors have rendered opinions on UtiliCorp's consolidated
10 financial statements and on the financial statements of various parts which comprise
11 UtiliCorp In rendering those opinions, the auditors have indicated that the systems
12 and procedures employed in the comprehensive capital structure allocation system
13 are in conformity with the Securities and Exchange Commission requirements and in
14 conformity with generally accepted accounting principles

15

Cost of Debt

16 Q What is the cost of long-term debt?

17 A The UtiliCorp adjusted cost of long-term debt at December 31, 1996, the end of the
18 test year, is 8.39 percent The calculation of the cost of debt is made from
19 information on page 261 of the MPS Form 1 filed with the Commission for 1996
20 The total long-term debt amounts to \$304,833,805 and the annualized interest
21 expense is \$25,579,507

22

Cost of Common Equity

23 Q How did you proceed with the determination of the cost of common equity for MPS?

24 A Using the DCF model, I determined the cost of equity for a proxy group of electric

1 utility companies selected from the Value Line Investment Survey. This became an
2 unadjusted electric utility return on equity requirement. I then compared the level
3 of MPS risk to the risk of the pure play or proxy group to establish the relative risk
4 for MPS vis-a-vis the selected group. Based upon this analysis, conditioned by my
5 view of the near term future, I estimated the risk-adjusted cost of equity for MPS.

6
7 Q Mr. Dunn, why didn't you determine a cost of common equity for UtiliCorp and use
8 it for MPS?

9 A The cost of common equity for UtiliCorp is very different from the cost of common
10 equity for MPS for the same reasons the capital structure requirements are different.
11 The UtiliCorp cost of common equity is the weighted average of the cost of common
12 equity of each of its individual activities. These individual costs including the MPS
13 cost are related to the risks and opportunities of each of the specific business
14 activities.

15
16 Q What is the Value Line Investment Survey?

17 A The Value Line Investment Survey is a respected and authoritative source of
18 financial, operating and security price statistics for publicly traded companies. The
19 Survey, published weekly, covers ninety-five industry groups. It is widely used by
20 investors, security analysts, and financial analysts in developing factual analyses of
21 publicly traded companies.

22
23 Q Please describe the selection of the companies which you used to determine the
24 electric utility return requirement.

1 A The selection process involved the development of what is called a pure play group
2 of companies. This is a group of companies with all or practically all of their
3 activities confined to the electric utility business. A "pure play" group of companies
4 involves to the extent possible, a single line of business and can be used to determine
5 financial requirements for that line of business, including return requirements

6
7 The first step in my selection process was to review the business description of the
8 electric utility companies included in the Value Line Investment Survey central
9 electric utility group. After this review, I eliminated the companies which didn't have
10 an adequate history, were too large, were nuclear based, in financial trouble or
11 merger, and excessively diversified

12
13 There were 39 companies in the Value Line report. My review process eliminated
14 27 companies and left 12 companies in my pure play group. The selected companies
15 are listed on Schedule JCD-2 with 1996 revenues, customer count, debt and equity
16 ratio for each company as reported by Value Line or Moody's for each company

17

18 Q Please characterize the pure play group of companies.

19 A The pure play companies are a reasonably homogenous group of electric utility
20 companies. The companies reflect the characteristics of reasonably sized, publicly
21 traded, well known central electric utilities which can be used as the basis of
22 analysis to determine the required return on common equity for a similar nontraded
23 electric utility. It is reasonable to expect that well informed investors
24 knowledgeable investors after some research would select this group of companies

1 as representative of the nondiversified, nonnuclear, central electric utility industry

2

3 Q What is the equity ratio of the pure play group of electric utilities?

4 A The average equity ratio of the group at December 31, 1995 is 50.09 percent. The
5 average equity ratio of the group for the period 1990 to 1995 is 50.33 percent. The
6 ten-year history of the group equity ratio is shown on Schedule JCD-3. The ratio is
7 just slightly higher than the MPS ratio of 47.5 percent.

8 The Theory of the DCF Model

9 Q Before discussing the schedules which examine the data used in this analysis, would
10 you please describe the DCF approach?

11 A Because the Commission is knowledgeable with respect to the DCF model, only an
12 outline of the foundations of the model is necessary. The primary premise of the
13 DCF model is that the value of an equity security, i.e., a share of common stock, can
14 be defined as the present value of the expected future stream of income, hence its
15 association with discounted cash flow.

16

17 The model can be understood by considering the procedure for valuing a bond.
18 Under certain circumstances, the value of a bond can be determined by dividing the
19 income of the bond by a required return or discount factor. For example, if the
20 income from a bond is \$10 per year and the required return or discount rate is 10
21 percent, the value of the bond is \$100. This can be stated mathematically as:

22
$$V = \frac{D}{K} \quad \text{or} \quad \$V = \frac{\$10}{10\%} = \$100$$

23
24
25
26
$$\text{or Value} = \frac{\text{Dividend}}{\text{Discount Rate}}$$

1 This calculation of value assumed that the dividend or payment rate and the discount
2 rate were known. The equation was then solved for value. If the value (price) and
3 dividend rate are known, the equation can be solved for the required return as
4 follows

5 For Value $V = \frac{D}{K} = \frac{\$10}{10\%} = \$100$

6
7
8 For Return $K = \frac{D}{V} = \frac{\$10}{\$100} = 10\%$

10

11 To convert the formula to value stocks, the growth in the dividend must be added
12 to the formula. In the context of a common equity investment, the growth in overall
13 value caused by retention of earnings is represented by the growth in the dividend

14

15 Incorporating growth into the formula and solving for the cost of common equity, the
16 basic discounted cash flow formula is

17 $K = \frac{D_1}{P_0 + g}$

19

20 or Return = $\frac{\text{Dividend (first year of ownership)}}{\text{Price (Today)}} + \text{growth in dividends}$

22

23 Where

24

25 D_1 = Dividends per share end of the first year of ownership

26

27 P_0 = Price per share in the present time period

28

29 g = The rate of growth of common stock dividends per share

30

31 Finally, the formula must be adjusted to incorporate the effect of flotation (re
32 issuance) cost and preoffering pressure into the analysis. This is accomplished

1 increasing the dividend yield component of the return by one minus the flotation
2 expense or

$$3 \quad K = \frac{\frac{D_1}{P_0}}{1 - f} + g$$

7 Where

8 f = Cost of issuance and preoffering pressure

9
0 Q Is it your understanding, based on a review of prior orders of the FERC, that your
1 use and understanding of the DCF model is consistent with the Commission's?

2 A Yes

3 The DCF Analysis

4 Q Please describe your cost of equity analysis based upon DCF techniques

5 A The analysis involves the calculation of each of the components of the model. This
6 means first developing a reasonable estimate of investor growth expectations, the
7 available dividend yield and the cost of flotation and preoffering pressure. The
8 elements are then combined as indicated in the model. The data used in the analysis
9 begins on Schedule JCD-4. You will note that the data is all historic. Because of the
0 historic regulated structure of the industry, use of this type of data was entirely
1 appropriate. Now, however, the future will be different than the past. This means
2 that while historic data must be used in the calculations (because it is all that is
3 available), it cannot be used uncritically and judgment must supplement the
4 traditional uncritical use of the data.

Determination of Growth Rate

1
2 Q Please describe your determination of the growth rate.

3 A My determination of the growth rate is designed to parallel an investor's analysis. To
4 accomplish this, I have confined my analysis to data and reports which are available
5 to investors to assist them in making investment decisions. Because the objective
6 here is to match investor analysis, I have limited the complexity of the analysis, based
7 it on public information that is easily obtainable and held the mathematics to a
8 reasonable level.

9

10 With this background, Schedule JCD-4 is the first step in the process. It is an
11 analysis of the five and ten year growth in earnings, dividends and book value for the
12 pure play group of companies. The analysis includes a detail of the growth rate for
13 each of the companies in each of the three variables for both of the time periods.
14 The data is taken from the Value Line Investment Survey dated January 10, 1997.

15

16 For the five and ten year periods, the average for the comparative group of electric
17 utilities are as follows:

18 Missouri Public Service
19 Comparative Electric Utilities
20 Growth Rate Analysis

21

22

23

24

25

26

27

	<u>Growth Rate</u>	
	<u>Ten Year</u>	<u>Five Year</u>
Earnings per share	2.45%	3.14%
Dividends per share	3.91%	3.75%
Book value per share	3.29%	2.67%

1 This array of growth rates represents the historic pattern of growth for each of the
2 variables for all of the companies in the study. The rates of dividend growth are in
3 the 37.5 percent range for the last five years and somewhat higher for the ten year
4 period.

5

6 Q How are the growth rates in earnings, dividends and book value related?

7 A The investor is primarily interested in growth in dividends. However, growth in
8 dividends is driven by growth in earnings and book value. This means, other things
9 being equal, that all three variables must move in tandem over the long term.
0 However, divergence of the rates in the short run is common. Furthermore, changes
1 in trend are important and should be recognized in the analysis. Such trend changes
2 include the current trend in the electric utility industry to slow the rate of growth in
3 dividends to increase the rate of growth in earnings and improve the flow of internal
4 cash. Over time, it is possible that dividend growth will be replaced by earnings
5 growth as the stock price driver, as is the case for many nonutility companies.

6

7 Q Is it reasonable to remove selected observations from the group even if doing so
8 would increase the growth rate?

9 A That certainly is what the intelligent investor would do. In the process of selecting
0 a group of companies to set a standard, the investor should prune the bottom of the
1 group and select an investment from the best. There is no requirement that the
2 investor buy the average and certainly no requirement that an investor buy an
3 "average" depressed by a few "bad" observations. In fact, in every case, the investor
4 works to buy the best from every group. However, this is a pure play analysis and

1 it is not necessary to prune the group because a risk adjustment will be made after
2 the pure play studies are complete, but it is appropriate to eliminate negatives and
3 zeros from certain calculations as a matter of common sense

4

5 Q Did you do any further growth rate analysis with the same group of companies?

6 A I examined the growth in earnings, dividends and book value per share for each of
7 the companies for the period 1986 to 1995. Schedule JCD-5 contains an analysis of
8 the dividends paid per share by each of the companies for each of the years from
9 1986 to 1995, and the calculation of an average of the one year growth rates for the
10 period 1986 to 1995.

11

12 Schedule JCD-6 is a parallel analysis of growth in earnings for the comparative
13 companies. Schedule JCD-7 contains the same type of analysis of book value per
14 share for the comparative companies.

15

16 The calculation used in Schedules JCD-5, 6 and 7 is an additional method (in
17 addition to the calculation used in Schedule JCD-3) to eliminate the effect of single
18 year influences by averaging the results of each growth pair in the period
19 to determine the period average.

20

21 Q What conclusion did you reach as a result of this analysis of historic growth
22 dividends, earnings and book value per share?

23 A The Value Line five and ten year growth rates range from 2.5 percent to 3.9 percent
24 and the year-to-year calculation range from 3.1 percent to 5.4 percent. The rest

of these calculations can be summarized as follows

Percentage Growth Per Share

		<u>Value Line</u>			
		<u>Earnings</u>	<u>Dividends</u>	<u>Book Value</u>	<u>Average</u>
10 year		2 45	3.91	3 29	3 22
5 year		3 14	3.75	2 67	3 19

Year-to-Year Average

10 year		5 35	3.57	3.09	3 99
---------	--	------	------	------	------

Through the period of the analysis, the companies were able to produce a pattern of growth in dividends ranging from 2 7 percent to 5 4 percent per year. This was accomplished during a period when the industry was subject to intensive regulation and high predictability. If the past were to repeat itself precisely, it would be reasonable to expect a dividend growth rate in this range. However, because of the transition, I believe there will be some companies which will do well and some won't. For the companies that do well, I expect the future to be better than the past.

Determination of Dividend Yield

Q Now please describe your analysis of dividend yield

A The first step in my analysis of dividend yield is contained on Schedule JCD-5 of my exhibit. This schedule details the actual dividends paid by each of the companies for the years 1986 through 1995.

This information shows consistency of payment by each of the companies in each of the years. It also reveals steady growth in the dividends of the group, dividend predictability and regularity of payment.

1 The next step in the dividend yield analysis is a review of the historic dividend yield
2 calculated from the Wall Street Journal and the forecasted dividend yield from the
3 Value Line Investment Survey. The data for that analysis is contained on Schedule
4 JCD-8

5
6 Q Please describe the analysis which is contained on Schedule JCD-8

7 A Schedule JCD-8 contains the calculation of dividend yield made from data in the
8 Wall Street Journal on December 31, 1996 and an analysis of the Value Line
9 estimated dividend yield taken from the Value Line Investment Survey dated January
10 10, 1997

11
12 The Wall Street Journal dividend yields are calculated by dividing the annualized
13 dividend or the current dividend rate times four which is the dividend amount
14 reported by the Wall Street Journal and dividing that amount by the reported price

15
16 The dividend yield calculated from the Wall Street Journal on December 31, 1996
17 is 5.74 percent

18
19 The dividend yield from the Value Line Investment Survey at January 10, 1997, the
20 closest publication date to December 31, 1996, is 5.81 percent. The dividend yield
21 for each company was calculated by Value Line based upon the dividend currently being
22 paid plus a Value Line estimated increase in the dividend based upon the historic
23 pattern of dividend payments and dividend increases for that company

1 Q Have you made any further examination of dividend yield?

2 A Yes, I have. The next step in my analysis was to review the dividend yield in the
3 context of the overall structure of interest rates. At the present time, interest rates
4 are at historic lows. It is highly unlikely that the rates can be maintained at this low
5 level and it is reasonable to assume that the next move in interest rates will be
6 toward higher levels. If interest rates increase, it is almost certain the cost of utility
7 equities will also increase and that change will likely be reflected as an increase in
8 industry yield. This is a common view outside of the investment sales industry.

9
10 The Chairman of the Federal Reserve Bank, Alan Greenspan, stated in
11 Congressional testimony on March 5, 1997 that the economy was in a zone where
12 inflation risks were to the upside and that the Federal Reserve was poised to act
13 preemptively by raising interest rates.

14
15 Q If the Wall Street Journal yield is used in the calculations, is an adjustment to the
16 reported yield necessary?

17 A To put the yield calculated from the Wall Street Journal on a similar basis as Value
18 Line, it is necessary to use the following form of the DCF model:

19
20
$$K = \frac{D_0 (1 + g)}{P_0} + g$$

21

22 Where

23 D_0 = Dividend current period

24 g = Growth rate

25 P_0 = Price current period

1 In this calculation, the current dividend is multiplied times one plus a part of the
2 historic growth rate and then divided by the current market price. This calculation
3 assumes future growth in the dividend and recognized it without individual forecasts
4 After this calculation, the Wall Street Journal yield is annualized and adjusted for
5 growth. The Value Line yield reflects the next 12 months' yield based on historic
6 patterns.

7

8 Q Did you make this calculation?

9 A Yes. The Wall Street Journal December 31, 1996 rate is 5.74 percent. This rate was
10 adjusted 2.00 percent which is approximately 50 percent of the historic growth rate.
11 This produced an expected dividend yield of 5.9 percent ($5.74\% \times 1.020$). The use
12 of 50 percent of the growth rate is the FERC method and represents the minimum
13 adjustment. A full adjustment, 40 percent, should also be considered. If the annual
14 adjustment is calculated, the yield is 6.0 percent.

15

16 Q Please describe the adjustment for preoffering pressure and expense.

17 A The flotation cost and price pressures result from the sale of equity. The effect
18 should be reflected in the cost of common equity. Such an adjustment is frequently
19 based on a study contained in Public Utilities Fortnightly by Borun and Malley which
20 indicates the average flotation cost of the common stock issued is 5.5 percent. With
21 this adjustment, the calculated dividend yield component of the cost of equity should
22 be increased from the range of 5.9 percent to 6.0 percent to a new range of 6.1
23 percent to 6.3 percent.

Pure Play Cost of Common Equity

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Q Based upon your analysis of the dividend growth rate and your calculation of the dividend yield, what do you conclude is the discounted cash flow cost of common equity for the comparative group?

A The calculated dividend yield is in the range of 6.2 percent to 6.3 percent. The Chairman of the Federal Reserve Bank has forewarned markets that the next move in interest rates is up and that the move is eminent. Also, during the past few weeks, the interest rate on long-term debt has steadily climbed. As a result, I have increased the calculated dividend yield by 50 basis points.

The average historic growth rate is 4.0 percent for the group and for a very successful company could be much higher. Although the future will be more difficult for the electric companies than the past, I expect successful companies to perform better in the future than in the past. Therefore, I will use 5.0 percent as a prospective growth rate.

Combining the dividend yield with the dividend growth rate indicates the discounted cash flow estimate for the bare bones cost of common equity ranges from 11.7 percent to 11.8 percent for the comparative group. It is calculated as follows:

Dividend yield	6.7%	6.8%
Growth	<u>5.0</u>	<u>5.0</u>
Total	<u>11.7%</u>	<u>11.8%</u>

Q Does adjusting the DCF calculations in the way you just described invalidate the use of the model?

1 A No The model provides strong indications of the cost of equity, but they are not
2 complete It is the responsibility of the analyst to adjust the result to produce the
3 best complete indication of the cost of equity Otherwise, the recommendation to the
4 Commission is incomplete and there is a risk that the result is obsolete even as it is
5 used in the rate calculations

6

7 Q What is the next step in your analysis?

8 A I reviewed the book return on equity of the electric utility group. The book returns
9 calculated under two separate methodologies are shown on Schedule JCD-9 The
10 schedule indicates that the current book return on equity is in the range of 12.1
11 percent to 12.31 percent Under the assumption that the cost of equity is not
12 decreasing to maintain a status quo, that is not to cause a reduction in stock price
13 it is necessary to provide a return at least equivalent to the existing return I am
14 confident that the cost of equity is not on the decline Therefore, I believe it
15 important to factor into the analysis the existing book return

16

17 Q Is there any other evidence which you believe applies to this determination?

18 A. The rates which will be established as a result of this procedure will go into effect
19 sometime during 1997 and be effective for subsequent periods It is very important
20 that the rates be established anticipating the facts which will be in effect during
21 pendency of the rates I believe that it is reasonable to anticipate that the cost
22 of equity will be increasing from its historic lows to higher levels during the period that
23 the rates will be in effect The transition to competition will also be more advanced
24 This leads me to believe that a higher return than that indicated by the raw I

1 calculation is appropriate. It is also a safe decision because of the sharing matrix
2 proposed by the Company

3
4 Q Based upon this analysis, what do you conclude is the equity cost for the relevant
5 segment of the electric industry at this time?

6 A I believe that a 12 percent return on equity is the minimum level which would be
7 appropriate to incorporate into a cost of service determination for the electric utility
8 which is equal in risk to the group

9 Risk Adjustment

10 Q Should this determination of the cost of equity be adjusted in any way?

11 A It must be risk-adjusted to reflect the risk differences for MPS as compared to the
12 pure play group used in making this determination. It also matches the current book
13 return

14
15 Q How did you proceed from this point to determine the required return on common
16 equity for MPS?

17 A I examined the characteristics of MPS's electric utility operations as compared to the
18 companies used in the DCF analysis. I also made calculations of statistical risk
19 measures. I concluded, as a result, MPS is more risky than the comparative group.

20
21 Q Please describe the statistical analysis of risk.
22 A For a single investment opportunity, the appropriate measure of risk is the standard
23 deviation. Such a measure will capture the effect of risk on one investment as
24 compared to another. A standard deviation calculated on a series of historic returns

1 measures the variability and dispersion of those returns about the average. The
2 greater the standard deviation, all other things equal, the higher the risk or the less
3 predictable or certain the expected return assuming that the pattern of future returns
4 will be similar to the pattern of past returns.

5
6 To compensate for the fact that standard deviation is stated in the units being
7 measured, i.e. return percentage points, I converted the standard deviation to a
8 coefficient of variation and calculated those statistics for MPS's rate of return, and
9 for the industry average return on capital. The results of the calculations are as
10 follows:

11 Missouri Public Service
12 Risk Measures
13 1990 - 1995

	<u>Rate of Return</u>			
	<u>1990 - 1995</u>			
	<u>Average</u>	<u>Standard</u>	<u>Coefficient</u>	
	<u>Return</u>	<u>Deviation</u>	<u>of Variation</u>	
14				
15				
16				
17				
18				
19				
20	Electric utility industry	7.98	32	3.84
21	MPS	9.22	46	4.97

22
23 Calculations of standard deviation of return indicate that the MPS risk was greater
24 than the level of risk in the industry group. These calculations, since they are made
25 at the net operating income level, do not reflect the risk differences caused by
26 financial leverage or a lower equity ratio, i.e., the fact that the comparative group has
27 less financial risk. Therefore, the MPS risk is even greater vis-a-vis the group than
28 indicated by this calculation.

1 Q What do you conclude as a result of this analysis?

2 A The comparative group cost of common equity is 12.0 percent. As a practical matter,
3 the return component in the cost of service should not be lower than this amount.
4 Given the greater risk of MPS's operations as compared to the industry group, a
5 minimum return on equity requirement of 12.5 percent is appropriate.

6 Calculation of Rate of Return

7 Q Did you calculate a rate of return to use in the cost of service determination?

8 A I did. Based upon the capital structure previously discussed, the cost of debt and my
9 estimate of the appropriate return on equity, I calculated the overall rate of return
0 using the MPS division capital structure at December 31, 1996. The calculations are
1 shown on Schedule JCD-10.

2
3 Q Does that conclude your direct prefiled testimony at this time?

4 A Yes sir, it does.

VERIFICATION

STATE OF MISSOURI)
) SS
COUNTY OF JACKSON)

JOHN C DUNN, having been duly sworn, upon his oath, states that he is an economic consultant of John C Dunn & Company specializing in the general area of public utility economics and corporate finance, and as such, is duly authorized to make this affidavit on behalf of UtiliCorp United Inc ,d/b/a Missouri Public Service, that the matters and things stated in the foregoing testimony and schedules thereto are true and correct to the best of his knowledge, information and belief

John C Dunn
John C Dunn

SUBSCRIBED AND SWORN to before me this 19th day of March, 1997

Brenda L Phillips
Notary Public

My Commission Expires

January 25, 1999
(SEAL)

BRENDA L. PHILLIPS
Notary Public State of Missouri
Commissioned in Jackson County
My Commission Expires 1-25-99

MISSOURI PUBLIC SERVICE

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UTILICORP
 STANDARD ELECTRIC UTILITY COMPANIES
 NON NUCLEAR
 MID-SIZE
 NON DIVERSIFIED
 PRIMARY ELECTRIC
 NON CONTRACT
 EQUITY RATIOS

<u>COMPANY NAME</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>Average</u>
CENTRAL ILLINOIS P S	38 3%	40 2%	42.8%	45 2%	46 1%	46 9%	47 9%	48 8%	50 0%	45 1%
CENTRAL LOUISIANA ELECTRIC	32.3%	37 4%	48 2%	45 1%	41 9%	42 4%	40 7%	43 6%	44 5%	41 8%
EMPIRE DISTRICT	35 6%	36 0%	37 7%	40 8%	43 6%	46 1%	50 9%	53 0%	54 0%	44 2%
INTERSTATE POWER	32.7%	33 9%	35 3%	36 9%	38 3%	39 4%	43 0%	41 9%	40 5%	38 0%
PALCO ENTERPRISES	42 0%	40 8%	45 5%	45 5%	44 5%	44 3%	48 6%	49 8%	51 0%	45 8%
KENTUCKY UTILITIES	33 5%	35 7%	36 9%	41 3%	45 2%	47 1%	47 6%	49 7%	51 0%	43 1%
OKLAHOMA GAS & ELECTRIC	37 4%	40 0%	41 9%	44 4%	46 2%	47 2%	51 1%	49 9%	51 0%	45 5%
WATER TAIL POWER	33 1%	34 7%	36 3%	38 6%	41 2%	43 7%	48 6%	50 0%	52 5%	42 1%
ST. JOEL & P	29 6%	33 9%	36 1%	40 1%	44 5%	49 8%	54 4%	58 2%	60 5%	45 2%
NEW YORK PUBLIC SERVICE	35 3%	38 1%	37 9%	40 8%	43 0%	45 3%	47 5%	47 5%	48 0%	42 6%
WEPPON ENTERPRISES	<u>38 2%</u>	<u>40 2%</u>	<u>41 5%</u>	<u>42 4%</u>	<u>45 4%</u>	<u>45 4%</u>	<u>47 6%</u>	<u>49 4%</u>	<u>51 5%</u>	<u>44 6%</u>
<u>AVERAGE EQUITY RATIO</u>	<u>35 3%</u>	<u>37 4%</u>	<u>40 0%</u>	<u>41 9%</u>	<u>43 6%</u>	<u>45 2%</u>	<u>48 0%</u>	<u>49 3%</u>	<u>50 4%</u>	<u>43 5%</u>

ALL COMPANIES
ELECTRIC UTILITY INDUSTRY
EQUITY RATIO

<u>COMPANY</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Clasco Inc	42 0%	45 2%	40 1%	40 0%	47 0%	40 0%	50 3%	50 0%	50 0%	51 0%	52 0%	53 0%
CMS Energy Corp	33 3%	34 3%	32 2%	28 8%	30 4%	35 3%	32 6%	36 1%	28 3%	29 0%	32 0%	34 5%
Centerior Energy Corp	39 8%	40 6%	40 7%	40 8%	39 0%	40 8%	39 3%	39 7%	39 0%	38 5%	39 0%	38 5%
Central & South West	45 2%	45 0%	44 4%	45 9%	46 3%	47 5%	47 1%	47 4%	48 5%	49 5%	50 5%	51 5%
Central Louisiana Electric	48 2%	45 1%	41 9%	42 3%	40 7%	43 6%	46 8%	53 2%	49 4%	45 0%	45 0%	45 0%
CILCORP Inc	39 5%	41 7%	43 7%	44 6%	46 8%	45 6%	46 0%	48 4%	45 5%	46 0%	46 5%	49 0%
Cincinnati Gas & Electric	35 9%	37 1%	38 0%	36 3%	38 7%	39 5%	43 9%	44 6%	41 9%	44 5%	45 5%	46 0%
Commonwealth Edison	36 7%	40 4%	41 3%	44 2%	44 3%	48 6%	46 9%	46 8%	43 7%	46 5%	47 0%	46 5%
DPL Inc	37 9%	39 6%	41 3%	39 4%	39 8%	41 1%	42 3%	46 7%	48 4%	49 0%	50 0%	51 0%
Detroit Edison	31 9%	33 0%	33 3%	35 4%	37 8%	35 2%	31 7%	31 8%	32 3%	36 5%	40 0%	42 0%
El Paso Electric Co	44 1%	41 8%	37 8%	36 2%	38 4%	38 9%	41 2%	32 9%	30 0%	31 0%	N/A	N/A
Empire District Electric	37 7%	40 8%	43 6%	46 1%	50 8%	53 0%	49 4%	48 5%	49 6%	51 5%	52 0%	53 0%
Entergy Corp	32 7%	34 1%	34 2%	37 6%	39 0%	39 2%	40 4%	37 5%	38 0%	39 5%	40 5%	41 5%
Gulf States Utilities	36 0%	36 6%	36 6%	35 4%	35 0%	37 1%	39 1%	38 7%	40 2%	40 0%	40 5%	40 5%
Houston Industries	44 3%	47 6%	45 8%	47 2%	47 0%	48 6%	46 7%	40 8%	41 3%	41 0%	41 5%	42 0%
IES Industries Inc	38 8%	42 5%	45 6%	43 6%	45 4%	47 7%	41 4%	42 2%	47 3%	49 0%	47 0%	46 5%
Illinois Power	41 7%	41 7%	41 9%	40 8%	39 5%	40 1%	40 2%	35 5%	34 8%	36 5%	40 0%	42 0%
Interstate Power	35 3%	36 9%	38 3%	39 4%	43 0%	41 9%	43 0%	44 1%	45 9%	48 0%	49 5%	50 5%
Iowa-Illinois Gas & Electric	37 8%	40 7%	44 8%	47 1%	52 6%	49 2%	46 9%	46 0%	45 4%	42 0%	42 5%	42 5%
IPALCO Enterprises Inc	45 5%	45 5%	44 5%	44 3%	48 6%	49 7%	52 1%	53 7%	55 6%	56 5%	56 0%	55 0%
Kansas City Power & Light	36 0%	39 5%	37 5%	38 5%	41 5%	44 0%	43 9%	46 2%	50 2%	51 0%	51 5%	52 0%
Kansas Gas & Electric	40 2%	41 4%	39 7%	40 7%	42 8%	42 7%	46 5%	47 1%	41 9%	43 0%	44 5%	45 5%
Kansas Power & Light	42 5%	41 2%	44 3%	47 9%	50 3%	53 0%	51 0%	51 6%	50 4%	48 5%	50 0%	50 0%
KU Energy Corp	36 9%	41 3%	45 2%	47 1%	47 6%	49 7%	51 1%	53 0%	54 9%	57 0%	58 0%	59 5%
LG&E Energy Corp	38 8%	41 5%	42 7%	42 7%	43 6%	44 7%	46 0%	45 1%	44 7%	45 5%	46 5%	47 0%
MDU Resources Group Inc	45 5%	43 8%	45 4%	47 3%	49 3%	48 6%	51 8%	53 3%	53 7%	56 0%	58 5%	59 0%
Midwest Resources	36 3%	37 5%	39 2%	38 3%	38 9%	37 2%	38 4%	39 8%	43 3%	42 5%	44 0%	45 5%
Minnesota Power & Light	37 8%	40 1%	39 9%	42 3%	44 3%	45 1%	46 1%	46 9%	47 5%	46 0%	46 5%	47 5%
NIPSCO Industries	36 6%	37 3%	39 2%	35 3%	34 0%	36 2%	41 0%	40 3%	42 6%	44 5%	46 5%	48 5%
Northern States Power	43 7%	44 4%	45 6%	45 6%	46 0%	46 9%	46 7%	48 7%	49 8%	49 0%	49 5%	50 0%
Northwestern Public Service	35 8%	38 5%	41 0%	44 0%	48 1%	50 1%	51 6%	53 2%	55 1%	52 5%	51 5%	51 0%
Ohio Edison	32 0%	33 4%	33 4%	35 4%	37 4%	40 6%	40 9%	42 2%	41 9%	41 0%	42 0%	42 5%

1020

ALL COMPANIES
ELECTRIC UTILITY INDUSTRY
EQUITY RATIO

<u>COMPANY</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
PSI Resources Inc	41 9%	45 6%	47 9%	9 8%	10 1%	30 4%	34 9%	43 0%	45 6%	<i>45 0%</i>	<i>46.5%</i>	<i>47 0%</i>
St Joseph Light & Power	36 1%	40 1%	44 5%	49 8%	54 4%	58 2%	60 6%	61 6%	63 2%	<i>58 0%</i>	<i>59 5%</i>	<i>61 0%</i>
So Indiana Gas & Electric	41 6%	44 8%	42 9%	47 4%	55 0%	48 0%	49 0%	51 3%	47 1%	<i>49 5%</i>	<i>50 5%</i>	<i>48 5%</i>
Southwestern Public Service	37 9%	40 8%	43 0%	45 3%	47 5%	47 4%	48 1%	48 8%	51 4%	52 1%	<i>52.5%</i>	<i>54 0%</i>
TNP Enterprises Inc	41 5%	42 4%	45 4%	45 4%	47 6%	49 4%	55 6%	53 2%	32 1%	<i>33 5%</i>	<i>23 5%</i>	<i>27 0%</i>
Texas Utilities	44 0%	46 2%	46 7%	47 7%	45 6%	44 5%	42 7%	44 9%	43 6%	<i>40 0%</i>	<i>40 0%</i>	<i>41 0%</i>
Union Electric	35 0%	37 0%	36 6%	38 7%	40 3%	39 8%	42 8%	45 6%	48 3%	<i>50 0%</i>	<i>50 5%</i>	<i>51 0%</i>
Utilicorp United Inc	33 2%	39 0%	43 3%	38 2%	41 9%	43 6%	45 0%	41 4%	39 1%	<i>39 5%</i>	<i>41 0%</i>	<i>42.0%</i>
WPL Holdings Inc	43 5%	46 8%	48 5%	48 2%	49 4%	51 0%	52 1%	52 7%	51 0%	<i>52 5%</i>	<i>52.0%</i>	<i>54 5%</i>
Wisconsin Energy	45 6%	49 7%	53 6%	55 1%	51 7%	54 3%	51 8%	54 3%	55 9%	<i>57 0%</i>	<i>56.5%</i>	<i>56 0%</i>
Wisconsin Public Service	47 2%	50 2%	53 2%	51 4%	54 9%	53 8%	54 5%	54 9%	53 4%	<i>50 0%</i>	<i>52 5%</i>	<i>51.5%</i>
AVERAGE	39 4%	41 2%	42 3%	42 1%	43 8%	45 1%	45 8%	46 3%	45 8%	46 1%	47 0%	47 8%

Italicized numbers represent estimates
Source Value Line January 17, 1992

**MISSOURI PUBLIC SERVICE
ELECTRIC UTILITY INDUSTRY
COMPARATIVE COMPANY PROFILE**

COMPANY	REVENUE (000)	ELECTRIC CUSTOMERS	1996 RATIOS	
			DEBT	EQUITY
CIPSCO Inc	\$885,000	320,778	36 00%	57 00%
Central Louisiana Electric Co Inc	435,000	222 000	46 00%	49 00%
DPL Inc	1,280,000	N/A	46 00%	53 00%
Empire District Electric	205,000	141,000	47 50%	45 50%
IPALCO Enterprises Inc	765,000	409,000	43 50%	53 00%
KU Energy Corp	705,000	N/A	44 50%	52 50%
LG&E Energy Corp	3,400,000	N/A	41 50%	52 00%
Minnesota Power & Light Co	840,000	N/A	48 00%	44 50%
NIPSCO Industries Inc	1,800,000	N/A	49 50%	45 00%
OGE Energy Corp	1,370,000	N/A	46 00%	51 50%
St Joseph Light & Power Co	95,000	60,000	46 00%	54 00%
SIGCORP Inc	<u>365,000</u>	<u>221,920</u>	<u>42 00%</u>	<u>54 50%</u>
Average	<u>\$1,012,083</u>	<u>124,973</u>	<u>44.71%</u>	<u>50.96%</u>

Source Value Investment Survey, January 10 1997

MISSOURI PUBLIC SERVICE
SELECTED COMPANIES
ELECTRIC UTILITY INDUSTRY
EQUITY RATIO

COMPANY	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
CIPSCO Inc	47.9%	48.8%	50.3%	50.6%	50.9%	51.3%	52.5%	53.4%	54.5%	53.8%
Central Louisiana Electric Co Inc	40.7%	43.6%	46.8%	53.2%	49.4%	41.1%	47.4%	45.6%	47.5%	47.1%
DPL Inc	39.8%	41.1%	42.3%	46.7%	48.4%	48.8%	48.2%	45.8%	50.3%	51.3%
Empire District Electric	50.8%	53.0%	49.4%	48.5%	49.6%	51.1%	51.9%	49.2%	44.4%	45.9%
IPALCO Enterprises Inc	48.6%	49.7%	52.1%	53.7%	55.6%	56.2%	56.7%	57.0%	52.8%	52.3%
KU Energy Corp	47.6%	49.7%	51.1%	53.0%	54.9%	55.9%	54.7%	55.6%	53.5%	51.8%
LG&E Energy Corp	43.6%	44.7%	46.0%	45.1%	44.7%	45.6%	46.0%	48.3%	49.4%	51.2%
Minnesota Power & Light Co	44.3%	45.1%	46.1%	46.9%	47.5%	44.6%	45.2%	46.6%	46.4%	45.9%
NIPSCO Industries Inc	34.0%	36.2%	41.0%	40.3%	42.6%	44.6%	45.7%	44.0%	44.8%	45.3%
OGE Energy Corp	51.1%	49.9%	49.2%	49.0%	49.4%	50.2%	50.4%	50.5%	54.1%	51.2%
St Joseph Light & Power Co	54.4%	58.2%	60.6%	61.6%	63.2%	58.2%	59.6%	57.9%	58.2%	52.7%
SIGCORP Inc	55.0%	48.0%	49.0%	51.3%	47.1%	50.3%	53.7%	49.0%	50.3%	52.6%
AVERAGE	46.48%	47.33%	48.66%	49.99%	50.28%	49.83%	51.00%	50.24%	50.52%	50.09%

Source Value Investment Survey, January 10, 1997

SCHEDULE JCD-3

1023

**MISSOURI PUBLIC SERVICE
ELECTRIC UTILITY INDUSTRY
GROWTH ANALYSIS
FIVE AND TEN YEAR**

COMPANY	10 YEAR GROWTH			5 YEAR GROWTH		
	EARNINGS	DIVIDENDS	BOOK VALUE	EARNINGS	DIVIDENDS	BOOK VALUE
CIPSCO Inc	1 50%	2 00%	2 00%	3 00%	2 00%	1 50%
Central Louisiana Electric Co Inc	1 50%	4 00%	4 00%	1 50%	4 00%	2 00%
DPL Inc	1 50%	3 00%	2 50%	1 50%	3 50%	1 50%
Empire District Electric	-1 00%	4 50%	4 00%	-3 00%	2 50%	2 00%
IPALCO Enterprises Inc	2 00%	4 00%	4 00%	-1 50%	4 00%	2 50%
KU Energy Corp	3 50%	3 50%	3 50%	0 50%	3 00%	3 50%
LG&E Energy Corp	0 50%	3 00%	3 50%	0 00%	3 00%	3 50%
Minnesota Power & Light Co	-1 00%	4 50%	3 00%	-2 50%	2 50%	1 50%
NIPSCO Industries Inc	5 50%	-0 50%	1 50%	12 00%	11 00%	4 00%
OGE Energy Corp	2 00%	3 00%	2 00%	-1 50%	2 00%	1 50%
St Joseph Light & Power Co	2 50%	5 50%	4 50%	0 50%	3 50%	3 00%
SIGCORP Inc	<u>4.00%</u>	<u>6.00%</u>	<u>5.00%</u>	<u>3.00%</u>	<u>4.00%</u>	<u>5.50%</u>
Average	<u>2.45%</u>	<u>3.91%</u>	<u>3.29%</u>	<u>3.14%</u>	<u>3.75%</u>	<u>2.67%</u>

Average does not include negative percentages or zero

Source Value Investment Survey, January 10, 1997

SCHEDULE

1024

MISSOURI PUBLIC SERVICE
ELECTRIC UTILITY INDUSTRY
DIVIDENDS PER SHARE

COMPANY	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	AVERAGE GROWTH
CIPSCO Inc	\$1 67	\$1 71	\$1 75	\$1 79	\$1 83	\$1 87	\$1 91	\$1 95	\$1 99	\$2 03	2 19%
Central Louisiana Electric Co Inc	1 04	1 07	1 15	1 21	1 27	1 33	1 37	1 41	1 45	1 49	4 09%
DPL Inc	0 89	0 92	0 96	1 00	1 04	1 08	1 08	1 12	1 18	1 24	3 76%
Empire District Electric	0 96	1 02	1 08	1 13	1 18	1 22	1 26	1 28	1 28	1 28	3 27%
IPALCO Enterprises Inc	1 01	1 21	1 09	1 15	1 20	1 25	1 31	1 36	1 41	1 44	4 26%
KU Energy Corp	1 26	1 29	1 34	1 40	1 46	1 50	1 56	1 60	1 64	1 68	3 25%
LG&E Energy Corp	0 85	0 88	0 90	0 92	0 94	0 96	0 99	1 03	1 06	1 10	2 91%
Minnesota Power & Light Co	1 52	1 66	1 72	1 78	1 86	1 90	1 94	1 98	2 02	2 04	3 35%
NIPSCO Industries Inc	0 00	0 30	0 66	0 89	1 07	1 18	1 26	1 35	1 47	1 59	NMF
OGE Energy Corp	2 11	2 21	2 31	2 41	2 51	2 60	2 66	2 66	2 66	2 66	2 63%
St Joseph Light & Power Co	0 61	0 65	0 70	0 76	0 80	0 83	0 86	0 88	0 90	0 92	4 70%
SIGCORP Inc	1.10	1.19	1.28	1.35	1.43	1.50	1.56	1.61	1.65	1.69	4.91%
AVERAGE	\$1.18	\$1.18	\$1.25	\$1.32	\$1.38	\$1.44	\$1.48	\$1.52	\$1.56	\$1.60	3.57%

Average does not include negative percentages or zero

Source Value Investment Survey, January 10, 1997

SCHEDULE JCD-5

10 25

MISSOURI PUBLIC SERVICE
ELECTRIC UTILITY INDUSTRY
EARNINGS PER SHARE

COMPANY	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	AVERAGE GROWTH
CIPSCO Inc	\$1 96	\$1 88	\$2 35	\$1 91	\$1 92	\$2 11	\$2 13	\$2 51	\$2 46	\$2 11	1 69%
Central Louisiana Electric Co Inc	1 61	1 76	1 80	1 78	1 85	1 92	1 93	1 78	1 92	2 08	3 02%
DPL Inc	1 36	1 60	1 34	1 45	1 49	1 15	1 34	1 42	1 54	1 63	2 93%
Empire District Electric	1 43	1 48	1 53	1 47	1 28	1 43	1 26	1 16	1 32	1 18	-1 65%
IPALCO Enterprises Inc	1 31	1 59	1 76	1 69	1 72	1 81	1 57	1 33	1 64	1 87	4 88%
KU Energy Corp	1 43	1 88	1 94	2 02	1 97	2 13	1 96	2 11	2 01	2 01	4 37%
LG&E Energy Corp	1 09	1 11	1 23	1 07	1 15	1 29	1 17	1 24	1 00	1 25	2 40%
Minnesota Power & Light Co	2 77	2 34	2 35	2 01	2 00	2 19	2 31	2 20	1 64	1 72	-4 49%
NIPSCO Industries Inc	0 83	0 53	1 41	1 00	1 81	1 94	2 00	2 31	2 48	2 72	24 96%
OGE Energy Corp	2 75	2 60	3 20	3 05	3 38	3 27	2 42	2 78	3 01	3 05	2 11%
St Joseph Light & Power Co	1 17	1 16	1 17	1 23	1 24	1 22	1 12	0 99	1 41	1 35	2 52%
SIGCORP Inc	<u>1.79</u>	<u>1.92</u>	<u>2.22</u>	<u>2.11</u>	<u>2.27</u>	<u>2.37</u>	<u>2.26</u>	<u>2.45</u>	<u>2.53</u>	<u>2.64</u>	<u>4.59%</u>
AVERAGE	<u>\$1.63</u>	<u>\$1.65</u>	<u>\$1.86</u>	<u>\$1.73</u>	<u>\$1.84</u>	<u>\$1.90</u>	<u>\$1.79</u>	<u>\$1.86</u>	<u>\$1.91</u>	<u>\$1.97</u>	<u>5.35%</u>

Average does not include negative percentages or zero

Source Value Investment Survey, January 10, 1997

SCHEDULE

1026

MISSOURI PUBLIC SERVICE
ELECTRIC UTILITY INDUSTRY
BOOK VALUE PER SHARE

COMPANY	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	AVERAGE GROWTH
CIPSCO Inc	\$16.60	\$16.78	\$17.38	\$17.52	\$17.63	\$17.86	\$18.08	\$18.60	\$19.01	\$19.12	1.59%
Central Louisiana Electric Co Inc	11.97	12.46	13.12	13.74	14.33	13.52	14.11	14.58	15.12	15.81	3.19%
DPL Inc	8.48	8.72	9.09	9.84	10.31	10.38	9.66	9.92	10.55	10.92	2.93%
Empire District Electric	9.67	10.22	10.75	11.17	11.75	12.08	12.29	12.37	12.47	12.69	3.08%
IPALCO Enterprises Inc	10.99	11.37	12.04	12.59	13.11	13.67	13.94	13.92	14.16	14.49	3.13%
KU Energy Corp	12.06	12.42	13.01	13.94	14.45	15.02	15.42	15.93	16.29	16.62	3.64%
LG&E Energy Corp	8.68	8.98	9.35	9.54	10.11	10.45	10.60	11.07	11.55	11.77	3.45%
Minnesota Power & Light Co	15.81	16.50	16.86	17.46	16.36	16.02	16.58	18.03	17.98	18.56	1.88%
NIPSCO Industries Inc	13.16	13.13	14.03	13.92	14.64	15.17	15.73	16.63	17.34	17.99	3.56%
OGE Energy Corp	20.43	20.11	21.01	21.28	21.92	22.60	22.35	22.48	22.83	23.22	1.45%
St Joseph Light & Power Co	7.37	7.87	8.26	8.56	8.81	9.19	9.42	9.54	9.93	10.42	3.93%
SIGCORP Inc	12.66	12.72	14.17	14.92	14.55	15.37	17.12	17.97	18.82	19.99	5.29%
AVERAGE	<u>\$12.32</u>	<u>\$12.61</u>	<u>\$13.26</u>	<u>\$13.71</u>	<u>\$14.00</u>	<u>\$14.28</u>	<u>\$14.61</u>	<u>\$15.09</u>	<u>\$15.50</u>	<u>\$15.97</u>	<u>3.09%</u>

Source Value Investment Survey, January 10 1997

SCHEDULE JCD-7

1027

**MISSOURI PUBLIC SERVICE
ELECTRIC UTILITY INDUSTRY
DIVIDEND YIELD**

COMPANY	December 31, 1996			Value Line
	Price	Dividend	Yield	Yield 01/10/97
CIPSCO Inc	36 000	2 08	5 78%	5 90%
Central Louisiana Electric Co Inc	27 625	1 54	5 57%	5 60%
DPL Inc	24 250	1 30	5 36%	5 60%
Empire District Electric	18 750	1 28	6 83%	6 70%
IPALCO Enterprises Inc	27 250	1 48	5 43%	5 60%
KU Energy Corp	30 000	1 72	5 73%	5 90%
LG&E Energy Corp	24 500	1 15	4 69%	4 70%
Minnesota Power & Light Co	27 500	2 04	7 42%	7 30%
NIPSCO Industries Inc	39 625	1 80	4 54%	4 60%
OGE Energy Corp	41 750	2 66	6 37%	6 30%
St Joseph Light & Power Co	15 375	0 94	6 11%	6 40%
SIGCORP Inc	<u>34 625</u>	1 73	<u>5 00%</u>	<u>5 10%</u>
Average	<u>28.938</u>		<u>5.74%</u>	<u>5.81%</u>

Source Value Investment Survey January 10, 1997
Wall Street Journal December 31, 1996

MISSOURI PUBLIC SERVICE
ELECTRIC UTILITY INDUSTRY
RETURN ON EQUITY

COMPANY	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
CIPSCO Inc	11 80%	11 20%	13 50%	10 90%	10 00%	11 80%	11 80%	13 50%	13 00%	11 10%
Central Louisiana Electric Co Inc	13 40%	14 10%	13 70%	12 90%	12 90%	14 30%	13 70%	12 20%	12 70%	13 20%
DPL Inc	15 90%	21 50%	14 70%	13 60%	14 30%	11 10%	13 90%	13 50%	13 70%	14 10%
Empire District Electric	14 50%	14 20%	14 00%	13 00%	10 10%	11 70%	10 10%	9 30%	10 40%	9 00%
IPALCO Enterprises Inc	12 00%	13 90%	14 60%	13 50%	13 10%	13 30%	11 20%	9 60%	11 60%	12 90%
KU Energy Corp	11 80%	15 10%	14 90%	14 50%	13 70%	14 20%	12 70%	13 30%	12 30%	12 10%
LG&E Energy Corp	12 40%	12 30%	13 10%	11 10%	11 30%	12 30%	11 00%	11 10%	8 60%	10 60%
Minnesota Power & Light Co	17 50%	14 10%	13 90%	11 50%	11 30%	14 10%	13 90%	10 50%	8 20%	8 40%
NIPSCO Industries Inc	6 30%	4 00%	10 10%	7 50%	12 40%	12 90%	12 90%	14 00%	14 50%	15 40%
OGE Energy Corp	12 80%	13 10%	15 20%	14 50%	15 50%	14 40%	10 80%	12 30%	13 20%	13 10%
St Joseph Light & Power Co	15 80%	14 70%	14 40%	14 70%	14 40%	13 30%	11 90%	10 40%	14 30%	13 00%
SIGCORP Inc	<u>14.10%</u>	<u>14.90%</u>	<u>15.40%</u>	<u>13.90%</u>	<u>14.90%</u>	<u>14.40%</u>	<u>13.20%</u>	<u>13.70%</u>	<u>13.50%</u>	<u>12.90%</u>
AVERAGE	<u>13.19%</u>	<u>13.59%</u>	<u>13.96%</u>	<u>12.63%</u>	<u>12.83%</u>	<u>13.15%</u>	<u>12.26%</u>	<u>11.95%</u>	<u>12.17%</u>	<u>12.15%</u>

Source Value Investment Survey, January 10, 1997

MISSOURI PUBLIC SERVICE
ELECTRIC UTILITY INDUSTRY
RETURN ON EQUITY EPS/BOOK VALUE

COMPANY	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
CIPSCO Inc	11 81%	11 20%	13 52%	10 90%	10 89%	11 81%	11 78%	13 49%	12 94%	11 04%
Central Louisiana Electric Co Inc	13 45%	14 13%	13 72%	12 95%	12 91%	14 20%	13 68%	12 21%	12 70%	13 16%
DPL Inc	16 04%	18 35%	14 74%	14 74%	14 45%	11 08%	13 87%	14 31%	14 60%	14 93%
Empire District Electric	14 79%	14 48%	14 23%	13 16%	10 89%	11 84%	10 25%	9 38%	10 59%	9 30%
IPALCO Enterprises Inc	11 92%	13 98%	14 62%	13 42%	13 12%	13 24%	11 26%	9 55%	11 58%	12 91%
KU Energy Corp	11 86%	15 14%	14 91%	14 49%	13 63%	14 18%	12 71%	13 25%	12 34%	12 09%
LG&E Energy Corp	12 56%	12 36%	13 16%	11 22%	11 37%	12 34%	11 04%	11 20%	8 66%	10 62%
Minnesota Power & Light Co	17 52%	14 18%	13 94%	11 51%	12 22%	13 67%	13 93%	12 20%	9 12%	9 27%
NIPSCO Industries Inc	6 31%	4 04%	10 05%	7 18%	12 36%	12 79%	12 71%	13 89%	14 30%	15 12%
OGE Energy Corp	13 46%	12 93%	15 23%	14 33%	15 42%	14 47%	10 83%	12 37%	13 18%	13 14%
St Joseph Light & Power Co	15 88%	14 74%	14 16%	14 37%	14 07%	13 28%	11 89%	10 38%	14 20%	12 96%
SIGCORP Inc	<u>14.14%</u>	<u>15.09%</u>	<u>15.67%</u>	<u>14.14%</u>	<u>15.60%</u>	<u>15.42%</u>	<u>13.20%</u>	<u>13.63%</u>	<u>13.44%</u>	<u>13.21%</u>
AVERAGE	<u>13.31%</u>	<u>13.39%</u>	<u>14.00%</u>	<u>12.70%</u>	<u>13.08%</u>	<u>13.19%</u>	<u>12.26%</u>	<u>12.16%</u>	<u>12.30%</u>	<u>12.31%</u>

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MISSOURI PUBLIC SERVICE
RATE OF RETURN
DECEMBER 31, 1996

	<u>Ratio</u>	<u>Cost</u>	<u>Weighted Cost</u>
Long-term debt	52.69%	8.39%	4.42%
Common equity	<u>47.31</u>	12.50	<u>5.91</u>
Total	<u>100.00%</u>		<u>10.33%</u>

STATEMENT OF QUALIFICATIONS
OF
JOHN C DUNN

1 Q Please state your name

2 A John C Dunn

3

4 Q What is your educational background?

5 A I graduated from the University of Missouri - Kansas City, in 1967 with a Bachelor's
6 Degree in Economics and Minor in Mathematics In 1970, I received a Master of
7 Arts Degree in Economics from the University of Missouri - Kansas City

8

9 Q What is your experience in the area of public utility economics?

10 A I have been an economic consultant for over 20 years I have specialized in the
11 general area of public utility economics and corporate finance with a special emphasis
12 in the area of cost of capital and rate of return Prior to the formation of John C
13 Dunn & Company, I was a partner in predecessor firms for approximately 15 years
14 Prior to becoming a consultant, I was Chief of Economic Research for the Missouri
15 Public Service Commission I left the Commission to become Director of Economic
16 and Financial Services and a principal in the firm of Troupe, Kehoe, Whiteaker and
17 Kent

18

19 I have received the designation, Certified Rate of Return Analyst, after successful

completing a comprehensive examination on the body of knowledge involved in evaluation and determination of rate of return, capital structure and related matters

Q Have you written any articles in the field of economics?

A I have published a statistical volume analyzing the gas distribution (both integrated and combinations) and gas transmission industries. This volume was published in early 1972. The volume was entitled, A Regulated Gas Utility Survey. Two other volumes, The Financial and Operating Analysis of Privately Owned Electric Utilities in the United States, 1961-1970, and The Inclusive Directory of Independent Operating Telephones, 1961-1970, were first published under my direction in 1971

Shorter works include a presentation to the first annual Regulatory Information Systems Conference on the use of the computer as a tool of financial analysis, a presentation to the 1972 Regulatory Information Systems Conference on the use of the computer in augmenting traditional economic analysis, a presentation to the Missouri Valley Electric Association considered the capital requirements and the financial profile for the electric industry for the 1970's, a presentation on "The Independent Telephone Industry", and "The Future of the REA"; and a speech "The Regulation of ADR Deferrals" to a joint session of the Department of the Treasury and the Internal Revenue Service and a presentation on "The Use and Conservation of Helium" to a committee of the Kansas State Senate

1 I lectured at Michigan State University NARUC courses from 1973 to 1976 on the
2 use of the computer in regulation and quantitative methods I was a discussant on
3 rate design on the Missouri Energy Council program and I have been a panel
4 moderator and chairperson on the Iowa State University conference on Public Utility
5 Valuation and the Ratemaking Process and the chairman of the Capital Section of
6 the 1979 Midwest Finance Association I appeared before a select committee of the
7 Indiana Senate on valuation methods in the ratemaking process

8
9 I was a session chairman at the 1987 Western Economic Association International
10 Conference and a panelist at the same conference While attending the University
11 of Missouri, I was awarded a fellowship and as a consequence participated in
12 numerous research projects and papers of regional economic importance

13
14 Q Do you belong to any professional organizations or associations?

15 A Yes The American Economic Association, the American Finance Association, the
16 Econometric Society, the Federation of Financial Analysts, and regional and local
17 associations such as the Western Finance Association, the Southern Economic
18 Association, the Kansas City Society of Financial Analysts and the Kansas City
19 Council on Business Economics

20
21 I am a past member of the Governor's Advisory Council on Comprehensive Health
22 Planning and the State Advisory Board on Medical Service Cost, both in the state of

Missouri From its inception in 1970 until February 1972, I was a member of the National Association of Regulatory Utility Commissioners Subcommittee of Staff Experts on Economics From its inception until February 1972, I was Chairman of the National Association of Regulatory Utility Commissioners Joint Subcommittee on Electronic Data Processing.

I am also a member of the Iowa State University Board of Directors Conference on Public Utility Valuation, a member of the Program Planning Committee of the same organization and a past member of the faculty of the NARUC Short Course at Michigan State University I am past chairman of the Advising Faculty of the Regulatory Information Systems Conference

Q Have you previously testified before any state or federal regulatory agencies?

A Yes I have testified on economic matters, including rate of return determinations, value determinations and rate design before courts in several jurisdictions, utility regulatory agencies, both state and federal, and other regulatory bodies such as State Property Tax Boards In particular, I have testified before the Federal Energy Regulatory Commission and its predecessor, the Federal Power Commission, the Interstate Commerce Commission and its successor on crude and product pipeline rates, the Federal Energy Regulatory Commission, and the state regulatory commissions of Kansas, Missouri, Mississippi, Illinois, Iowa, Michigan, Oklahoma, Indiana, Texas, Arkansas, Nevada, Colorado, Georgia, South Carolina, Tennessee and

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1 Louisiana, among others I have testified before Federal District Courts in Nebraska,
2 Kansas and Oklahoma and courts in the states of Mississippi, Kansas, Nebraska and
3 Missouri

4

5 Q Does your background in finance and economics include special studies in the
6 determination of appropriate capitalization and cost of capital?

7 A It does

Exhibit No	
Issue	Rate of Return, Capital Structure and Return on Equity
Witness	John C Dunn
Type of Exhibit	Rebuttal Testimony
Sponsoring Party	Missouri Public Service
Case No	ER-97-394

Before the Public Service Commission
of the State of Missouri

Rebuttal Testimony

of

John C Dunn

REBUTTAL TESTIMONY OF JOHN C DUNN
ON BEHALF OF
MISSOURI PUBLIC SERVICE DIVISION
UTILICORP UNITED INC
CASE NO ER-97-394

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BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI
REBUTTAL TESTIMONY OF JOHN C DUNN
ON BEHALF OF
MISSOURI PUBLIC SERVICE DIVISION
UTILICORP UNITED INC
CASE NO ER-97-394

1 Q Please state your name

2 A My name is John C Dunn

3

4 Q Please state your business address

5 A My business address is 8826 Santa Fe Drive, Suite 304, Overland Park, Kansas

6

7 Q Are you the same John C Dunn who previously filed direct testimony in this
8 proceeding on behalf of the Missouri Public Service ("MPS") or ("Company")
9 operating division of UtiliCorp United Inc ("UtiliCorp")?

10 A Yes sir, I am

11

12 Q What is the purpose of your rebuttal testimony?

13 A To rebut the direct testimony filed by Steven G Hill on behalf of the Missouri
14 Public Service Commission ("Commission") Staff ("Staff") and Mark Burdette on
15 behalf of the Office of the Public Counsel ("OPC") The testimony filed by both
16 witnesses concerns the issue of rate of return and, more specifically, the issue of
17 capital structure and return on equity

1 Q How will you organize this rebuttal testimony?

2 A The issues which I will address are the same for both witnesses. Specifically, both
3 witnesses are proposing that the UtiliCorp consolidated capital structure be used
4 in the calculation of rate of return rather than MPS divisional book capital
5 structure. Both witnesses have proposed a return on equity which is too low (10.75
6 percent in the case of Mr. Hill, and 10.7 percent in the case of Mr. Burdette).
7 Finally, both witnesses have included short-term debt in the capital structure.

8 Capital Structure

9 Q What is the issue concerning the capital structure of the Company?

10 A The capital structure represents the mix of debt and equity used in financing the
11 rate base. MPS has a book capital structure which is assigned to it as a part of a
12 comprehensive capital allocation system at UtiliCorp. This system has been
13 continuously in place since 1986. That book capital structure is very close to the
14 average capital structure of comparable electric utilities and meets all reasonable
15 tests for a division capital structure. The appropriateness of the capital structure
16 has been tested from time to time with recurring studies and with Commission and
17 Commission Staff review including a favorable review by this Commission. There
18 have been no discontinuities, no unexplained adjustments to the book capital
19 structure, and no manipulations. The capital structure has been used by the Staff
20 and accepted by the Commission in calculating the MPS rate of return in prior
21 proceedings. The Company has proposed a rate of return calculated from this

1 capital structure

2

3 The Staff consultant and the OPC witness chose to use the consolidated capital
4 structure of UtiliCorp UtiliCorp is a diverse energy company with a capital
5 structure which is not appropriate for MPS In fact, the Staff consultant admits the
6 inappropriateness of the consolidated capital structure by proposing an adjustment
7 to accommodate the extra risk created by the imputed capital structure he
8 proposes for this rate proceeding

9

10 Q What is your view with respect to the use of the consolidated capital structure in
11 this case?

12 A I believe the use of the consolidated capital structure is wrong and should be
13 rejected by the Commission I believe the Commission should use the MPS
14 division capital structure I base this recommendation on the following facts

- 15
- 16 • The selection of the capital structure is management's
17 prerogative unless the capital structure is in some way
18 abnormal, unusual, or unreasonable Management is
19 responsible for the outcome produced by the capital
20 structure and is entitled to have rates set on the capital
21 structure it chooses if it is reasonable There is
22 abundant regulatory precedent for this position including
Commission precedent
 - 23 • Recent Commission decisions in Missouri have favored
24 the use of a division or subsidiary capital structure when
25 that division or subsidiary capital structure is
26 appropriate for the activity This is a Commission

1 position which was reached over a long series of cases
2 and after considerable deliberation by the Commission
3 The MPS division capital structure is appropriate for its
4 operations

- 5 • Since the MPS per books capital structure is normal and
6 representative of the industry, the consolidated capital
7 structure was recommended for no reason other than to
8 reduce the revenue requirement of MPS The use of
9 the consolidated capital structure is inconsistent with
10 past recommendations of the Staff consultant
- 11 • The use of the consolidated capital structure imposes on
12 MPS a capital structure which is unlike its peers in the
13 industry The consolidated capital structure is so
14 unusual for an electric utility it requires a new
15 adjustment for risk created solely by the capital
16 structure This kind of erroneous adjustment creates
17 error in the process which becomes compounded as
18 compensating adjustments are made
- 19 • It is not feasible for the Company to use the
20 consolidated capital structure in the proper financing of
21 MPS As a consequence, it would be unreasonable for
22 the Commission to use that capital structure to set rates
- 23 • The system of capital structure assignment which
24 supports the MPS capital structure has been reviewed
25 and accepted in numerous regulatory proceedings in
26 several jurisdictions including this Commission
- 27 • Recent Staff precedent on capital structure favors the
28 use of the division capital structure when it is
29 appropriate That Staff position was arrived at after a
30 long and careful study of the issue over a series of rate
31 proceedings involving many jurisdictional utilities
- 32 • Since the capital structure and return proposed by the
33 Staff consultant and the OPC witness results in a lower
34 return than that realized or forecast for comparable
35 electric utilities, it does not meet the most fundamental
36

1 standard for a fair and reasonable and judicially
2 acceptable return

3 • Using the consolidated capital structure implies that the
4 capital in that structure is available to finance the
5 Missouri rate base This is an incorrect assumption
6 since a significant part of the long-term debt is
7 international and the money cannot leave the country of
8 origin and part of the long-term debt is issued by other
9 UtilCorp subsidiaries and is legally required to be used
10 inside of those publicly traded entities and not in
11 Missouri

12 • The use of the consolidated capital structure is
13 technically incorrect There is a substantial body of
14 financial literature that shows that using the
15 consolidated capital structure for a division is wrong

16 Return on Equity

17 Q Based on the direct testimony of the Staff and OPC, what is the issue in
18 connection with return on equity?

19 A The Company has requested a return on equity of 12.5 percent That return on
20 equity was based on a current and prospective analysis of the marketplace and
21 comparable electric utilities The book return is similar to what is being earned
22 and forecast to be earned by comparable electric utilities The Staff consultant has
23 recommended a return on equity of 10.75 percent and the OPC witness has
24 recommended a return on equity of 10.7 percent

25

26 Q How do you respond?

27 A The returns recommended by the Staff and OPC are too low and below the returns

1 being earned by comparable electric utilities at this time and forecast for the next
2 year

3
4 The Commission should reject the returns recommended by the Staff consultant
5 and the OPC witness and should adopt a higher return consistent with recent
6 Commission decisions, current earnings of comparable electric utilities, and the
7 needs of the Company to maintain access to capital

8

9 Q What is the basis of your recommendation?

10 A I base this recommendation on the following facts

- 11 • Recent orders of the Commission have authorized
12 returns for other jurisdictional utilities which are higher
13 than those recommended by the Staff consultant and the
14 OPC witness in this proceeding
- 15 • If the Commission were to adopt the Staff consultant
16 recommended return it would result in earnings for MPS
17 about 15 percent lower than the actual return forecast
18 for the comparable electric utilities This end result
19 does not meet the minimum requirements of the
20 comparable earnings standard
- 21 • Both return recommendations amount to nothing more
22 than a personal statement that electric utilities
23 comparable to MPS are currently earning too much
24 return and, as a result, MPS's return should be lowered
25 now regardless of the continued higher earnings of the
26 comparable electric utilities
- 27 • If the return recommended by the Staff consultant and
28 OPC witness is adopted, there are significant

1 implications for earnings per share and stock prices
2 MPS would be impaired at a time when competition
3 with unregulated, uncontrolled, new entrants into the
4 market is eminent. It seems absolutely unreasonable to
5 financially impair a utility just prior to requiring that
6 utility to compete with other unregulated companies for
7 customers' business

- 8 • The Staff consultant and OPC witness have based their
9 recommended returns on historic and current book data.
10 They have not recognized the real returns to investors
11 and have assumed because low returns can be carefully
12 teased from book information that investors will be
13 satisfied with low returns in the future when in fact they
14 are currently earning higher total returns than that
15 proposed by either witness

- 16 • The Staff consultant and OPC witness have proposed a
17 return based on historically low market conditions. The
18 Commission has never adopted extremes in cost of
19 capital in its prior orders. It has never authorized the
20 highest possible return when returns were at
21 extraordinary high levels and in my experience it has
22 never authorized the lowest returns when returns were
23 at historically low levels

- 24 • The real return to investors is much higher than the
25 return proposed by either the Staff consultant or the
26 OPC witness. Authorizing a lower return than that
27 currently being earned by investors would have a
28 catastrophic effect not only on MPS but also on
29 UtiliCorp

- 30 • Both the Staff consultant and OPC witness have geared
31 their return analysis at least in part to UtiliCorp.
32 UtiliCorp is a complex, multi-national, diverse energy
33 corporation. It is not appropriate to base a return
34 recommendation for MPS on either UtiliCorp's capital
35 structure or its profile. UtiliCorp is different from MPS
36 and the returns derived for UtiliCorp should be rejected

- 1 • The UtiliCorp discounted cash flow analysis included in
2 the studies of both witnesses has a growth rate which is
3 far below that stated by the Company as its growth
4 objective and estimated by analysts for the future. This
5 understates the UtiliCorp DCF cost of equity which is
6 critical to both analyses and suggests that the growth
7 rates used in the rest of the DCF analysis are also too
8 low

9 Short-term Debt Included in the Capital Structure

10 Q What is the issue related to including short-term debt in the capital structure?

11 A The Staff consultant and the OPC witness have both recommended that short-term
12 debt be included in the capital structure. The Staff consultant takes the amount
13 of UtiliCorp short-term debt at year end and reduces it by the amount of
14 construction work in progress ("CWIP") at the same date. The OPC witness does
15 not adjust the amount of short-term debt. I have not included short-term debt in
16 my capital structure.

17
18 Q Why?

19 A Including short-term debt in a permanent capital structure which is used to finance
20 long-term assets is incorrect. The UtiliCorp short-term debt has been continuously
21 replaced with long-term or permanent capital whenever that short-term debt was
22 related to the financing of long-term assets. Residual short-term debt represents
23 the financing of current assets (or liabilities) such as fuel and cost of gas.

1 the mainstream financial literature While management may know what the
2 proper consolidated ratios should be, they do so only because of intimate
3 knowledge of all of the component parts Each business activity or project should
4 be financed appropriately and the sum of all of that individual financing, the
5 consolidated capital structure, is nothing more than the total of the parts It is a
6 bottom up phenomenon rather than a top down

7

8 Q What is the role of management with respect to the capital structure for each of
9 its business activities?

10 A It is a prerogative and obligation of management to select the proper capital
11 structure In this regard, the Staff consultant suggests that management blindly
12 permits the flow of capital into the business operation and then finances each of
13 its business activities with the average capital structure of the total company

14

15 Q How do you respond to this suggestion?

16 A Nothing could be further from the truth It is management's obligation and
17 responsibility to properly allocate the capital which flows into the corporation to
18 the individual activities of the Company If management improperly finances its
19 activities, management will bear the full responsibility and must answer to the
20 shareholders and to the Commission As a consequence, it is appropriate to
21 permit management to choose the capital structure, thus matching the prerogative

1 with the responsibility and the consequences

2

3 Of course, if management does not do a good job and selects an improper capital
4 structure for a regulated entity, the Commission should bring that forcefully to the
5 attention of management and should substitute an appropriate capital structure for
6 the improper capital structure

7

8 Q Has anyone in this case said there is something wrong with the MPS capital
9 structure?

10 A No There have been no assertions in this case that the MPS capital structure is
11 improper or abnormal as compared to the industry This is no doubt because it
12 was developed by analysis of comparable electric utilities, it has been repeatedly
13 tested by analysis of comparable electric utilities, and the average ratios for the
14 MPS book capital structure are very similar to the industry average ratios at this
15 time

16

17 Q Why does management have an obligation to choose appropriate capital
18 structures?

19 A UtiliCorp's activities are diverse and complex There are more than 150 business
20 entities represented by the UtiliCorp consolidated capital structure Each of the
21 activities has a different risk profile and different return requirement Unless that

1 risk profile is a "carbon copy" of the average risk profile of the corporation (which
2 in a diverse company would be a complete accident), the activity should have its
3 own capital structure and its own return (See Levy and Sarnat, Capital Investment
4 and Financial Decisions, 1986 Prentice Hall International, Englewood Cliffs, NJ)

5
6 Consequently, it is management's job to select the capital structures for business
7 activities under their direction and control

8
9 Q What happens if management is wrong?

10 A If management improperly finances its business activities, i.e., chooses the average
11 or consolidated or wrong capital structure, capital will flow inappropriately inside
12 the corporation resulting in a misallocation of capital and inappropriate returns to
13 the shareholder. The misallocation of resources would lead to a risk adjusted
14 return which was too low and ultimately shareholder rejection

15
16 Q Is there another way to express this same point?

17 A Yes. Said somewhat differently, capital flows into the corporation together with
18 other factors of production or business resources. It is management's obligation
19 to marshal these resources including the capital and then redeploy or allocate
20 them in proper amounts to each of the corporation's business activities. In this
21 sense, capital is no different than labor. It would clearly be ludicrous for a

1 consultant to suggest to the Commission that the average amount of labor (or
2 wages) for each of the business activities is the appropriate amount of labor or
3 wages to include in the cost of service. Clearly, there is a specific level of wages
4 and labor required to produce the output of MPS (other activities in the UtiliCorp
5 group may be more or less labor intense). There is also a specific mix of skills
6 necessary to meet MPS's customer requirements. Likewise, there is a proper mix
7 of capital for each activity including MPS.

8
9 It is management's obligation to assign the proper mix and amount of skills
10 necessary to make MPS and each of the sister divisions and subsidiaries a
11 successful business entity. In the same fashion, it is management's responsibility
12 to deploy to MPS the proper mix of capital. To suggest that the average mix of
13 capital is the right mix is just as wrong as to suggest the average mix of business
14 skills and effort is the right mix. Some businesses are equity intensive and some
15 are not. Some businesses require a substantial component of engineering skills,
16 some do not.

17
18 Q Can you provide an example?

19 A Yes. If, for example, across the entire corporation half of the employees are highly
20 skilled engineers and mechanics and the other half of the employees marketing
21 and sales specialists, it would be incorrect and clearly not deserving of a second

1 thought to say that the proper mix of skills to run the Sibley Power Plant is half
2 engineering skills and half sales and marketing skills In the same way, it is
3 incorrect to say that the average mix of capital for the corporation as a whole is
4 the proper mix to finance MPS, i e ,that the marketing activities of the company
5 should be financed with the same mix of capital as the power plant
6

7 In summary, management bears full responsibility for the capital structure, the
8 deployment of capital, and the results of that deployment It is reasonable to grant
9 management and the board of directors the prerogative of choosing its capital
10 structure so long as they bear this responsibility successfully
11

12 Q Is there a time when the Commission should modify the capital structure for
13 ratemaking purposes?

14 A The Commission should modify the capital structure only when it is inappropriate
15 for the activity being financed If MPS is financed with 80 percent equity or at the
16 opposite extreme, 10 to 15 percent equity, I believe the Commission has both the
17 duty and the responsibility to notify management and to modify the capital
18 structure for ratemaking On the other hand, as the Commission has previously
19 stated, if the capital structure is very close to industry averages as it is in this case
20 and very close to the standards which have been established for the financing of
21 electric utility operations as it is in this case, there seems to be no common sense,

1 regulatory, financial, or business reason to modify that capital structure In fact,
2 in my opinion, when the capital structure is normal, appropriate, and typical as it
3 is in this case, the only reason anyone would suggest an alternative capital
4 structure is to artificially suppress the revenue requirement

5

6 Q Several times you have indicated that the consolidated capital structure is the
7 average financing of the entire corporation Can you explain that statement?

8 A UtiliCorp is a diverse entity It has marketing activities, power plants, and
9 international operations Each has a different financing requirement The
10 consolidated capital structure results from the addition of all of these individual
11 financial structures into a total The total bears no particular relationship to its
12 component parts

13

14 Q Can you give an example of this point?

15 A Suppose a company consists of two subsidiaries, Subsidiary A and Subsidiary B
16 Subsidiary A is operating in an extremely low risk business with a high certainty
17 of future net operating income Appropriately, that company would be financed
18 with virtually 100 percent debt Assume for the sake of the example that the
19 company is financed with 90 percent debt and 10 percent equity

20

21 Continuing with the example, assume a second subsidiary which is quite risky

1 That second subsidiary should be financed with mostly equity For the sake of this
2 example, we will assume that entity is properly financed with 90 percent equity and
3 10 percent debt

4
5 Assuming that each of the subsidiaries has a capitalization of \$100, the capital
6 structures of the two subsidiaries and the consolidated entity would be as follows

	<u>Dollars and Percent</u>		<u>Consolidated</u>	
	<u>Subsidiary</u>	<u>Subsidiary</u>	<u>Amount</u>	<u>Ratio</u>
	<u>A</u>	<u>B</u>		
7				
8				
9				
10				
11	Debt	90	10	\$100 50%
12	Equity	<u>10</u>	<u>90</u>	<u>100</u> <u>50%</u>
13				
14		<u>100</u>	<u>100</u>	<u>\$200</u> <u>100%</u>

15

16 Assuming Subsidiaries A and B are perfectly financed, the consolidated capital
17 structure is simply the sum of the two subsidiaries In this case, the consolidated
18 capital structure is 50 percent debt and 50 percent equity, clearly wrong for either
19 subsidiary The consolidated ratios bear no relationship to the ratios for either of
20 the subsidiaries and since it is assumed that the subsidiaries are appropriately
21 financed, the use of the consolidated ratios for either of the subsidiaries would be
22 wrong

23

24 Q You have said that the use of inappropriate consolidated ratios leads to a

1 misallocation of resources within the corporation How does that take place?

2 A One of management's responsibilities is to allocate the factors of production which
3 the corporation controls to the various activities of the corporation In other
4 words, management allocates the capital and labor to its business enterprises In
5 the example above, Subsidiary A has a different risk profile than Subsidiary B If
6 the consolidated capital structure with a 50 percent equity ratio was used as the
7 standard to capitalize both subsidiaries, Subsidiary A would receive no capital
8 because the equity level in the incremental financing would be too high, and
9 Subsidiary B would receive all of the corporate capital because the additional
10 leverage would make the earnings appear to be higher than reasonably expected
11 The result would be a risk adjusted return for the corporation which was
12 inadequate for the amount of risk undertaken by the corporation

13

14 If the misallocation was permitted to continue, the corporation would not be
15 successful since the shareholders would receive an inadequate risk adjusted return

16 Revenue Requirement Impact of the Staff Recommendation

17 Q Is there a revenue requirement impact of the Staff consultant capital structure
18 recommendation?

19 A Absolutely The Staff consultant has recommended a capital structure that has a
20 lower equity ratio than the MPS per books equity ratio In my opinion, the sole
21 rationale for the Staff recommendation is to suppress the revenue requirement by

1 reducing the equity ratio In fact, past testimonies of the Staff consultant indicate
2 that the consultant selects the capital structure, consolidated or division, which
3 produces the lowest return requirement

4
5 Q Can you provide examples of Staff witness Hill's selection of capital structures with
6 an "end result" objective as opposed to the goal of having the appropriate capital
7 structure in the rate of return determination?

8 A Yes In Docket No E-1032-92-073, a case involving Citizens Utility Company
9 before the Arizona Corporation Commission, Mr Hill provided testimony on
10 behalf of RUCO, a Citizens organization On the capital structure issue in that
11 case, the order states

12 "Citizens and Staff agree that Citizens' actual consolidated capital
13 structure in existence at June 30, 1992 should be used in
14 determining rate of return RUCO believes that because Citizens
15 proposes to have rates set on the company-wide consolidated
16 capital structure, rather than the 'actual capitalization of AED',
17 the savings associated with the low-cost IDRBS have not been
18 realized Therefore, RUCO proposed use of a hypothetical capital
19 structure based upon an analysis of sample electric companies with
20 similar risks "

21

22 What this shows is that witness Hill, in the Citizens case, rejected the concept
23 which he has proposed in this case

24

25 Q Why?

1 A One reason perhaps is that the equity ratio of Citizens, on a consolidated basis, is
2 higher than the hypothetical ratio

3
4 Q Can you provide other examples of this "result oriented" testimony?

5 A Yes In Docket No R-00953524, a PFG Gas Inc and North Pen Gas Company
6 rate proceeding before the Pennsylvania Public Utilities Commission, witness Hill
7 recommended the booked capital structure of the subsidiaries and rejected the
8 consolidated capital structure proposed by the company The rejection appears on
9 page 13 of witness Hill's testimony of that case which says

10 "The Company's requested capital structure is not representative
11 of its actual booked capital structure " As a consequence, it
12 should not be used for setting rates

13
14 In this case, the consolidated capital structure also had a higher equity ratio than
15 the per books capital structure of the subsidiary

16
17 Q Has the Staff consultant witness more fully described his views on capital structure
18 in prior testimony?

19 A Yes In a natural gas company case before the West Virginia Public Service
20 Commission, Case No 91-025-G-42T, the company proposed using a consolidated
21 capital structure to set rates The Staff consultant witness in this case appeared
22 in that case on behalf of the Consumer Advocate Division and indicated that he

1 did not believe the consolidated capital structure was appropriate because

2 "Consolidated's (the parent company) risk is not similar to that of
3 Hope (the distribution company) and a capital structure which
4 may be appropriate for Consolidated is not appropriate for rate
5 setting purposes for a gas distribution utility operation "

6

7 Q How does Mr Hill's view in the West Virginia case compare with your views in
8 this case?

9 A Clearly, his testimony is very similar to the statements which I have made
10 concerning the appropriateness of capital structure This leads me to conclude that
11 the Staff consultant witness has selected his capital structure in this case simply to
12 minimize to the extent possible the revenue requirement

13

14 Q Has the Staff consultant witness ever used a capital structure which was derived
15 in the same manner as the MPS capital structure?

16 A Yes Witness Hill appeared in a Columbia Gas distribution company of
17 Pennsylvania case In that case, he selected the projected capital structure of the
18 gas distribution companies, the per books subsidiary capital structure, as the proper
19 capital structure to use in calculating rate of return He made the selection even
20 though the per books ratio of the gas distribution companies was higher than the
21 industry norm which appears in his testimony and thus produced a rate of return
22 which would have been above the industry average rate of return if that capital

1 structure had been used in the analysis In that case, the consolidated capital
2 ratios were based on a parent company with a 100 percent equity ratio Using the
3 subsidiary ratios in this case resulted in a lower revenue requirement than using
4 the consolidated capital ratios

5 The Staff Consultant Recommendation is Contrary To
6 Commission Precedent on Capital Structure

7 Q What is the Commission precedent on capital structure?

8 A The Commission position on capital structure has evolved through time in parallel
9 with the development of the academic understanding of capital structure theory
10 A number of years ago, the Commission used consolidated capital structures and
11 sometimes double leverage in determining rate of return for utilities with
12 complicated capital structures At that time, the theory related to the allocation
13 of capital within a corporation was not well developed and the concepts of capital
14 budgeting within the corporation were not well developed As the concepts
15 supporting capital budgeting and appropriate capital structure evolved, the
16 Commission position evolved In the last several cases where the Commission has
17 considered the issue of the appropriate capital structure, it has chosen to use the
18 division or subsidiary capital structure when it is appropriate

19

20 Q How has the concept of capital budgeting influenced the Commission position on
21 capital structure?

1 A There is no question that a number of years ago corporations accumulated
2 resources including capital and redeployed those resources without careful
3 consideration of the mix in the redeployment At the same time, corporations
4 were less complex than they are today and tended to be involved in only single
5 lines of business As a result, there were no serious consequences As
6 corporations became more complex, it became apparent that one of the most
7 significant functions of senior management and the board of directors was to
8 assure that the resources that flowed into the corporation were properly allocated
9 to the activities of the corporation

10
11 That meant that when a dollar of debt flowed into the corporation, that dollar was
12 not automatically distributed on a prorata basis to all of the activities of the
13 corporation, but rather was distributed in a fashion which maximized the benefit
14 of that dollar of debt to the corporation as a whole That maximization was
15 accomplished by allocating the debt to corporate activities based upon the absolute
16 need and capacity for that debt as determined by market forces Each entity in
17 this context received a separate capital structure based upon the specific allocation
18 activities of the parent corporation's management That separate capital structure
19 should be based on the financial requirements and risk profile of the subsidiary or
20 division

1 Q In what recent cases did the Commission consider the issue of complex or
2 consolidated capital structures and conclude that the subsidiary capital structure
3 was appropriate?

4 A In Case No TC-93-224, a Southwestern Bell rate proceeding, the Commission
5 considered the complicated capital structure of SBC Communications ("SBC"), the
6 parent company of Southwestern Bell ("SWB"), in determining the appropriate
7 capital structure to calculate rate of return. The Commission found that SWB
8 dominates SBC's profitability to such an extent that SBC is a good if not the best
9 proxy for determining the rate of return on equity for SWB. However, the
10 Commission went on to conclude that the SWB actual or book capital structure
11 should be used in calculating SWB's rate of return.

12
13 Q Why did the Commission do this?

14 A This conclusion was based on the fact that there was "no basis for development of
15 a hypothetical capital structure for SWB since its equity to debt ratio is
16 reasonable." The Commission reached this conclusion even though the capital
17 structure was an issue and there were alternatives proposed.

18
19 Q Are there other Commission cases on point?

20 A Yes. In a 1995 rate proceeding involving Missouri American Water Company,
21 Case No WR-95-205, the Commission was confronted with proposals for double

1 leverage, the consolidated capital structure, and the company's own capital
2 structure After a careful analysis of the evidence, the Commission concluded that
3 the "stand alone" capital structure or the per books capital structure of the
4 subsidiary was appropriate to use in calculating the rate of return for Missouri
5 American Water Company This conclusion was based on the fact that no one
6 demonstrated that the Missouri American subsidiary or stand alone capital
7 structure was inappropriate or out of line with the industry norm and, hence, there
8 was no basis for substituting the Commission's judgment for management's
9 judgment

10

11 Q Has the Commission considered the divisional capital structure of MPS in a prior
12 proceeding?

13 A Yes In Case No ER-93-97, a case in which the issue of capital structure was
14 contested, the Commission approved the use of the MPS divisional capital
15 structure The Commission stated in that order

16 "In comparing Public Counsel's proposed capital structure and MoPub's
17 proposal, the Commission finds that MoPub's divisional capital structure
18 is the most appropriate MoPub's divisional capital structure is testable,
19 understandable, based on published facts and material, has been in
20 continuous operation for more than five years, and has been subjected
21 to substantial regulatory review MoPub's capital structure is
22 reproducible in that all of the material assumptions and data involved in
23 its formation are either published, distributed to regulatory authorities
24 or otherwise publicly available Also, MoPub's book capital structure is
25 reasonable due its continuity Modifications are made only to reflect
26 year-to-year historical development It is not as subject to manipulation

1 as Public Counsel's hypothetical capital structure Furthermore, Public
2 Counsel's hypothetical capital structure cannot reflect the history of
3 activity within a utility nor the particular risks of that utility, as does
4 MoPub's book capital structure "

5

6 Q How do these Commission precedents relate to this MPS proceeding?

7 A They are almost precisely on point and of course the MPS precedent is exactly on
8 point No one in this proceeding has stated that the MPS capital structure is out
9 of line with industry norms or that the capital structure is abnormal or unusual in
10 any way In fact, quite the contrary Once the consolidated capital structure was
11 proposed and adopted by the Staff consultant, it became necessary to make a risk
12 adjustment because the consolidated capital structure is in fact out of line with the
13 industry norms for midwestern, non-nuclear, electric utilities

14

15 Q By way of background Mr Dunn, how was the capital structure for MPS originally
16 established?

17 A UtiliCorp conducted studies of industry capital structures for each of the industries
18 where it had subsidiaries or businesses It selected industry target capital
19 structures for its subsidiaries and divisions and then provided for adjustments to
20 those capital structures for risk differences between the individual operations and
21 the industry norms In the case of MPS, there were no risk adjustments and MPS
22 was originally assigned an industry norm or typical electric utility capital structure

1 Q Has that capital structure been reviewed and updated?

2 A There have been no unusual adjustments to the capital structure There have been
3 reviews of the appropriate equity ratio and those reviews have shown that through
4 time the equity ratio of midwestern, non-nuclear, electric utilities have increased
5 slightly MPS's target equity ratio has been increased slightly from the original
6 level to be consistent with industry norm It is a typical capital structure which
7 meets industry standards and in accordance with Missouri Commission decisions
8 in prior cases, it meets the standards for use in the calculation of rate of return

9 The Consolidated Capital Structure Cannot Finance MPS Activities
10 Because Much of The Consolidated Capital is Not Available to MPS

11 Q Are there other reasons why the consolidated capital structure is wrong?

12 A Yes Much of the debt in the consolidated capital structure cannot be used to
13 finance MPS activities

14

15 Q What are the circumstances which make part of the consolidated capital not
16 available to finance MPS activities?

17 A UtiliCorp has substantial international operations Those international operations
18 have been financed with foreign denominated, site or project specific debt Under
19 the terms which it was obtained, this foreign denominated, project specific debt
20 cannot be used in the United States

1 Q Can you provide an example?

2 A Yes UtiliCorp's recent acquisition of an interest in an Australian utility is a good
3 example That investment was financed with Australian denominated long-term
4 debt which has been provided by a group of lenders for the sole and exclusive
5 purpose of investing in specific Australian electric utility properties Under the
6 terms and conditions of the loan, it cannot be used or invested in the State of
7 Missouri or MPS or other division or anywhere outside of Australia Any attempt
8 to use those funds in the United States or for any other purpose than that stated
9 in the indenture would constitute a default under the terms of the loan agreement

10

11 Q Have you obtained the relevant parts of the loan documents to demonstrate the
12 conditions which you described above?

13 A Yes sir, I have Schedule JCD-1 contains copies of the cover page and the
14 statement of purpose of the loan documents related to the Australian debt I have
15 also attached as Schedule JCD-2 the cover page and one page of the loan
16 agreement on the New Zealand debt These two issues represent most of
17 UtiliCorp's foreign debt The borrower in both cases is an affiliate of UtiliCorp
18 but, ultimately, UtiliCorp's actions with respect to these funds is limited by these
19 agreements Each of the documents states a purpose for the loan and the
20 statement of purpose in each case precludes using the proceeds to finance U S
21 properties

1 Q How do these terms compare to "typical" loan agreements?

2 A These agreements are different from the typical United States loan agreements
3 Most U S loan agreements generally permit the use of funds for any specified
4 corporate activity and also for any unspecified corporate purposes or general
5 corporate activities

6
7 I have been advised that the use of these foreign originated funds for unauthorized
8 purposes would constitute a violation of the agreement Such a violation could
9 result in calling the loans

10

11 Q Just assuming for the sake of discussion that the covenants which preclude the use
12 of funds in the United States were not in place, is it reasonable or prudent to raise
13 capital internationally under this type of document and then transfer it to the U S
14 to support operations such as MPS?

15 A No The funds in an affiliate transfer, to the extent of accumulated profits, would
16 be double taxed, less a credit, if brought into the U S In the case of a capital
17 intensive company such as UtiliCorp, the credit is usually limited to zero As a
18 result, there would be a tax in the range of 70 to 80 percent on such a transfer, the
19 foreign and U S income tax and any transfer tax

20

21 Further, absent the affiliate transfer restrictions on prior profits, no rationally

1 operated corporation would use foreign raised capital such as that acquired to
2 finance the Australian operations to finance domestic utility investment First, the
3 transfer would be subject to capital gains tax in the United States and, second, it
4 would expose the corporation's domestic utility operations to foreign interest costs,
5 foreign exchange risks, and other costs which would be unwarranted for a domestic
6 activity Third, at least in the case of Canada, until the full implementation of
7 NAFTA, there is a withholding tax on capital exported to the U S That tax is
8 subject to a phaseout but during that phaseout period it increases an already
9 prohibitably high level of taxes on cash transfers

10
11 Q What is the amount of international debt included in the Staff consultant's capital
12 structure?

13 A On Exhibit SGH-1, Schedule 2, the Staff consultant shows the long-term debt
14 balance of \$1,496,400 The detail of that debt is shown on Schedule 3 As can be
15 seen from that schedule, the New Zealand and Australian debt amounts to more
16 than \$317 million and the West Kootenay Power debt amounts to \$101 million or
17 \$418 million in total This amounts to 28 percent of the total debt in the
18 consultant's capital structure These funds, because of the terms and conditions
19 under which they were obtained, are not available to finance properties used by
20 MPS in the United States

1 Q If this foreign debt is removed from the capital structure, what is the resultant set
2 of capital ratios?

3 A The capital structure proposed by the Staff consultant is contained on Schedule 2
4 of the Staff consultant's exhibit. The equity ratio based on the December 31, 1996
5 capital structure as proposed by the Staff consultant is 39.59 percent. The
6 recalculated capital structure corrected for the foreign debt is as follows:

	Amount (000)	Ratio
Short-term debt	\$ 146	5.82%
Long-term debt	1,078	43.00
Preferred stock	125	4.99
Common equity	1,158	46.19
Total	\$2,507	100.00%

17 Q Are you supporting this "recalculated" capital structure?

18 A No. I am not proposing that this capital structure be used in the calculation of
19 rate of return. This is still a consolidated capital structure and in my opinion is
20 not the correct structure to use for MPS ratemaking. Furthermore, it still includes
21 Aquila long-term debt.

Aquila Southwest Long-term Debt

23 Q Are there any other elements in the consolidated capital structure which cannot
24 be used to finance MPS properties?

25 A Yes. Aquila Southwest is a publicly traded subsidiary of UtiliCorp. Aquila

1 Southwest has outstanding long-term debt issued pursuant to its own prospectus
2 That long-term debt is included in the long-term debt balances proposed by the
3 Staff consultant in the amount of \$75 million It is absolutely clear that Aquila
4 Southwest debt cannot be used by UtiliCorp for its purposes and it cannot be used
5 by MPS to finance properties which are supporting electric utility service in
6 Missouri Aquila Southwest has fiduciary responsibilities to its bondholders and
7 legal obligations clearly established by its indenture It cannot permit those funds
8 to be transferred to UtiliCorp and used for unauthorized purposes
9

10 Q Please go on

11 A The Aquila Southwest debt and the foreign debt is much like debt on an
12 individual's home When a family borrows money to purchase a home, that money
13 never enters into the "cash flow" of the family and never becomes available to buy
14 a car or finance other activities It is transferred from the lender to the seller and
15 there is no opportunity for a diversion or alternative use of the funds such as to
16 buy a car The same is true of the Aquila debt and the international debt
17

18 Q Are UtiliCorp's funds "earmarked"?

19 A Yes However, the OPC witness on page 6, lines 24 on, claim that the funds which
20 UtiliCorp obtains in the form of long-term debt are not earmarked and simply go
21 into the corporate coffers

1 Q How do you respond?

2 A That is not true. The funds that went to Aquila are earmarked and do not get into
3 the general corporate coffers. The same is true of the internationally raised long-
4 term debt. Those funds are not available to the corporation for general corporate
5 purposes and cannot ultimately be used to finance MPS properties.

6

7 Q In the ordinary course of business, does UtiliCorp maintain a separate capital
8 structure for its utility operations?

9 A Yes. UtiliCorp maintains its books in accordance with Federal Energy Regulatory
10 Commission and National Association of Regulatory Utility Commissioners
11 accounting requirements which has been adopted by the Commission. Under this
12 accounting, the capital structure of UtiliCorp's domestic utility activities exclude
13 the international long-term debt and the Aquila long-term debt.

14

15 Q In the ordinary course of business, does UtiliCorp maintain the MPS capital
16 structure?

17 A Yes.

18 The Use of the Consolidated Capital Structure Violates the
19 Fundamental Regulatory Principle of Comparable Return

20 Q How does the selection of the capital structure impact on the return actually
21 earned by the Company?

1 A Regardless of the capital structure employed in the ratemaking process, the
2 ultimate test of the outcome is to compare the net income produced by the
3 ratemaking activity with the book equity of MPS, assuming of course that the book
4 equity of the Company is proper. On this point, there have been no assertions in
5 this case that the book equity level associated with MPS is improper, abnormal, or
6 unusual. The amount of net income produced by a rate proceeding is subject to
7 the impact of all of the adjustments and decisions made in arriving at the total cost
8 of service. Other things equal, choosing a capital structure with a lower equity
9 ratio for cost of service calculations will produce a lower revenue requirement than
10 choosing a capital structure with a higher equity ratio. In this case, the Staff
11 consultant has proposed using a capital structure in the calculation of the revenue
12 requirement which has a lower equity ratio than the comparable companies
13 selected by the consultant to determine the return on equity.

14
15 To reiterate, the Staff consultant has made a series of rate of return decisions.
16 The first of those rate of return decisions is to reject the MPS book capital
17 structure which is very comparable to the industry capital structure and very
18 comparable to the companies used by the consultant in his determination of return
19 on equity. Next, the consultant chooses to use the UtiliCorp consolidated capital
20 structure to calculate the overall rate of return. The UtiliCorp consolidated capital
21 structure has a lower equity ratio than the comparable group or MPS. The effect

1 of these two decisions is to reduce the recommended rate of return, all other
2 things equal, and in turn reduce the calculated cost of service Recognizing that
3 a problem has been created, the Staff consultant proposes an adjustment for the
4 financial risk created by using the low equity ratio capital structure because that
5 capital structure is not at this point comparable to the industry standard To the
6 extent that the risk adjustment is adequate, the MPS return is restored the level
7 it would have been before the adjustment to the capital structure and the offsetting
8 adjustment to return on equity for the risk created by the capital structure
9 adjustment To the extent they are not offsetting, MPS is disadvantaged as
10 compared to its peers and cannot earn a return commensurate with the returns
11 earned by other utilities which are similarly situated This violates the most
12 fundamental principle of the regulatory process and, in my view, logically
13 demonstrates the inappropriateness of the Staff consultant capital structure
14 proposal

15
16 Q Have you determined mathematically that the return adjustment is inadequate?

17 A I have The return adjustment proposed by the Staff consultant is inadequate to
18 offset the initial adjustment made in the capital structure selection As a
19 consequence, the internal inconsistencies of the Staff consultants' recommendation
20 deprive MPS of the opportunity to earn a reasonable return

1 Using The Consolidated Capital Structure in
2 The Operation of The Company is Not Feasible

3 Q In what way is use of the consolidated capital structure for the operation of the
4 Company not feasible?

5 A The consolidated capital structure is an artifact. It is nothing more than the sum
6 of the individual capital structures which support the individual activities which
7 make up the corporation. Correspondence between the capital structures of these
8 individual entities and the consolidated structure would be accidental and would
9 only realistically be expected to occur in a corporation which was in a single line
10 of business. For the reasons previously discussed, UtiliCorp management cannot
11 use the consolidated capital ratios to allocate capital inside of the corporation. To
12 do so would result in serious misallocations of capital, inappropriate risk adjusted
13 returns, and ultimately inadequate overall risk adjusted returns for the corporation.

14
15 Since it is not feasible for MPS to use the consolidated capital structure in the
16 operation of business, it seems unreasonable to use the consolidated capital
17 structure in determining MPS's overall cost of service. If the consolidated capital
18 structure has no validity and no value in the operation of the Company, it is
19 impossible to understand how it can have value in the ratemaking process.

1 The System of Capital Structure Assignment Which Supports The MPS
2 Capital Structure Has Been Reviewed And Accepted in Numerous
3 Regulatory Proceedings Including Proceedings Before This Commission

4 Q Has the capital structure system employed by UtiliCorp been reviewed by various
5 ratemaking and regulatory bodies?

6 A It has The current system which is used to allocate UtiliCorp's capital to the
7 divisions was developed in 1986 That system has been continuously applied to the
8 divisions and subsidiaries of the corporation since that time The application of
9 the system to the divisions and subsidiaries has resulted in specific book capital
10 structures for each of those entities which has ultimately been used in ratemaking
11 proposals for the regulated entities within the group Since the implementation of
12 the system, it has been presented to ratemaking authorities in the following states

- 13 • Nebraska
- 14 • Iowa
- 15 • Minnesota
- 16 • Kansas
- 17 • Colorado
- 18 • West Virginia
- 19 • Missouri

20 It has been accepted in all of these jurisdictions except Colorado

21 Use of The UtiliCorp Consolidated Capital Structure Violates The
22 Staff Consultant's Own Standards For Using a Consolidated Capital Structure

23 Q Is the use of the UtiliCorp consolidated capital structure consistent with the
24 standards which the Staff has established for the substitution of the consolidated
25 capital structure for a division capital structure?

1 A No On page 17 of the direct testimony, the Staff consultant establishes two
2 standards for using a subsidiary capital structure These standards are

- 3 • The subsidiary issues its own debt capital
4 • The parent company's capital structure is reasonable for
5 use in setting rates

6 Neither of these standards are met in this case

7

8 Q Does MPS issue its own debt?

9 A It does not, but other members of the group do, particularly Aquila Southwest
10 That means that the consolidated capital structure is not an appropriate capital
11 structure for financing Aquila Southwest nor any other member of the group

12

13 Furthermore, because of the unusual nature of international finance, the financing
14 of the Australian and New Zealand subsidiaries as independent, free standing
15 entities also invalidates the use of the consolidated structure as a vehicle to
16 measure rates because a significant component of the consolidated structure is
17 publicly financed

18

19 Q Why do you say that the use of the corporation's capital structure is not
20 appropriate for setting rates?

21 A There has been no assertion that the MPS capital structure is unreasonable,

1 unusual, or abnormal In fact, the equity ratio of MPS is very similar to the
2 comparative group used in my analysis, the Staff consultant's analysis, and the OPC
3 witness's analysis of rate of return It is a typical, normal capital structure On the
4 other hand, the Staff consultant states that the comparative companies have
5 considerably less financial risk than MPS through UtiliCorp (page 22, lines 17 and
6 18) In other words, the Staff consultant has created unusual or abnormal financial
7 risk for MPS by proposing the use of the consolidated capital structure when no
8 unusual or abnormal financial risk existed when MPS's own capital structure was
9 used for ratemaking purposes

10 The Use of The Consolidated Capital Structure is Technically Incorrect

11 Q Is the decision on which capital structure to use, i e , the consolidated capital
12 structure or the company specific capital structure, controversial in mainstream
13 financial theory?

14 A It is not Mainstream financial theory holds as one of its tenants that complicated
15 business activities should be uniquely financed and each division or subsidiary
16 should have a financial structure appropriate to the business activity If this
17 principle is applied, there are numerous benefits and other principles of finance
18 that can be applied to the company's activity

19
20 Q You indicated that there was widespread academic support for the use of the
21 divisional capital structure and, consequently, widespread opposition to the

1 consolidated capital structure Can you cite some documentary support in the
2 financial literature for the use of a division capital structure and against the
3 consolidated capital structure?

4 A Yes I have attached as Schedule JCD-3 an excerpt from Managerial Finance by
5 Gitman, Joehnk and Pinches This is a textbook for managerial finance and the
6 excerpt is on the topic of consolidated and division capital structure In that
7 excerpt the authors state under the heading "Division Cost of Capital"

8 "Because of the vast differences in business and financial risk among
9 various lines of business, and because of the growth of conglomerates
10 and other diversified firms, many companies have begun to use risk-
11 adjusted divisional costs of capital By division we mean some subunit
12 of the firm, whether it is an actual division, a subsidiary, a project, or a
13 line of business

14
15 The concepts discussed earlier in the chapter apply as well to divisional
16 screening rates, that is, we must concern ourselves with the appropriate
17 target capital structure for each division and then calculate the explicit
18 costs for each source of financing (emphasis added) In calculating
19 divisional costs of capital, the important elements are the division's target
20 capital structure (reflecting primarily financial risk) and its cost of equity
21 capital (reflecting primary business risk) "

22

23 The schedule contains a copy of the excerpted material to place the quotation in
24 context

25

26 Q How was the divisional capital concept developed?

27 A The concept of a divisional cost of capital and a division capital structure has

1 arisen from developments in the area of capital budgeting. When the capital
2 structure of the firm is used in calculating the cost of capital (and the appropriate
3 procedures are used to develop the cost of capital of the firm), the average cost
4 of capital of all of the firm's activities are developed. When a specific project or
5 subsidiary is evaluated, a project cost of capital is developed. This distinction
6 which leads to the distinction between the consolidated capital structure and the
7 subsidiary capital structure is described in Capital Investment and Financial
8 Decisions by Levy and Sarnat. They state

9 "The firm's cost of capital is the discount rate employed to discount the
10 firm's average cash flow, hence obtaining the value of the firm. It is also
11 the weighted average cost of capital as we shall see below. The weighted
12 average cost of capital should be employed for project evaluation (i.e.
13 calculating the NPV) only in cases where the risk profile of the new
14 project is a 'carbon copy' of the risk profile of the firm." (emphasis
15 supplied)

16
17 Q Are there customer advantages to the use of the target capital structure or MPS
18 per books capital structure?

19 A There are. The use of the per books capital structure of MPS insulates MPS and
20 its customers from these activities and when it occurs the risk created by changes
21 in the corporation. In addition, the capital structure is the proper size and the
22 debt included in that capital structure is matched in time with the development of
23 the rate base. Finally, changes in the capital structure which are passing or
24 ephemeral do not cause changes in the customer rate levels nor lead to rate

1 proceedings such as this

2

3

SHORT-TERM DEBT ISSUE

4

Short-term Debt in The Capital Structure

5 Q What is the issue concerning inclusion of short-term debt in the capital structure?

6 A The Staff consultant and the OPC witness have both included short-term debt in
7 the capital structure. The Staff consultant reduced the short-term debt balance by
8 the balance of construction work in progress and the OPC witness did not. Short-
9 term debt is used to finance corporate activities on a temporary basis. It is not
10 used to finance plant in service. The long-term assets involved in the rate base of
11 MPS are financed with long-term capital. Short-term debt should not be included
12 in that capital structure.

13

14 Q What is the current relationship between short-term debt and CWIP?

15 A The short-term debt balance at December 31, 1996 was \$210 million. That was
16 a seasonally high number based on December activity of the Company. The
17 monthly relationship between short-term debt and CWIP and the net short-term
18 debt balance outstanding for 1997 is as follows

	<u>Month</u>	<u>Unadjusted Short-term Debt Balance</u>	<u>CWIP</u>	<u>Net Short-term Debt</u>
1				
2				
3				
4				
5	January	\$225,883	\$91,543	\$134,340
6	February	226,830	94,646	132,184
7	March	301,994	104,017	197,977
8	April	161,253	115,007	46,246
9	May	146,229	121,476	24,753
10	June	252,960	119,714	133,246
11	July	249,395	112,741	136,654
12	August	160,682	124,387	36,295
13	September	238,352	118,683	119,669
14	October	236,429	121,380	115,049
15	November	139,529	124,426	15,103
16	December	130,807	59,358	71,449

17
18 January through August are actual September through December are projected
19 assuming a \$100 million long-term debt issuance in November Projected short-
20 term debt adjusted for the \$150 million long-term debt in October is shown below

21		
22	September	\$238,352
23	October	86,429
24	November	89,529
25	December	80,807

26

27 As can be seen from this array, the adjusted short-term debt balance is currently,
28 for practical purposes, zero No short-term debt should be included in the capital
29 structure for ratemaking purposes first, because short-term debt is not used to
30 finance long-term assets such as those in rate base and, second, because there is
31 no short-term debt on a going forward basis

32

33 Q Has UtilCorp financed its long-term assets with long-term or permanent capital?

1 A Yes UtiliCorp has grown rapidly over the past 10 years As a consequence of this
2 rapid growth, UtiliCorp has had substantial amounts of short-term debt from time
3 to time However, UtiliCorp has consistently and diligently financed its short-term
4 debt with long-term debt and equity as quickly as was feasible and prudent The
5 current financing of \$150 million of long-term debt eliminates the short-term debt
6 balance for the rest of this year and demonstrates the continued corporate
7 commitment to a well accepted principle of finance, i e ,long-term assets should
8 be financed with permanent capital and short-term assets (or liabilities) should be
9 financed with short-term capital, i e, short-term debt

10

11

RETURN ON EQUITY

12

13

The Return Recommendation Was Determined Without Consideration of Real World Implications

14 Q How do you characterize the return recommendations of the Staff and OPC?

15 A The return recommendations depart from real world considerations

16

17 Q Why?

18 A There is a current relationship between recent utility earnings, expected utility
19 earnings, and utility stock prices The recommendation of the Staff consultant at
20 10 75 percent return on equity (without regard to the additional reduction caused
21 by the capital structure approach he has also suggested) would lead to earnings

1 significantly below the comparable industry average for 1997. In fact, the 1997
2 return would be about 14 percent less than the 12.43 percent return forecast for
3 the comparable companies.

4
5 Q What are the implications of the Staff consultant recommendation for the MPS
6 return compared to expected earnings for the comparable electric utilities?

7 A The forecast return for the 1998 Staff consultant comparable companies is 12.63
8 percent. The range recommended by the Staff consultant is 10 to 11 percent. The
9 recommendation of 10.75 percent for MPS is 15 percent less than the forecast
10 return for the comparative companies. This would be absolutely devastating to
11 MPS and totally impair its ability to finance.

12
13 Q What conclusions can you draw from the implications or end result test?

14 A The most obvious conclusion is that the recommended return is too low. If it was
15 implemented for all of the companies on the list, it would result in the significant
16 reductions in earnings and financial impairment. If it is implemented only for
17 UtiliCorp, it would result in unreasonable and unfair treatment for UtiliCorp
18 because UtiliCorp's earnings level would be substantially below the earnings level
19 of the comparable companies in spite of the fact that the Staff consultant says that
20 MPS in any event is more risky than the comparative group based upon the Staff
21 consultant's use of the consolidated capital structure.

1 The Staff Recommendation is Inconsistent With
2 Recent Commission Decisions on Rate of Return

3 Q How does the Staff consultant recommendation on return compare to recent
4 decisions on return on equity?

5 A The Commission has considered the matter of rate of return in three recent cases
6 These cases are

- 7 • UE/Cipsco merger, Case No EM-96-149, order issued
8 February 21, 1997
- 9 • MGE rate proceeding, Case No GR-96-285, order
10 issued January 22, 1997
- 11 • Empire District Electric rate proceeding, Case No ER-
12 97-81, order approving settlement dated July 16, 1997

13
14 In each of these cases, the Commission, after consideration, authorized a return
15 on equity higher than that recommended by the Staff consultant or the OPC
16 witness in this case

17
18 Q Please describe the return findings of the Commission in the Union
19 Electric/Cipsco merger case

20 A Union Electric has had authorized by the Commission a revenue sharing or
21 performance based rate structure Under the performance based rate structure,
22 the company is entitled to retain all earnings below a certain level and required
23 to share all earnings above a certain level In connection with the request for

1 approval of a merger between Union Electric and Cipsco, the Commission was
2 required to consider Union Electric's revenue sharing or performance based tariff
3 The Commission did so and in its report and order issued February 21, 1997, it
4 authorized a sharing grid which permitted the company to retain all earnings up
5 to 12 61 percent return on equity While the Commission did not discuss a full
6 analysis of return on equity in its order, the use of 12 61 as the pivot point in the
7 revenue sharing grid certainly implies that the Commission found 12 61 percent an
8 acceptable return on equity

9
10 Q What were the findings in the Empire District Electric rate proceeding?

11 A The Empire District Electric rate case was settled and the Commission approved
12 that settlement In the filings leading up to that settlement, the Staff filed
13 testimony recommending to the Commission a cost of common equity in the range
14 of 10 50 to 11 25 percent on a capital structure consisting of 47 29 percent common
15 equity I believe that the return on equity implicit in the settlement is close to
16 11 25 percent

17
18 Q What is the MGE return on equity?

19 A The MGE rate proceeding, Case No GR-96-285, was a contested proceeding In
20 that case, MGE requested a return on common equity of 12 25 percent and the
21 OPC recommended 10 75 percent (similar to the recommendation in this

1 proceeding at 10.7 percent) The Staff recommended 11.3 to 12.35 percent The
2 Staff also recommended that the Commission take into consideration the poor
3 customer service which characterized the MGE operations in the Commission's
4 determination of return The Commission discussed the relationship between
5 customer service and return and found that 11.3 percent was an appropriate return
6 on equity

7
8 In all cases, although the facts are somewhat different, the Commission made
9 findings or approved a settlement with returns of more than 11 percent on equity
10 If MPS is authorized a return of less than 11 percent on equity, it will be
11 competitively and financially disadvantaged as compared to these other Missouri
12 companies

13 The Proposed Return on Equity Does Not Meet
14 The Comparable Earnings Standard

15 Q How does the return on equity proposed by the Staff and OPC compare to the
16 minimum standards established for a fair and reasonable return on equity?

17 A It is my understanding that the minimum standard for a fair and reasonable return
18 on equity is established in numerous court decisions which state that the return on
19 equity should, in fact, must be at least equal to or comparable to the return earned
20 by similarly situated or comparable utilities at the same point in time The return
21 proposed by the Staff consultant and the OPC witness does not meet this minimum

1 standard In fact, it does not even come close The return proposed by these
2 parties for MPS is about 15 percent lower than the return forecast for the
3 comparable electric utilities for 1997 and 1998 That means that MPS would not
4 have a return which is comparable to similarly situated electric utilities

5

6 Q How have you determined that differential?

7 A I have made an independent analysis In addition, a review of the schedule
8 prepared by the Staff consultant confirms that the return is inadequate in meeting
9 the comparable earnings standards

10

11 Q Please describe your study

12 A I have taken the companies used by the Staff consultant and calculated the return
13 on equity for 1997 and 1998 based on the projected earnings per share and book
14 value for each of the companies for each of the years The projections were taken
15 from the Value Line Investment Survey The analysis shows that the return on
16 equity for the comparable group for 1997 is forecast at 12.43 for the Staff
17 consultant and 13.44 percent for the OPC group, and the return for 1998 is
18 forecast at 12.63 percent for the Staff consultant and 13.35 percent for the OPC
19 group Those returns are substantially higher than the return recommended for
20 MPS

1 Q How good are these forecasts?

2 A Most of 1997 is history As a result, there is very little forecast in the 1997
3 forecast The 1998 forecast should be within a reasonable range because of the
4 stability of utility earnings and the fact that in most cases the companies have
5 cooperated with Value Line in producing these forecasts

6 Staff DCF Analysis of UtiliCorp is Wrong

7 Q How have you established that the UtiliCorp discounted cash flow analysis
8 performed by the Staff consultant is incorrect?

9 A The UtiliCorp analysis together with the other DCF calculations is summarized on
10 Schedule 7 of the Staff consultant exhibit The return on equity calculated using
11 the DCF model for UtiliCorp is 11 10 percent That return consists of dividend
12 yield of 6 25 percent and a projected growth rate of 4 86 percent

13

14 UtiliCorp has a targeted growth rate of 6 to 8 percent Merrill Lynch earnings
15 forecast for 1998 is an increase over Merrill Lynch's earnings forecast for 1997 of
16 6 7 percent The Value Line forecast growth rate is 6 percent (October 10, 1997,
17 page 735)

18

19 Clearly, there is a substantial difference between the growth rate which has been
20 calculated by the Staff consultant and the growth rate which is forecast for
21 UtiliCorp The difference I believe reflects the heavy historical weighting

1 associated with the Staff consultant's analysis as compared to the pure forecast
2 levels associated with the UtiliCorp planned growth and the Merrill Lynch forecast

3
4 The significant understatement of UtiliCorp growth has implications for the growth
5 rates for the other electric utilities shown on Schedule 7 of the Staff consultant
6 report. It suggests that the growth rates used in the other DCF analysis is too low
7 and the resulting DCF indications is too low

8
9 Q Do you have any other comments about Schedule 7 while it is before us?

10 A Yes. Schedule SGH-7 is used to develop a DCF cost of equity for the entire group
11 of 9.55 percent. The cost of equity for the individual companies on that schedule
12 varies from 11.10 percent for UtiliCorp to 8.41 percent for Kentucky Utilities.
13 That is a fairly wide range of variance. More important, it is extremely difficult
14 to believe that the return on equity requirement for Kentucky Utilities is 8.4
15 percent or very close to Kentucky Utilities' cost of debt at this time. The use of
16 averaging and the discussion based on an average number such as 9.5 disguises the
17 fact that some of the numbers involved in that average may be so unrealistic that
18 the entire analysis is suspect.

19 The Staff Recommended Return on Equity is Significantly Below The
20 Actual Returns Which Have And Are Being Earned by Investors

21 Q How does the Staff consultant recommended return compare to the actual returns

1 being earned by utility investors?

2 A There are two ways of measuring the actual returns being earned by utility
3 investors. In one case, there is a book return and, in the other, there is a market
4 return. We have previously discussed book returns which are driving returns being
5 earned by investors. Those book returns are substantially above the returns being
6 recommended by the Staff consultant for UtiliCorp or MPS at this time. In
7 addition, the returns earned by investors must be measured on a total return basis
8 to determine the actual return realized by the investor. Total returns earned by
9 investors are above the Staff consultant recommendation.

10

11 Q What is the total return realized by investors?

12 A The total return is defined as the change in price, plus the dividend, divided by the
13 purchase price, all adjusted for the period of ownership which for most calculations
14 is assumed to be one year.

15

16 The concept can be demonstrated with a simple example. Assume a company
17 stock that is purchased at \$10 per share. Also assume that the stock pays a \$ 20
18 dividend and that at the end of one year of ownership, the stock has a value on the
19 market of \$11.50. The total return to the investor if the stock were to be sold at
20 the end of the first year is the dividend of \$ 20 plus the capital gain of \$1.50 or a
21 total return of \$1.70 divided by the original investment cost of \$10. That produces

1 a total return of 17 percent

2

3 Q How do total returns fit into the regulatory decision?

4 A The stock market has been an extraordinary arena for the past five years. During
5 the past two years, investors have enjoyed substantial returns. Many attribute this
6 to a change in the overall structure of American industry and a change in the way
7 of doing business. Regardless of the origin, investors have realized these returns
8 during this period. Furthermore, at least for the very near future, returns at this
9 high level are expected to continue. This means that investors anticipate improved
10 growth and earnings for the underlying securities represented by these indices.
11 The standard which investors are using to measure the adequacy of a return in
12 today's market is not the book earnings, but rather the total return.

13

14 Q What does that mean for this rate proceeding?

15 A The total return is ultimately related to investor expectation for earnings growth
16 and the book earnings which sustain that earnings growth. As I have previously
17 discussed, the Staff consultant recommendation for MPS involves earnings on a
18 book basis which are lower than that received by other electric utilities at this
19 time. That means that MPS will not earn at a level equal to its peer group or the
20 comparable group of electric utilities. That means that MPS stock, if it were
21 publicly traded, would go down and its ability to raise capital in the marketplace

1 impaired if not eliminated

2

3 Q Does that conclude your rebuttal testimony at this time?

4 A Yes sir, it does

5

6 Q Thank you

UTILICORP AUSTRALIA HOLDINGS PTY LIMITED

(Borrower)

DB AUSTRALIA LIMITED
NATIONAL AUSTRALIA BANK LIMITED
AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
AMRO AUSTRALIA LIMITED
BANK OF AMERICA AUSTRALIA LIMITED
BANQUE NATIONALE DE PARIS
THE CHASE MANHATTAN BANK AUSTRALIA LIMITED

(Participate,

DB AUSTRALIA LIMITED

(Agent

LOAN AGREEMENT

Arthur Robinson & Hedderwick
Melbourne
Ref SCS PRH
Tel 964 1011

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2 COMMITMENTS**2.1 Commitments**

Subject to this Agreement, each Participant agrees with the Borrower to make available its participation in each Segment. The aggregate of the principal amount of a Participant's participation in all outstanding Segments will at any time exceed its Commitment.

2.2 Allocation among Participants

Each Participant shall participate in each Segment ratably according to its Commitment.

2.3 Obligations several

The obligations and rights of each Participant under this Agreement are several and:

- (a) failure of a Participant to carry out its obligations does not release any other Participant of its obligations;
- (b) no Participant is responsible for the obligations of any other Participant to the Agent; and
- (c) subject to the Transaction Documents each Participant may separately enforce its rights under any Transaction Document.

3 CANCELLATION OF COMMITMENTS**3.1 During Availability Period**

On giving no less than ten Business Days' prior irrevocable notice to the Agent the Borrower may at any time during the Availability Period cancel all or part of the Undrawn Commitments. Unless the Agent otherwise agrees a partial cancellation must be in a minimum of A\$5,000,000 and in an integral multiple of A\$5,000,000.

3.2 Allocation among Participants

Any partial cancellation will be applied ratably against the Undrawn Commitment of each Participant. The Agent shall promptly notify each Participant of any notice received under this Clause and the amount of that Participant's Commitment which is cancelled.

3.3 At end of Availability Period

At the close of business (Melbourne time) on the last day of the Availability Period the Commitments of the Participants will be cancelled.

4 PURPOSE**4.1 Use of Proceeds**

The Borrower shall use the net proceeds of all advances provided under this Agreement for:

- (a) the acquisition, directly or indirectly, of the assets of, or a debt or equity interest in, United Energy Ltd. or
- (b) subject as set out below, the acquisition, directly or indirectly of any other similar investment in a utility or energy related corporation in Australia provided that such acquisition is with the consent or approval of such utility or corporation.

DATED 30 NOVEMBER 1995

Between

UTILICORP SOUTH PACIFIC, INC

(as Borrower)

CITIBANK, N.A.

(as Facility Agent,

THE BANKS AND FINANCIAL INSTITUTIONS

NZ\$135,000,000

COMMITTED REVOLVING CREDIT
FACILITY AGREEMENT

the consolidated condition financial or otherwise of the Group (taken as a whole) or on the condition (financial or otherwise) of a Group Company such as to materially adversely affect the ability of the Group or any Group Company, to perform or comply in any material respect with its obligations under a Relevant Agreement,

(vii) references to times of the day are to New Zealand time,

(ix) references to monetary amounts are to New Zealand currency

1.3 Accounting Basis. References in this Agreement to all or any of the accounts (audited or unaudited, consolidated or unconsolidated, as the case may be) of the Parent or any of its Subsidiaries or any group of them shall be to such accounts prepared in accordance with GAAP and references to any calculation, determination or other matter which is to be based upon or referred to or disclosed by such accounts shall be construed accordingly.

1.4 Headings. The headings in this Agreement are inserted for convenience only and shall be ignored in construing this Agreement.

2 FACILITIES, PARTICIPATIONS AND BANKS

2.1 Revolving Credit Facility. The Banks hereby grant to the Borrower a committed revolving credit facility in the maximum aggregate principal amount subject to the terms of this Agreement, of \$135,000,000, whereunder the Banks will, from and including the Commencement Date and subject to the terms of this Agreement, make Drawings available to the Borrower.

2.2 Financial Limitations. The foregoing provisions of this Clause are subject to the restriction that at no time may the Loan exceed the Total Commitments.

2.3 Purpose. The entire proceeds of each Drawing shall be applied by way of investment in UNZ to be applied by UNZ to finance its investments in Australasian utility companies, or to repay Drawings in accordance with Clause 8.1, in each case in accordance with all applicable law, including all regulatory approvals and authorisations.

Except for the obligation of the Facility Agent to make the application provided for in Clause 8.1, none of the Banking Parties need check the use of the proceeds of any Drawing.

2.4 Lending Offices. Subject to the terms of this Agreement, each Bank will participate through its relevant Facility Office in each Drawing in the proportion which its

MANAGERIAL FINANCE

Lawrence J. Gitman, *Wright State University*
Michael D. Joehnk, *Arizona State University*
George E. Pinches, *The University of Kansas*

WITH MULTINATIONAL DIMENSIONS SECTIONS
Prepared by ARTHUR I. STONEHILL *Oregon State University*

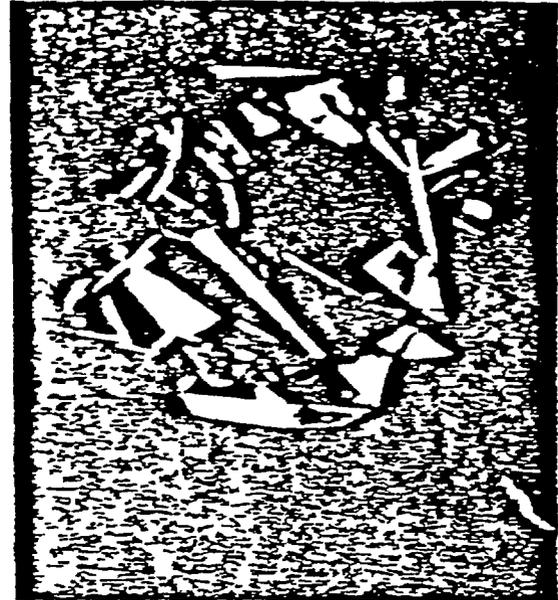
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HARPER & ROW, PUBLISHERS, New York
Cambridge Philadelphia San Francisco
London Mexico City São Paulo Singapore Sydney

R00158 58476

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Sponsoring Editor John Greenman
David Forgnone
Project Editor Nora Helgott
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Cover Illustration Lloyd Atkins for
Steuben Glass Courtesy
Steuben Glass

Text Art Fineline Illustrations Inc.
Production Manager Jeanne Berke
Compositor Black Dog Inc.
Printer and Binder
R. R. Donnelley & Sons Company

Managerial Finance
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Library of Congress Cataloging in Publication Data

Gitman, Lawrence J.
Managerial finance

Includes bibliographies and index.

1 Business enterprises—Finance 2 Corporations—Finance 3 International business enterprises—Finance I Joehnk, Michael D. II Pincus, George E. III Title

HG402E G62 1985 658 J5 84 15647

ISBN 0-06-042336-6

84 85 86 87 9 8 7 6 5 4 3 2 1

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worldwide actions influencing supply and demand conditions in the financial markets may therefore cause changes in a firm's MCC even if its business and financial risk remain constant.

Equally important, a firm's business risk may change over time because of growth in the size of the firm or because of a change in the investment opportunities undertaken by the firm. Such a change in business risk will cause changes in the explicit costs of funds even if the firm's target capital structure does not change. Finally, long-run changes in capital market conditions may cause pronounced changes in the relative costs of various types of funds. This will cause the firm to reevaluate and possibly change its target capital structure. To make the transition from one target capital structure to another, the firm will rely primarily on one specific type of financing. For example, it may finance with debt until the desired target capital structure is achieved. During the transition period, financial managers should estimate the MCC using the new target capital structure proportions.

Divisional Costs of Capital

Because of the vast differences in business and financial risk among various lines of business and because of the growth of conglomerate and other diversified firms, many companies have begun to use risk-adjusted divisional costs of capital. By division we mean some subunit of the firm, whether it is an actual division, a subsidiary, a project, or a line of business. If the capital expenditure projects undertaken by the division are essentially similar with respect to risk (but differ in general risk level from projects of other divisions), the use of divisional screening rates, which are the division-specific MCCs, should be used. Those divisions with greater risk than that of the firm as a whole will have higher MCCs, whereas those with below-average risk will have lower costs of capital than the firm-wide MCC.

The concepts discussed earlier in the chapter apply as well to divisional screening rates; that is, we must concern ourselves with the appropriate target capital structure for each division and then calculate the explicit costs for each source of financing. The explicit costs of debt and preferred stock could be adjusted from those for the firm as a whole, but typically they are not. However, the cost of common equity, which reflects economic conditions and the exposure to business risk for a firm with no debt or preferred stock, must be determined for each division. In calculating divisional costs of capital, the important elements are the division's target capital structure (reflecting primarily financial risk) and its cost of equity capital (reflecting primarily business risk).

The target capital structure for each division will be based on the judgment of the firm's financial managers and also on the advice of investment bankers. For example, regulated firms such as electric or natural gas utilities often use substantial amounts of debt financing due

to the predictable nature of their cash flows. Machinery and equipment manufacturers and others in cyclical industries tend to use substantially less debt given the wide variability in their cash flows over the business cycle.

Once the target capital structure is determined, the division's cost of common equity capital must be estimated. This may be accomplished by using the capital asset pricing model approach discussed earlier. What we attempt to do is identify firms with publicly traded common stock that are engaged solely in the same business as the division. This obviously involves careful consideration of the products or services produced by the division. For some divisions, this matching can only be approximated.

After the appropriate firms are identified, their betas are obtained and the required return on common equity for the division in question is estimated.² When obtaining betas from other publicly traded firms, note that if a firm has debt or preferred stock outstanding, the betas reflect both the company's line of business (business risk) and its long-term capital structure (financial risk). If the publicly traded firms' capital structures differ significantly from the target capital structure for the division, adjustments will have to be made in the betas.³ After the division's cost of common equity is determined, it is combined with the costs of other sources of long-term financing to determine the division's weighted marginal cost of capital.

Let us again use King Industries Inc. as an example. King's firm-wide target capital structure was 20 percent debt, 5 percent preferred stock, and 75 percent common equity financing. Recall from Table 17.5 that the explicit financing costs for the first financing increment were $k_d = 7.49\%$, $k_p = 11.86\%$, and $k_e = 14.90\%$. Based on this information, King's first-increment firm-wide MCC was estimated to be 13.266 percent. Assume now that King Industries has both a natural gas pipeline subsidiary and a heavy-duty machinery division. After receiving input from its investment banker and undertaking a careful analysis of firms

² In calculating the division's cost of common equity, underpricing and flotation costs are ignored.

³ The relationship between the levered beta β_L and an unlevered beta β_U is

$$\beta_L = \beta_U \left(\frac{S}{S_U} \right)$$

where β_U = the firm's unlevered market beta
 β_L = the firm's levered market beta based on the firm's existing capital structure
 S = the market value of the firm's equity
 S_U = the estimated market value of the firm's equity if unlevered

See Robert S. Hamada, "The Effect of the Firm's Capital Structure on the Systematic Risk of Common Stocks," *Journal of Finance* 27 (May 1972), pp. 435-452, and Richard S. Bove and Jeffrey M. Jenks, "Divisional Screening Rates," *Financial Management* 4 (Autumn 1975), pp. 40-45. For notational simplicity, the subscript L for the levered firm's beta is ignored.

Exhibit No
Issue Rate of Return, Capital Structure,
and Return on Equity
Witness John C Dunn
Type of Exhibit Surrebuttal Testimony
Sponsoring Party Missouri Public Service
Case No ER-97-394

Before the Public Service Commission

of the State of Missouri

Surrebuttal Testimony

of

John C Dunn

VERIFICATION

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

JOHN C DUNN, having been duly sworn, upon his oath, states that he is an economic consultant of John C Dunn & Company specializing in the general area of public utility economics and corporate finance, and as such, is duly authorized to make this affidavit on behalf of UtiliCorp United Inc , d/b/a Missouri Public Service, that the matters and things stated in the foregoing surrebuttal testimony are true and correct to the best of his knowledge, information and belief

John C Dunn
John C Dunn

SUBSCRIBED AND SWORN to before me this 19th day of November, 1997

BRENDA L PHILLIPS
Notary Public State of Missouri
Commissioned in Jackson County
My Commission Expires 1-25-99

Brenda L. Phillips
Notary Public

My Commission Expires *January 25, 1999*

(SEAL)

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI
SURREBUTTAL TESTIMONY OF JOHN C DUNN
ON BEHALF OF
MISSOURI PUBLIC SERVICE DIVISION
UTILICORP UNITED INC
CASE NO ER-97-394

1 Q Please state your name

2 A My name is John C Dunn

3

4 Q Please state your business address

5 A My business address is 8826 Santa Fe Drive, Suite 304, Overland Park, Kansas

6

7 Q Are you the same John C Dunn who previously filed direct testimony in this
8 proceeding on behalf of the Missouri Public Service ("MPS") or ("Company")
9 operating division of UtiliCorp United Inc ("UtiliCorp")?

10 A Yes sir, I am

11

12 Q How are you going to organize your surrebuttal testimony?

13 A There have been two rebuttal testimonies filed on the issue of rate of return One
14 by the Commission Staff ("Staff") consultant, Steven Hill, and the other by the
15 Office of the Public Counsel ("OPC") witness, Mark Burdette With respect to
16 their discussion on competition in the industry and the adjustment which I made
17 in my DCF calculation, I will discuss the rebuttal testimonies together There are

1 three unique issues which I will discuss individually In the Staff consultant
2 testimony, I will discuss his opinion on how investors approach an investment and
3 the Staff consultant's attitude about current industry earnings In connection with
4 the OPC testimony, I will discuss his comments on the matter of the selection of
5 the comparable companies

6

7 Q What is the first issue on the Staff consultant rebuttal testimony?

8 A The Staff consultant's approach to the determination of the rate of return in this
9 case is colored by the Staff consultant's opinion that the current earnings in the
10 electric utility industry are excessive and that those earnings must be decreased

11

12 Q Why do you say his opinion is "colored"?

13 A On page 13 at line 13 of his rebuttal, he states

14 "Those data indicate that the 12 percent return on book equity
15 earned by those (the comparable electric) companies is
16 significantly higher than their cost of equity, and any indicated
17 adjustment should be downward "

18

19 Q What does this statement tell you?

20 A It tells me that apparently the Staff consultant believes that it is appropriate to
21 begin his campaign to reduce industry earnings with MPS by imposing on MPS a
22 return lower than the current industry return

1 Q How do you respond?

2 A This approach is in conflict with the comparable earnings standard Attempting
3 to drag down the entire industry, but starting with MPS, violates the comparability
4 standard and by its definition authorizes for MPS a return which is inadequate

5

6 Q Please explain

7 A If the companies that are comparable to MPS are earning 12 percent on book
8 equity, MPS should be authorized a similar return so that MPS can attract capital
9 on similar terms to those comparable companies

10

11 This conclusion is valid without regard to whether or not that return meets the
12 Staff consultant's standards for cost of capital It is a matter of proper application
13 of the comparable earnings standard

14

15 In addition, I believe his approach is inconsistent with the doctrine governing rate
16 of return regulation to authorize a subpar return for MPS In other words, to
17 deprive MPS of an adequate return, to treat MPS differently than other electric
18 utilities, to allow MPS to have only a subpar return on equity will cause MPS over
19 the longer run to have a higher cost of capital and will assure that MPS will not
20 get its required amounts of capital until the capital requirements of all of the
21 superior earning companies in the industry have been satisfied

1 Q How does authorizing an industry comparable return impact MPS and its
2 customers?

3 A Ultimately, it accrues to the benefit of MPS customers and the State of Missouri

4

5 Q Why?

6 A Because investors invest their funds to produce the best possible return with the
7 least amount of risk. Assuming utility companies generally in the electric industry
8 have somewhat similar risk, the highest earning company should have access to
9 capital first, then the second highest and so on. Ultimately, companies which earn
10 less than reasonable returns may have their capital requirements fulfilled but they
11 won't be satisfied until all companies with better returns and similar risks have had
12 their needs met

13

14 Q Do you have any concerns with the Staff consultant's approach to the investor
15 determination of cost of capital or likely industry earnings?

16 A Yes. The rebuttal testimony touches on the issue of DCF growth on page 6 and
17 contains additional calculations on the DCF growth on page 7. On pages 4 and
18 10, the issue of including historic negative returns in growth calculations is raised.
19 I have excluded negative historic growth results from my analysis and the Staff
20 consultant reveals that he believes investors must make a series of calculations
21 taking the good with the bad and must ultimately invest in or develop for

1 themselves a cost of capital based on a combination of the good and the bad which
2 they find in the history of the industry This conclusion is without regard to the
3 investors' personal requirements or desires and the fact that it is their savings they
4 are investing and they are not required to invest in any stock or on the basis of
5 some arbitrary calculation
6

7 Q How do you respond?

8 A I believe investors are not compelled to invest in any particular security of any
9 particular company They are not compelled to develop their estimates of an
10 industry return based on any particular calculation or procedure Investors or
11 other representatives analyze the industry in their own way and they reach
12 conclusions about that industry They select companies which they believe will
13 provide them the best chance of earning the best risk adjusted return possible in
14 the industry Investors shy away from companies that have bad records and flock
15 to companies which have good records In fact, the mutual fund industry today
16 includes a large number of managed portfolios which are "momentum driven"
17 This means that the companies which do well attract investment from the
18 momentum group and companies that do poorly find themselves rejected by
19 momentum investors
20

21 Q Who are the "investors" or "representatives" which you are referring to in these

1 comments?

2 A Investors are generally ordinary individuals or their representatives committing or
3 investing savings into individual securities In this context when I use the term
4 "investors' representatives" I mean aggregaters such as mutual funds or pension
5 plans The reality is that all savings is ultimately owned by individual investors
6 It may be aggregated and temporarily controlled by investors' representatives but
7 ultimately, all of the capital in this country represents the savings of individuals

8

9 Q How do these comments relate to the use of the DCF analysis in the rate
10 proceeding?

11 A The purpose of the DCF analysis in a rate proceeding is not to demonstrate some
12 "perfect" calculation procedure because there is no such procedure The purpose
13 is to organize information about investments to develop realistic and professional
14 opinions about what an investor believes is an appropriate cost of capital based on
15 what it appears that investors have done Using arbitrary calculations implies
16 investors are required to invest and mechanically make investment decisions
17 Investors are not compelled to buy bad companies nor are they compelled to buy
18 companies which produce subpar returns

19

20 Q Please provide an example of what you are talking about

21 A If, for the sake of example, MPS had virtually identical risk to the XYZ electric

1 company, was the same size and both were traded on the same exchange but if the
2 Commission authorized 14 percent return on equity for the XYZ company and 12
3 percent for MPS, it is clear, given what we know about investors, that the XYZ
4 company would receive full funding of its capital requirements before MPS
5 received funding of its, if it ever did Further, XYZ company would enjoy superior
6 market valuations and MPS would enjoy diminished market results Over the
7 longer run, XYZ cost of capital would be lower and investor responsiveness to the
8 company better than MPS

9
10 Q What is the point?

11 A The point is that investors cannot be compelled as a result of a regulatory decision
12 nor can we determine what investors require simply by making a ream of
13 calculations to two decimal places The work on the issue of rate of return in the
14 regulatory proceeding is to find out what investors require and what is necessary
15 to cause investors to commit to the company over the long run The job is not to
16 manipulate numbers to develop the lowest return possible nor to start to reform
17 the earnings level in the industry return based on personal opinions or beliefs

18
19 Q What are the individual issues that you wish to address with the OPC testimony?

20 A The OPC witness takes issue with the selection of comparative companies
21 commencing at page 10 of his rebuttal testimony The criticisms which are made

1 particularly with respect to LG&E Energy Corp are criticisms with which I would
2 have fully agreed perhaps two years ago But the industry is changing so rapidly
3 that it will be necessary to include companies like LG&E in comparative groups
4 in the future Furthermore, the change is so recent that it probably has not
5 impacted investor attitudes at this point
6

7 Q What is the problem with including LG&E in the comparative group?

8 A LG&E was basically an electric utility until this past year Although neither
9 earnings nor capital followed, revenue increased 257 percent from \$14 billion in
10 1995 to \$36 billion in 1996 During that year, LG&E began to derive 76 percent
11 of its revenues from energy marketing operations I believe that in the future
12 more and more companies will derive significant amounts of revenue from energy
13 marketing operations and it will be common for successful electric utilities to have
14 substantial percentages of such marketing revenues As a consequence, if in future
15 analyses we hope to include successful companies we must accept and deal with
16 the fact that such successful companies will have substantial marketing revenues
17

18 Q Will it be necessary to make adjustments for these significant market revenue
19 amounts?

20 A At this point, I don't know The marketing revenues have a different level of
21 capital requirement than ordinary utility operations (it is less capital intensive),

1 they have a different risk profile and, certainly, an individual company which is
2 predominantly a marketing company would not be truly comparable to a pure
3 electric utility with no marketing. But once marketing becomes a part of the
4 industry, it will be necessary to recognize that fact and include those companies in
5 the group. For the companies without it, it will be necessary to make adjustments
6

7 Q Now Mr. Dunn, I would like to turn to the common issues in the two rebuttal
8 testimonies. What is the first common issue in the two testimonies you would like
9 to discuss?

10 A Both witnesses appear to decline to deal with the matter of competition in the
11 electric utility industry. The OPC rebuttal testimony, from pages 2 to 6, deals with
12 the uncertain timing of the implementation of the competitive model in the electric
13 utility industry. It concludes that once the industry becomes competitive, the
14 company can come back to the Missouri Public Service Commission and deal with
15 its issues on competition at that time and presumably, if necessary, obtain a rate
16 increase at that time. The Staff consultant testimony seems to be inclined to put
17 off the matter of competition in the same way as indicated by the discussion
18 around page 2 of his rebuttal testimony.

19

20 Q Do you think this is an appropriate way to deal with the issue of competition?

21 A No. Once competition has arrived, it is too late for the Commission to deal with

1 it At that point, the Commission will not have the opportunity to appropriately
2 deal with an incumbent company's utility and regulatory costs and it will not have
3 the opportunity to structure the industry in a way that produces the maximum
4 benefits for customers

5

6 Q What is the role of competition as far as the regulatory process is concerned?

7 A Realistically, the only real reason competition is being added into the regulatory
8 process is to assist the Commission in maximizing customer benefits Unless the
9 Commission plays a role in determining the structure of that competition, it cannot
10 be assured that the customers will receive the maximum benefit from the change
11 Regardless of state commission action the structure of the industry will change
12 simply because FERC has begun the process and the Congress of the United
13 States and many other states have begun to carry that process forward I think
14 everyone agrees, including the Staff consultant and the OPC witness, that
15 competition will be a part of the electric utility industry in the future The issue
16 is when and how

17

18 Q What should the Commission do?

19 A I believe that if the Commission takes an active role today and begins to prepare
20 the companies under its justification for competition it can assure that when
21 competition arrives it will produce the maximum benefit for the customers

1 Likewise, I believe that if the Commission does not prepare, it will lose control of
2 the process and there will be no assurance that the maximum benefits associated
3 with competition will be obtained Furthermore, it is highly likely if companies
4 such as MPS are forced to reduce rates at the outset of the change in regulatory
5 structure, the practical effect will be to put companies such as MPS behind the
6 curve and will deprive their customers of a strong incumbent competitor If that
7 happens, the competitive marketplace will never generate all of the benefits
8 possible because the best competitor, the incumbent utility, will be removed from
9 the process before it starts

10

11 Q Please explain

12 A Once competition is introduced into the electric utility industry, it is reasonable to
13 expect that the incumbent supplier will be a major competitor If, however, the
14 incumbent supplier is not permitted to make appropriate changes including the
15 amortization of regulatory costs, the incumbent supplier cannot become a vigorous
16 competitor because it will be constrained by regulation even after the advent of
17 competition Lacking the vigorous incumbent competitor, the marketplace for
18 electric energy in the service area will never have the heightened competition
19 which would exist if it started with vigorous competition driven by the incumbent
20 electric supplier

1 Q Do you believe it is unreasonable for the Commission to consider any form of a
2 rate decrease because of the potential for competition in the electric utility
3 industry?

4 A I have no personal knowledge of issues in this rate proceeding other than rate of
5 return I do know, however, there are transition costs and regulatory costs in every
6 electric utility Those costs must somehow be amortized before the incumbent
7 electric utility becomes a vigorous competitor in the marketplace and depending
8 on how competition is ultimately structured, those costs cannot be collected after
9 competition has begun As a consequence, I believe that any revenues which the
10 Commission finds to be excess should be used

11

12 Q What other issues are common to the two testimonies?

13 A Both rebuttal testimonies, the Staff consultant testimony at page 10 and the OPC
14 testimony at pages 6 to 10, are critical of the adjustments which I made in
15 calculating the interest component of the DCF calculation Both seem to rely on
16 the fact that there is a difference between market value and book value as the
17 basis for rejecting these conventional adjustments For example, the Staff
18 consultant at page 13 states

19 "Mr Dunn's reference to book equity returns for the sample
20 group in fact indicates that his equity cost estimate is overstated
21 and if anything should be adjusted downward and not upward
22 As he notes at page 53 of his testimony the electric utilities in his
23 sample group earned a return on book value of approximately 12

1 percent If investors were paying a market price for the stock of
2 those companies which approximated the per share book value
3 that it might be reasonable to believe that the investor required
4 market return (the cost of equity capital) was approximated by
5 the return on book value However, what Mr Dunn fails to take
6 into account is that investors are paying a market price for those
7 companies that substantially exceed their book value Therefore,
8 the market return investors require for those companies (the cost
9 of equity capital) must be well below the current return on book
10 value "

11

12 Q How do you respond?

13 A This is simply not true Investors have enjoyed substantial appreciation in the
14 value of electric utilities' common stock As a result, the market returns for many
15 companies have been substantially higher than the book returns shown by the
16 Value Line Investment Survey Furthermore, the fact that companies are earning
17 at one level and that those earnings are producing a market-to-book ratio of more
18 than one is not justification for reducing the MPS return below the return standard
19 for the industry Also, the current trading pattern of electric utility stocks together
20 with the current trading pattern of many bonds is most likely unrelated to domestic
21 events or even individual company earnings levels but more related to
22 international events Finally, while we have all estimated investor growth
23 expectations based on historic events and forecasts by analysts and publications
24 such as Value Line, it is entirely possible that investors believe that growth will
25 surge after utilities are permitted to compete After all, utilities are large, many

1 are amazingly adaptable, and most are very successful Competition may make
2 them more successful, freeing them from some of the more onerous aspects of
3 regulation (such as noncompetitive PURPA contracts), may lead to a renaissance
4 in the industry, superior growth, and substantially increased valuations

5
6 In this connection, it should also be noted that utilities own substantial amounts
7 of plant and facilities After competition is entered into the regulatory sphere
8 many utilities will have the opportunity to earn on the fair value of some of that
9 investment That change may have been reflected in the market price of utility
10 equities

11
12 Q Is the current situation in international markets something that the Commission
13 should be aware of as it reaches its determination in this case?

14 A Yes The prices of utility stocks have increased somewhat in the past few weeks
15 This has been attributed in many cases as a flight to quality (into the U S) and
16 away from volatility This is not to suggest that utility stocks are a safe harbor and
17 are not volatile They are subject to many of the same risks as other stocks and
18 subject to the same volatility, although to a lesser degree Nonetheless, there is
19 more capital available at the moment for investment in utility type securities or
20 "somewhat safer securities" than there has been in the past This means that for
21 a period of time, utility stocks will reflect something more than the fundamentals

1 of those securities

2

3 Q Does this conclude your surrebuttal testimony at this time?

4 A Yes sir, it does

5

6 Q Thank you

Attachment 12:

Testimony Regarding Rate of Return:

Direct, Rebuttal and Surrebuttal Testimony
by Ronald L. Bible, witness for the
Regulator's Advocacy Staff; filed in
Missouri Public Service Commission Case
No. GR-98-140
(Rate case of Missouri Gas Energy
Company, a natural gas entity).

DIRECT TESTIMONY
OF
RONALD L. BIBLE
MISSOURI GAS ENERGY, a division of
SOUTHERN UNION COMPANY
CASE NO. GR-98-140

Q Please state your name

A. My name is Ronald L. Bible

Q Please state your business address

A. My business address is P O Box 360, Jefferson City, Missouri, 65102

Q What is your present occupation?

A. I am employed as a Manager, Financial Analysis Department for the Missouri Public Service Commission. I accepted this position in August 1997

Q Were you previously employed before you joined the Commission's staff (Staff)?

A. Yes, I was employed by Credit Union National Association from 1995 to 1997 and American Express from 1991 to 1995, as a Financial and Investment Analyst/Planner

Q What is your educational background?

Direct Testimony of
Ronald L. Bible

A. In 1981, I earned a Master of Business Administration degree with an emphasis in Finance and Investments from the Southern Illinois University at Edwardsville

Q What is the purpose of your testimony in this case?

A. My testimony is presented to provide a recommendation to the Commission as to a fair and reasonable rate of return for Southern Union Company's Missouri Gas Energy Division's rate base

Q Have you prepared any schedules to your analysis of the cost of capital for Southern Union?

A. Yes I am sponsoring a study entitled "An Analysis of the Cost of Capital for Missouri Gas Energy, a division of Southern Union Company, Case No GR-98-140" consisting of 32 schedules which are attached to this direct testimony (see Schedule 1)

Q What do you conclude is the cost of capital for Southern Union Gas Company?

A. My analysis leads me to conclude that the cost of capital for Southern Union Company (Southern Union or Company) is in the range of 9.35 to 9.55 percent

Direct Testimony of
Ronald L. Bible

Economic and Legal Rationale for Regulation

Q Why are the prices charged to customers by utilities such as Southern Union regulated?

A. A primary purpose of price regulation is to restrain the exercise of monopoly power. Monopoly power represents the ability to charge excessive or unduly discriminatory prices. Monopoly power may arise from the presence of economies of scale and/or from the granting of a monopoly franchise.

For services that operate efficiently and have the ability to achieve economies of scale, a monopoly is the most efficient form of market organization. Utility companies can supply service at lower costs if the duplication of facilities by competitors is avoided. This allows the use of larger and more efficient equipment and results in lower per unit costs. For instance, it may cost more to have two or more competing companies maintaining duplicate natural gas distribution systems and providing competing residential services to one household. This situation could result in price wars and lead to unsatisfactory and perhaps irregular service. For these reasons, exclusive rights may be granted to a single utility to provide service to a given territory. This also creates a more stable environment for operating the utility company. Utility regulation acts as a substitute for the economic control of market competition and allows the consumer to receive adequate utility service at a reasonable price.

Direct Testimony of
Ronald L. Bible

Natural gas distribution utility companies such as Southern Union provide natural gas distribution services essentially under a monopoly franchise. Therefore, it is clear that Southern Union has monopoly power.

Another purpose of price regulation is to provide the utility company with an opportunity to earn a fair return on its capital, particularly on investments made as a result of a monopoly franchise.

Q Please describe your understanding of the legal basis you must use when determining a fair and reasonable return for a public utility.

A. Several landmark decisions by the U.S. Supreme Court provide the legal framework for regulation and for what constitutes a fair and reasonable rate of return for a public utility. Listed below are some of the cases:

1. *Munn v. People of Illinois* Case (1877),
2. *Bluefield Water Works and Improvement Company* Case (1923),
3. *Natural Gas Pipeline Company of America* Case (1942), and
4. *Hope Natural Gas Company* Case (1944)

In the case of *Munn v. People of Illinois*, 94 U.S. 113 (1877), the Court found that

when private property is "affected with a public interest, it ceases to be *juris privati* only." Property does become clothed with a public interest when used in a manner to make it of public consequence, and

Direct Testimony of
Ronald L Bible

affect the community at large When, therefore, one devotes his property to a use in which the public has an interest, he, in effect, grants to the public an interest in that use, and must submit to be controlled by the public for the common good, to the extent of the interest he has thus created Id at 126

The Munn decision is important because it states the basis for regulation of both utility and non-utility industries

In the case of Bluefield Water Works and Improvement Company v Public Service Commission of the State of West Virginia, 262 U S 679 (1923), the Supreme Court ruled that a fair return would be

- 1 A return "generally being made at the same time" in that "general part of the country",
- 2 A return achieved by other companies with "corresponding risks and uncertainties", and
- 3 A return "sufficient to assure confidence in the financial soundness of the utility"

The Court specifically stated

A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties, but it has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the

Direct Testimony of
Ronald L. Bible

money necessary for the proper discharge of its public duties. A rate of return may be reasonable at one time and become too high or too low by changes affecting opportunities for investment, the money market and business conditions generally. Id at 692-3

In Federal Power Commission et al v Natural Gas Pipeline Company of America et al, 315 U S 575 (1942), the Court decided that

The Constitution does not bind rate-making bodies to the service of any single formula or combination of formulas. If the Commission's order, as applied to the facts before it and viewed in its entirety, produces no arbitrary result, our inquiry is at an end. Id at 586

The U S Supreme Court also discussed the reasonableness of a return for a utility in the case of Federal Power Commission et al v Hope Natural Gas Company, 320 U S 591 (1944). The Court stated that

The rate-making process, i.e., the fixing of "just and reasonable" rates, involves a balancing of the investor and the consumer interests. Thus we stated that "regulation does not insure that the business shall produce net revenues" it is important that there be enough revenue not only for operating expenses but also for the capital costs of the business. These include service on the debt and dividends on the stock.

By that standard the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital. Id at 603

The Hope Case restates the concept of comparable returns to include those achieved by any other enterprises that have "corresponding risks". The Supreme Court also noted in this case that regulation does not guarantee profits to a utility company.

Direct Testimony of
Ronald L. Bible

A more recent case heard by the Supreme Court of Pennsylvania extends the Hope Case decision beyond balancing the interests of the investors and the consumers

The Supreme Court of Pennsylvania stated that

We do not believe, however, that the end result of a rate-making body's adjudication *must* be the setting of rates at a level that will, in any given case, guarantee the continued financial integrity of the utility concerned. In cases where the balancing of consumer interests against the interests of investors causes rates to be set at a "just and reasonable" level which is insufficient to ensure the continued financial integrity of the utility, it may simply be said that the utility has encountered one of the risks that imperil any business enterprise, namely the risk of financial failure. Pennsylvania Electric Company, et al v. Pennsylvania Public Utility Commission, 502 A.2d 130, 133-34 (1985), cert denied, 476 U S 1137 (1986)

The Pennsylvania Electric Company Case is included in my testimony to illustrate a point which is simply this: captive ratepayers of public utilities should not be forced to bear the brunt of wrongful management which results in unnecessarily higher costs. It should be noted that I do not believe that utility companies should be casually subjected to risk of financial failure in a rate case proceeding. However, in a case of extremely poor management, I do not believe it would always be appropriate for a regulatory agency to provide sufficient funds to continue operations no matter what the costs are to the ratepayers.

Through these and other court decisions, it has generally been recognized that public utilities can operate more efficiently when they operate as monopolies. It has also

Direct Testimony of
Ronald L. Bible

been recognized that regulation is required to offset the lack of competition and maintain prices at a reasonable level. It is the regulatory agency's duty to determine a fair rate of return and the appropriate revenue requirement for the utility, while maintaining reasonable prices for the public consumer.

The courts today still believe that a fair return on common equity should be similar to the return for a business with similar risks, but not as high as a highly profitable or speculative venture requires. The authorized return should provide a fair and reasonable return to the investors of the company, while ensuring that excessive earnings do not result from the utility's monopolistic powers. However, this fair and reasonable rate does not necessarily guarantee revenues or the continued financial integrity of the utility.

It should be noted that the courts have determined that a reasonable return may vary over time as economic and business conditions change. Therefore, the past, present and projected economic and business conditions must be analyzed in order to calculate a fair and reasonable rate of return.

Historical Economic Conditions

Q Please discuss the relevant historical economic conditions in which Southern Union has operated.

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A. One of the most commonly accepted indicators of economic conditions is the Discount Rate set by the Federal Reserve Board (Federal Reserve). The Federal Reserve tries to achieve its monetary policy objectives by controlling the Discount Rate (the interest rate charged by the Federal Reserve for loans of reserves to depository institutions) and the Fed Funds Rate (the overnight lending rate between commercial banks). At the end of 1982, the U.S. economy was in the early stages of recovery from the longest post-World War II recession. This economic expansion began when the Federal Reserve reduced the Discount Rate seven times in the second half of 1982 in an attempt to stimulate the economy. Within five months, the Discount Rate was cut from 11.5 to 8.5 percent (see Schedule 2). This also led to a reduction in the Prime Interest Rate (the base rate on corporate loans and loans to borrowers with high credit ratings) from 16.50 percent in June 1982, to 11.50 percent in December 1982 (see Schedule 3). The recovery continued and the economy was stimulated even more when the Federal Reserve cut the Discount Rate six more times in 1986. At year-end 1986, the Discount Rate was 5.5 percent and the Prime Interest Rate was 7.50 percent.

As the second quarter of 1987 came around, the expansion began to slow. Fears of increasing inflation (see Schedule 4), the falling dollar, and high Federal deficits led to increased interest rates for the second and third quarters of 1987. These fears also led to the stock market crash of October 1987 in which the Standard & Poor's 500 Composite

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Stock Price Index declined approximately 20 percent. After the crash, the Prime Interest Rate fell to 8.50 percent, but additional fears of inflation led to the increase in the Prime Interest Rate to 11.50 percent during the first quarter of 1989, after which the Prime Interest Rate began to drop again. However, on February 24, 1989, the Federal Reserve increased the Discount Rate to 7.0 percent. This was only the third increase in the Discount Rate since May 1984. This increase resulted from a need to hedge the economy against the fears of increasing inflation.

The economic expansion ceased after approximately eight years when the economy entered into a recession in July 1990. In August 1990, the Iraqi invasion of Kuwait produced higher crude oil prices and spurred inflation fears again. The pressures of war in the Persian Gulf, the Savings and Loan bailouts and unfavorable business trends led to a slow down in economic growth.

In February 1991, the economic uncertainties centered around the length of the Persian Gulf War and the length and severity of the economic recession. By March 1991, the issue of the Persian Gulf War was resolved with a quick victory by U.S. and coalition troops. As a result, the market shifted its focus to the unresolved economic issues in the United States.

On April 30, 1991, the Federal Reserve responded to the slumping economy by lowering the Discount Rate to 5.5 percent. During the second quarter of 1991 the

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recession ended. However, the leading economic indicators at that time did not give an indication of a strong economic recovery. As a result, the Discount Rate was cut four more times with the Discount Rate being reduced to 3.0 percent on July 2, 1992 which represents the lowest level in approximately thirty years. These monetary credit-loosening steps resulted in the Prime Rate being reduced to 6.00 percent. Economic concerns throughout the remainder of 1992 focused on the domestic economy and the presidential election in which incumbent Republican President George Bush was soundly defeated by Bill Clinton, the Democratic governor of Arkansas.

In 1993, as part of the Clinton Administration's plan to raise additional revenues, certain corporate and personal income tax rates were raised. Corporate downsizing resulted in large layoffs to white-collar and other skilled occupations in which employment has traditionally been considered as secure. Perhaps the most important factor for the U.S. economy in 1993 was the passage of the North American Free Trade Agreement (NAFTA) which creates a free trade zone consisting of the United States, Canada and Mexico. The rate of economic growth for the fourth quarter was one which the Federal Reserve believed could not be sustained without experiencing higher inflation. In the first quarter of 1994, the Federal Reserve took steps to try and restrict the economy by increasing interest rates. As a result, on March 24, 1994, the Prime Interest Rate as reported by The Wall Street Journal increased to 6.25 percent. On April 18, 1994, the

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Federal Reserve announced its intention to raise its targeted interest rates which resulted in the Prime Interest Rate being increased to 6.75 percent. The Federal Reserve took action on May 17, 1994, by raising the discount rate to 3.5 percent. Three additional restrictive monetary actions were taken by the Federal Reserve, with the last occurring on February 1, 1995. These actions raised the discount rate to 5.25 percent and in turn banks raised the Prime Interest Rate to 9.00 percent.

The Federal Reserve then reversed its policy in late 1995, by lowering the Discount Rate 0.25 percentage points on two different occasions. This had the effect of lowering the Prime Interest rate to 8.50 percent. On January 31, 1996 the Federal Reserve lowered the Discount Rate to its current rate of 5.00 percent, which had the effect of lowering the Prime Interest Rate to its current rate of 8.25 percent.

Current economic topics seem to revolve around continued economic growth and minimal levels of inflation in the foreseeable future.

Economic changes and capital cost changes for utilities are closely reflected in the yields on public utility bonds and yields of Thirty Year U.S. Treasury Bonds (see Schedule 5-1 and 5-2). Schedule 5-3 shows how closely the Moody's "Public Utility Bond Yields" have followed the yields of Thirty Year U.S. Treasury Bonds during the period from 1982 to the present. The average spread for this time period between these two composite indices has been 136 basis points, with the spread ranging from a low of

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80 basis points and a high of 304 basis points (see Schedule 5-4) These spread parameters can be utilized with numerous published forecasts of Thirty Year U S Treasury Bond yields to estimate future long-term debt costs for utility companies Moody's "Public Utility Bond Yields" are also graphically compared to both Standard & Poor's "Utilities Stock Yields" and Standard & Poor's "Industrials Stock Yields" (see Schedule 6)

Q Have the utility and industrial stocks recovered from the stock market crash of October 19, 1987?

A According to The Value Line Investment Survey Selection and Opinion, utility stocks have fully recovered from the stock market crash on October 19, 1987, and have added 41.6 percent to Value Line's "Geometric Average Index for Utilities" over the period from September 1987 through July 11, 1996 Industrial stocks however, only fully recovered June 6, 1995 This is based on the Value Line's geometric averages for both industrials and utilities The utility index dropped 11.7 percent for the fourth quarter of 1987, while the industrial index dropped 28.8 percent during the fourth quarter of 1987 In addition, during the stock market correction on October 13, 1989, the percentage drop for the utility index was not as sharp as the percentage drop for the industrial index This suggests that the utility stocks were a better investment, when compared to industrial stocks, following the stock market crash and correction However, since the respective

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highs of each index, the utility index dropped 22.3 percent for the period of September 13, 1993 through November 22, 1994, while the industrial index has only dropped 12.9 percent for the period of March 18, 1994 through December 9, 1994. Both indices have advanced since the 1994 end-of-year lows. As a result of the current rally, industrials have finally recovered from the stock market crash of 1987 and have increased in overall value 42.5 percent as of January 8, 1998. The Utilities have increased as well by adding 74 percent in overall value since the stock market crash of 1987. As a result, when compared to industrial stocks, it suggests that utility stocks are more stable, more defensive in nature and are better investments during slumping economic times but are less stable during times of increasing interest rates.

Economic Projections

Q What are the inflationary expectations for the remainder of 1998 and beyond?

A The latest inflation rate, as measured by the Consumer Price Index-All Urban Consumers (CPI), was 1.7 percent for the 12 months ended December 31, 1997. The Value Line Investment Survey Selection & Opinion, November 30, 1997, predicts inflation to be 2.5 percent for 1997 and 2.6 percent for 1998 (see Schedule 7). Salomon Brothers Inc's Comments On Credit, December 5, 1997, predicts the CPI will increase by 1.9 percent through 1997 and increase by 2.2 percent in 1998.

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Q What are interest rate forecasts for 1998?

A. Short-term interest rates, those measured by Three-Month U S Treasury Bills, were 5 1 percent in 1996, 5 2 percent in 1997, and expected to be 5 2 percent in 1998 according to Value Line's predictions. Value Line indicates that long-term interest rates, those measured by Thirty Year U S Treasury Bonds, was 6 2 percent for 1996 and 6 2 for 1997, and will be 6 3 percent for 1998. The current rates are 5 09 percent for 3-month T-Bills and 5 85 percent for 30-year T-Bonds, as noted from The Wall Street Journal, February 13, 1998.

Q What are the growth expectations for real Gross Domestic Product (GDP) in the future?

A. GDP is a benchmark utilized by the Commerce Department to measure economic growth within the United States' borders. Real GDP is measured by the actual Gross Domestic Product adjusted for inflation. During 1996 real GDP increased by 3 3 percent (see schedule 7). Salomon Brothers Inc predicts that real GDP is likely to increase by 3 6 percent for 1997 and 2 4 percent for 1998.

Q Please summarize the expectations of the economic conditions for the foreseeable future.

A. In summary, when combining the previously mentioned sources, inflation is expected to be in the range of 1 9 to 2 2 percent, real GDP in the range of 2 4 to 3 6

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percent and long-term interest rates are expected to range from 5.93 to 6.61 percent. The Value Line Investment Survey Selection & Opinion, January 16, 1998, states that

It's just that recent figures on manufacturing, consumer borrowing, and the average work week all now suggest that the rate of improvement shown by the economy in 1996 and 1997 will not be repeated in 1998. Even so, there should be enough momentum in place - assuming that the apparent deepening slide throughout Asia, including now Indonesia, which helped to send the U.S. stock market into a sharp retreat during the first part of January, is ultimately contained - for the long up trend to remain in place.

Interest costs continue to head lower, with rates on 30-year Treasury bonds (which are keyed to inflationary expectations) now comfortably below 6%. This decline in long-term interest rates is sending mortgage costs down as well, a development that will help sustain the long housing expansion. The Federal Reserve, which has kept short-term borrowing costs (which it directly controls) level for some time now, but which continues to signal that it is sensitive to the possibility of deflation as well as inflation, could opt to cut short-term interest rates later this year.

In addition, Standard & Poor's Corporation's The Outlook, December 17, 1997, states

The economy will lose some of its vigor, with slowing exports the main reason. The odds favor containment of Asia's problems, but a meltdown there can't be completely ruled out. That's a threat to continued worldwide prosperity. In any event, the word "recession" will be heard increasingly here as the focus turns to 1999. Worries about inflation will slowly abate.

Bond yields will remain low, aided by global deflationary forces stemming from excessive production capacity. Also, it's not in the interests of the Japanese and Chinese to abandon U.S. Treasuries.

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Business Operations of Southern Union Company

Q Please describe Southern Union's business operations

A. In Southern Union Company's 1997 Stockholders' Annual Report, Southern Union states

Southern Union Company's principal business is the distribution of natural gas as a public utility through Southern Union Gas, serving 497,000 customers in Texas (including the cities of Austin, Brownsville, El Paso, Galveston and Port Arthur), and Missouri Gas Energy (MGE), acquired on January 31, 1994, serving 474,000 customers in central and western Missouri (including the cities of Kansas City, St. Joseph, Joplin and Monett). The company also operates natural gas pipeline systems, markets natural gas to end-users, distributes propane and holds investments in real estate and other assets.

To achieve profitability and continued growth, the Company continues to emphasize gas sales in nontraditional markets, operating efficiencies of existing systems, and expansion through selective acquisitions of new systems.

Southern Union's total operating revenues were \$699,939,004 for the 12 months ended December 31, 1997. These total operating revenues resulted in an overall net income of \$19,604,915. These revenues and net incomes were generated from a net utility plant in service with a book value of \$805,034,122 at December 31, 1997. These figures were taken from Southern Union's Data Request No. 3801.

Q Please describe the credit ratings of Southern Union.

A. Currently, Standard & Poor's Corporation rates the senior secured debt of Southern Union as "BBB". Also, Moody's Investors Service rates Southern Union's first

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mortgage bonds as "Baa3" All of these ratings are considered to be of "investment grade" It should be noted that in the financial community Standard & Poor's Corporation's "BBB-" credit rating is comparable to Moody's Investment Service's "Baa3" credit rating

Q What is Standard & Poor's Corporation credit rating approach toward investor-owned natural gas distribution utilities?

A. Standard & Poor's Corporation's CreditWeek, December 6, 1993, states

S&P [Standard & Poor's Corporation] is revising its financial benchmark ratios for U S investor-owned natural gas distributors and pipelines With this modification, S&P is publishing a risk-adjusted or matrix approach to the financial benchmarks, which incorporates a more detailed comparison of financial performance and a company's business risk profile

At the same time S&P is recognizing moderate changes in business risk for the entire gas industry due to the implementation of Federal Energy Regulatory Commission Order 636 Only minor changes are being made to the financial guidelines, because the industry, as a whole, is well positioned to deal with the implications of Order 636 In fact, S&P does not see the need to stiffen the targeted financial ratios for gas distributors, despite a moderate increase in gas supply risks they face

The risk-adjusted ratio guidelines depict the role that financial ratios play in S&P's utility rating process, since financial ratios are viewed in the context of a firm's business risk profile For a given rating category, expected levels of financial ratios vary with the business or operating risk of a company A utility with a stronger competitive position, more favorable business prospects, and more predictable cash flows can afford to withstand greater financial risk while maintaining the same credit rating

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the distributors in S&P's rating universe [of which Southern Union is included] are believed to be of significant size and possess the management talent to efficiently handle this responsibility. Of course, S&P will monitor every utility's performance, paying particular attention to how each utility deals with its respective commissions. If a management has a well thought out supply plan, and effectively communicates and educates its regulatory commission on this plan, then regulatory risk can and will be mitigated.

An evaluation of business risk is important to best understand a company's ability to generate cash for debt servicing. In this regard, S&P is most concerned with a company's ability to both earn a reasonable return on investment and successfully compete in its markets, i.e. to retain existing customers and attract new ones. While rates to the consumer strongly impact competition, there are several other areas to analyze to determine whether a utility has an above average, average, or below average business position.

First, S&P analyzes a firm's customer base for diversity, growth opportunities, and susceptibility to weather or economic volatility. Next a complete understanding of a company's ability to compete is critical. This includes a rate comparison versus competitors, projections for total cost of service, a study on the need for and impact of discounted rates, and an evaluation of the adequacy and diversity of gas supplies.

Regulation plays a huge role in a company's business position, because all decisions by a commission not only impact earnings but will act to support or not support competitive rates in all markets. Rate case rulings have a great effect on the rates to individual customers and the company's chance to attract new ones.

Lastly, management's operating and competitive strategies may be the most important factor to evaluate. Management must cohesively link marketing, supply, and regulatory strategies so as to best provide a competitive product to the consumer. S&P will monitor the success of these plans, along with financing practices and diversification activities.

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S&P believes all rated companies have the ability to do the job correctly and should do the job correctly. S&P is not anticipating or planning major rating changes or rating outlook revisions due to either the new benchmarks or the implementation of Order 636.

In the April 25, 1994, issue of Standard & Poor's Corporation's CreditWeek, Standard & Poor's reaffirmed their financial ratio benchmarks set in December 1993, and further defined the business position classification by stating that

S&P has established a system that better illustrates the business-risk positions of gas distribution and pipeline companies. This system compliments S&P's risk-adjusted ratio guidelines published late last year. Both the ratio benchmarks and business-risk positions incorporate the comprehensive comparison of financial performance and business risk involved in the credit analysis process. S&P has always performed this task in the past, but this methodology makes the linkage more explicit.

Companies are listed in seven categories, ranging from "Above Average" to "Below Average", and are ranked within those categories by their relative quality. Risk evaluations are based solely on utility or pipeline operations and are provided for individual operating units where enough information is available to do the analysis.

Standard & Poor's updated their main areas of focus in the determination of business position as being

Customer Markets

- Market share and local economy
- Customer diversity and growth prospects
- Gas use saturation levels in service territory
- Load factor

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- Industrial and power-generation customers as percentage of load and margin.

Competitive Position

- By-pass risk.
- Length of contracts with industrial and power generation customers
- Proximity of interstates to industrial and power-generation customers
- All-in rates versus alternate fuels in all markets
- All-in rates versus interstate pipelines in industrial and power-generation markets
- Cost of operations
- Integrity of pipeline system.
- Cost of pipeline access and transmission.
- Cost of gas

Supply Position

- Diversity of producers and pipeline suppliers
- Access to storage
- Length of pipeline capacity and gas supply contracts

Regulatory Environment

- Diversity of jurisdictions
- Rate design and cost-allocation decisions
- Supportiveness of gas-purchasing practices
- Supportiveness of capital spending programs and cost-recovery decisions
- Earnings stabilization clauses for weather or economy
- Flexibility of rate to large customers
- Ability to earn allowed returns

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The seven categories of business position used by Standard & Poor's are

- above-average,
- somewhat above-average,
- high average,
- average,
- low average,
- somewhat below-average, and
- below-average

Q Please provide Standard & Poor's Corporation's most recent outlook concerning the credit rating assigned to Southern Union.

A. Standard & Poor's Corporation's Utilities Ratings Service, April, 1997, provides a summary explaining the outlook. Specifically the report states

**OUTLOOK: STABLE
RATIONALE**

Southern Union Co's ratings anticipate gradual but steady recovery of the \$400 million cost of Missouri Gas Energy (MGE), acquired in January 1994. The Missouri gas distribution system, which serves the western Missouri region including Kansas City, St. Joseph, and Joplin, doubled the size of Southern Union. Southern Union Gas serves major areas of Texas, including Austin, El Paso, Galveston, and the Rio Grande Valley. Over the past several years, the company has been acquiring Texas distribution systems, including the Rio Grande Valley system. Additional acquisitions are anticipated, especially in areas where gas has a competitive advantage over electric utility service. The company has a fairly stable customer base of primarily residential customers and the Texas regulatory climate is favorable. Rates are negotiated at the local level, obviating the need to appeal to the Texas Railroad Commission. Earnings stability is further supported by a weather normalization clause in Austin, one of the company's largest markets, and by increased fixed monthly customer charges. As a result, 75% of all Texas revenue and 70% of all Missouri revenue are not affected by the

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weather In Missouri, the company will continue to file for recovery of expenses incurred to make required pipeline improvements Since Southern Union does not pay a cash dividend, surplus cash flow will be dedicated to debt reduction Most of the equity is held by a small group of investors

Q Please provide some historical financial information for Southern Union

A. Schedules 8 and 9 present historical capital structures and selected financial ratios from 1994 to 1997 for Southern Union Southern Union and its subsidiaries' consolidated common equity ratio has ranged from a high of 35.55 percent to a low of 28.60 percent over the time period of 1994 through 1997 It is Staff's opinion that the wide swing in Southern Union's common equity ratio is due to the debt leverage used to purchase the Missouri gas properties The Value Line Investment Survey Ratings & Reports June 28, 1996, reported that the average common equity ratio for the natural gas distribution industry for 1995 was 47.0 percent Southern Union's common equity ratio is significantly lower than the "industry average", but that is one factor that has led to Staff's concern with Southern Union's capital structure According to Standard & Poor's Utilities Rating Service, June 1995, " [u]sing preferred stock and internally-generated funds, the company expects to bring leverage down to around 55% by 1997 Management has stated that, if necessary, common stock would be sold to bring the capital structure in line with the current ratings "

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Southern Union's consolidated return on year-end common equity (ROE) has been extremely low during this time period ranging from a high of 8.47 percent in 1996 to a low of 4.01 percent in 1994. Southern Union's 1996 ROE of 8.47 percent was below the average earned by other natural gas distribution utilities of 12.60 percent according to The Value Line Investment Survey Ratings & Reports, September 26, 1997. In addition, Edward Jones's Natural Gas Industry Summary Monthly Financial & Common Stock Information, January 31, 1998, reports the average return on equity for its composite list of 33 natural gas distribution companies was 11.5 percent for the latest 12 month period ending September 30, 1997. Southern Union's market-to-book ratio has varied from a high of 1.52 times in 1997 to a low of 0.92 in year 1994.

Determination of the Cost of Capital

Q Please describe the cost of capital approach for determining a utility company's cost of capital.

A. The total dollars of capital for the utility company are determined for a specific point in time. This total dollar amount is proportioned into each specific capital component. A weighted cost for each capital component is determined by multiplying each capital component ratio by the appropriate embedded cost or the estimated cost of common equity. The individual weighted costs are summed to arrive at a total weighted

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cost of capital. This total weighted cost of capital is synonymous with the fair rate of return for the utility company.

Q Why is a total weighted cost of capital synonymous with a fair rate of return?

A. From a financial viewpoint, a company employs different forms of capital to support or fund the assets of the company. These funds are invested proportionately to support each dollar of the company's assets. Each different form of capital has a cost and these costs are weighted proportionately to fund each dollar invested in the assets.

Assuming that the various forms of capital are within a reasonable balance and are costed correctly, the resulting total weighted cost of capital, when applied to rate base, will provide the funds necessary to service the various forms of capital. Thus, the total weighted cost of capital corresponds to a fair rate of return for the utility company.

Capital Structure and Embedded Costs

Q What capital structure did you use?

A. I have employed a combined capital structure as of December 31, 1997, for Southern Union. The capital structure I have used for this case is for Southern Union on a consolidated basis including Southern Union Financing I the company's subsidiary that holds the preferred stock. Schedule 10 presents Southern Union's capital structure and associated capital ratios. The resulting capital structure consists of 38.06 percent

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common stock equity, 12.68 percent preferred stock, 49.26 percent long-term debt and 0.00 percent short-term debt (see Schedule 10)

Southern Union did not have any short-term debt outstanding as of December 31, 1997.

The amount of long-term debt outstanding on December 31, 1997, includes current maturities due within one year and was reduced by \$20,200,960 (see Schedule 10) for the net balance associated with the unamortized premium or discount expense and debt issuance expense (including losses on reacquired debt).

The amount of preferred stock outstanding on December 31, 1997, includes current maturities due within one year and was reduced by \$3,627,365 (see Schedule 12) for the net balance associated with the unamortized premium or discount expense and debt issuance expense.

Q What was the embedded cost of long-term debt for Southern Union on December 31, 1997?

A. I determined the embedded cost of long-term debt on December 31, 1997, for Southern Union to be 8.19 percent (see Schedule 11).

Q What was the embedded cost of preferred stock for Southern Union on December 31, 1997?

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A. I determined the embedded cost of preferred stock on December 31, 1997, for Southern Union to be 9.97 percent (see Schedule 12). It should be noted that the preferred stock Southern Union has issued is a hybrid between debt and equity. It has the tax deductibility of interest like debt and the option of deferring the interest payments like preferred stock. Consequently, the interest payments do not need to be factored up for taxes, and the Staff is recommending that all the benefits of this security go to the ratepayer.

Cost of Equity

Q How do you propose to analyze those factors by which the cost of equity for Southern Union may be determined?

A. I have selected the discounted cash flow (DCF) model as the primary tool to determine the cost of equity for Southern Union, but I will use a risk premium model and the Capital Asset Pricing Model to check the reasonableness of the DCF results.

The DCF Model

Q Please describe the DCF model.

A. The DCF model is a market-oriented approach for deriving the cost of equity. The return on equity calculated from the DCF model is inherently capable of attracting

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capital This results from the theory that security prices adjust continually over time, so that an equilibrium price exists, and the stock is neither under-valued nor over-valued. It can also be stated that stock prices continually fluctuate to reflect the required and expected return for the investor.

The continuous growth form of the DCF model was used in estimating the cost of equity for Southern Union. This model relies upon the fact that a company's common stock price is dependent upon the expected cash dividends and upon cash flows received through capital gains or losses that result from stock price changes. The rate which discounts the sum of the future expected cash flows to the current market price of the common stock is the calculated cost of equity. This can be expressed algebraically as

$$\text{Present Price} = \frac{\text{Expected Dividends}}{\text{Discounted by } k} + \frac{\text{Expected Price in 1 year}}{\text{Discounted by } k} \quad (1)$$

Since the expected price of a stock in one year is equal to the present price multiplied by one plus the growth rate, equation (1) can be restated as

$$\text{Present Price} = \frac{\text{Expected Dividends}}{(1+k)} + \frac{\text{Present Price}(1+g)}{(1+k)} \quad (2)$$

where g equals the growth rate, and k equals the cost of equity. Letting the present price equal P_0 and expected dividends equal D_1 , the equation appears as

$$D_1 \quad P_0(1+g)$$

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$$P_0 = \frac{D_1}{(1+k)} + \frac{P_1}{(1+k)} \quad (3)$$

The cost of equity equation may also be algebraically represented as

$$k = \frac{D_1}{P_0} + g \quad (4)$$

Thus, the cost of common stock equity, k , is equal to the expected dividend yield (D_1/P_0) plus the expected growth in dividends (g) continuously summed into the future. The growth in dividends and implied growth in earnings will be reflected in the current price. Therefore, this model also recognizes the potential of capital gains or losses associated with owning a share of common stock.

The discounted cash flow method is a continuous stock valuation model. The DCF theory is based on the following assumptions:

- 1 Market equilibrium,
- 2 Perpetual life of the company,
- 3 Constant payout ratio,
- 4 Payout of less than 100% earnings,
- 5 Constant price/earnings ratio,
- 6 Constant growth in cash dividends,

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- 7 Stability in interest rates over time,
- 8 Stability in required rates of return over time, and
- 9 Stability in earned returns over time

Flowing from these, it is further assumed that an investor's growth horizon is unlimited and that earnings, book values and market prices grow hand-in-hand. Even though the entire list of above assumptions is rarely met, the DCF model is a reasonable working model describing an actual investor's expectations and resulting behaviors.

Q Can you directly analyze the cost of equity for Southern Union?

A. No. In order to arrive at a company-specific DCF result, a company must have common stock that is market-traded and pay cash dividends. Southern Union does not pay cash dividends, therefore, I can not directly analyze Southern Union Company.

Q Please explain how you approached the determination of the cost of equity for Southern Union.

A. I have decided to do an analysis of the cost of equity for the natural gas distribution industry, as well as a smaller group of comparable companies.

Q How did you determine which companies you would include to represent the natural gas distribution industry?

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A. Schedule 13 presents a list of thirty-four market-traded natural gas distribution companies monitored by Edward Jones of which Southern Union is one. This list was reviewed for the following criteria:

- 1 Information printed in Value Line. This criterion eliminated sixteen companies,
- 2 Pretax interest coverage greater than 2.80 times. This criterion eliminated six additional companies,
- 3 Long-term debt to total capital less than 53 percent. This criterion eliminated one additional company,
- 4 Distribution revenue to total revenues greater than 90 percent. This criterion eliminated no additional companies,
- 5 Positive Dividends Per Share Annual Compound Growth Rate for the period of 1986 through 1996. This criterion eliminated one additional company, and
- 6 No Missouri Operations. This criterion eliminated one additional company.

This final group of eight publicly traded natural gas distribution companies (natural gas distribution industry companies) was assumed to represent the natural gas distribution industry. These eight companies are significantly stronger financially than Southern Union, but they are assumed to represent the industry. These eight companies have an average bond rating in the "A" category according to Standard & Poor's Corporation, and Standard & Poor's Corporation current ratings distributions list 74% of the gas

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distribution companies that they rate in the "A" category or higher. The eight natural gas distribution companies assumed to represent the industry are listed on Schedule 14.

Q Please explain how you approached the determination of the cost of equity for the comparable natural gas distribution companies.

A. I have calculated a DCF cost of equity for each of the eight natural gas distribution industry companies. The first step was to calculate a growth rate. I reviewed the actual dividends per share (DPS), earnings per share (EPS), and book values per share (BVPS) as well as projected growth rates for the industry companies. Schedule 15 lists the annual compound growth rates for DPS, EPS, and BVPS for the periods 1986 through 1996. Schedule 16 presents the average historical growth rates and the projected growth rates for the industry companies. The projected growth rates were obtained from three outside sources, I/B/E/S Inc.'s Institutional Brokers Estimate System, Standard & Poor's Corporation's Earnings Guide, and The Value Line Investment Survey Ratings and Reports. The three projected growth rates were averaged to develop an average projected growth rate of 5.57 percent which was averaged with the historical growth rates to produce an average historical and projected growth rate of 4.77 percent. All the growth rates were then analyzed to arrive at a growth rate range for the industry companies of 4.80 percent to 5.60 percent.

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The next step was to calculate an expected yield for each of the eight natural gas distribution industry companies. The yield term of the DCF model is calculated by dividing the amount of common dividends per share expected to be paid over the next twelve months by the market price per share of the firm's stock. Even though the model requires a spot price, I have chosen to use a monthly average market price for each of the natural gas distribution industry companies. This averaging technique is an attempt to minimize the effects on the dividend yield which can occur due to daily volatility in the stock market. Schedule 17 presents the average high / low stock price for the period of November 1, 1997 through January 31, 1998 for each natural gas distribution industry company. Column 1 of Schedule 18 shows the expected dividend for each of the natural gas distribution industry companies over the next 12 months as projected by The Value Line Investment Survey Ratings & Reports, December 26, 1997. Column 3 of Schedule 18 is the projected dividend yield for each of the eight natural gas distribution industry companies. The dividend yield for each industry company was averaged to reach the dividend yield for the industry of 4.74 percent.

The growth rates for each of the industry companies and the projected dividend yield for each of the industry companies were then added together to reach an estimated DCF cost of equity for each of the eight natural gas distribution industry companies (see

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Schedule 18) This produces a DCF cost of equity estimates for the industry of between 9.51 percent and 10.31 percent

Q What analysis was performed to determine the reasonableness of your DCF model derived return on common equity for the comparable company group?

A. I performed a risk premium and CAPM cost of equity analysis for the natural gas distribution industry company group

Q Please describe the risk premium model

A. The risk premium concept implies that the required return on equity is found by adding an explicit premium for risk to a current interest rate. Schedule 19-1 through 19-8 shows the average risk premium above the yield of the appropriately rated Moody's Public Utility Bond for each of the industry companies' expected return on common equity. This analysis shows, on average, that the expected return on equity as reported by The Value Line Investment Survey Ratings & Reports ranges from 173 basis points to 463 basis points higher than the average yield on the appropriately rated Moody's Public Utility Bonds for the period of January 1986 to December 1997 (see Schedule 20). The risk premium is then added to the current yield on thirty year public utility bonds of the appropriate rating for the individual company. Column 4 of Schedule 20 shows that the risk premium cost of equity estimate for each of the natural gas distribution industry companies ranged from 8.89 percent to 11.70 percent, with an average of 10.59 percent.

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Q Please describe the capital asset pricing model (CAPM)

A. The CAPM describes the relationship between a security's investment risk and its market rate of return. This relationship identifies the rate of return which investors expect a security to earn so that its market return is comparable with the market returns earned by other securities that have similar risk. The general form of the CAPM is as follows

$$k = R_f + \beta (R_m - R_f)$$

where

k = the expected return on equity for a specific security,

R_f = the risk free rate,

β = beta, and

$R_m - R_f$ = the market risk premium

The first term of the CAPM is the risk free rate (R_f). The risk free rate reflects the level of return which can be achieved without accepting any risk. In reality, there is no such riskless asset, but it is generally represented by U.S. Treasury securities. For purposes of this analysis, the risk free rate was represented by the yield on 30-Year U.S. Treasury Bonds. The appropriate rate was determined to be 5.99, as published in The Federal Reserve Bulletin, January 6, 1998.

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The second term of the CAPM is beta (β). Beta is an indicator of a security's investment risk. It represents the relative movement and relative risk between a particular security and the market as a whole (where beta for the market equals 1.00). Securities with betas greater than 1.00 exhibit greater volatility than do securities with betas less than 1.00. This causes a higher beta security to be less desirable and therefore requires a higher return in order to attract investor capital away from a lower beta security. For purposes of this analysis, the appropriate beta was determined to be the value for each of the industry companies as published in The Value Line Investment Survey Ratings & Reports, December 26, 1997.

The final term of the CAPM is the market risk premium ($R_m - R_f$). The market risk premium represents the expected return from holding the entire market portfolio less the expected return from holding a risk free investment. For purposes of this analysis, the appropriate market risk premium was determined to be 7.30 percent as calculated for 1926 to 1996, and 5.89 percent as calculated for 1987 to 1996 in Ibbotson Associates, Inc.'s Stocks, Bonds, Bills, and Inflation 1996 Yearbook.

Schedule 21 presents the CAPM analysis with regard to each of the eight natural gas distribution industry companies. The CAPM analysis for each of the natural gas distribution industry companies produces an estimated cost of equity range of 9.86 percent to 10.78 percent. It should be noted that recent debate has somewhat diminished

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the reliability of CAPM as a cost of equity evaluation tool. As a result, I do not believe that the CAPM analysis should be given equal weight to the DCF cost of equity analysis and should only be used as a check to the DCF analysis.

Q Did you perform any cost of equity analysis on other utility companies?

A. Yes. I have also selected a group of natural gas distribution companies comparable to Southern Union to analyze for determining the reasonableness of the industry results. The comparable companies were selected from the thirty-three market-traded natural gas distribution companies monitored by Edward Jones of which Southern Union is one (see Schedule 22). This list was reviewed for the following criteria:

- 1 Information printed in Value Line. This criterion eliminated sixteen companies,
- 2 Company rated "BBB" by Standard & Poor's Corporation. This criterion eliminated thirteen companies,
- 3 Distribution revenue to total revenues greater than 90 percent. This criterion eliminated no additional companies,
- 4 No Missouri Operations. This criterion did not eliminate any additional companies.

This left four companies in the comparable company group. On average, this final group of four publicly traded natural gas distribution companies (comparable natural gas distribution companies) is comparable to Southern Union because of similar business

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operations and financial conditions. The four comparable natural gas distribution companies are listed on Schedule 24.

Q Please explain how you approached the determination of the cost of equity for the comparable natural gas distribution companies.

A. I have calculated a DCF cost of equity for each of the four comparable natural gas distribution companies. The first step was to calculate a growth rate. Basically, I used the same approach of obtaining a growth rate estimate for the four comparable natural gas distribution companies as I used in calculating a growth rate for the industry companies (see Schedules 24 and 25). The comparable natural gas distribution companies' average historical growth rates ranged from -0.37 percent to 7.87 percent. The projected growth rates ranged from 3.00 to 10.40 percent with an average of 6.02 percent. Taking into account all the projected growth rates a proposed range of growth of 5.50 to 6.00 percent was used in the DCF calculation for the comparable companies.

The next step was to calculate an expected dividend yield for each of the four comparable natural gas distribution. Schedule 26 presents the average high / low stock price for the period of November 1, 1997, through January 31, 1998, for each gas utility company. Column 3 of Schedule 27 shows that the projected dividend yields ranged from 3.70 percent to 5.97 percent for the four comparable natural gas distribution companies with the average at 5.07 percent.

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The estimated growth rates and projected dividend yields were then added together to reach an estimated DCF cost of equity for each of the four comparable natural gas distribution companies (see Schedule 27). These estimates produced a DCF cost of equity ranging from 9.12 to 12.57 percent for the comparable natural gas distribution companies with an average of 11.19 percent. Using the average dividend yield of 5.17 percent and adding that to the proposed growth rate range of 5.50 to 6.00 percent produces a proposed cost of common equity range of 10.67 percent to 11.19 percent for the three comparable natural gas distribution companies.

Q What analysis was performed to determine the reasonableness of your DCF model derived return on common equity for the comparable company group?

A I performed a CAPM cost of equity analysis for the comparable company group. A CAPM cost of equity analysis was performed. The betas for the four comparable natural gas distribution companies averaged 0.59. The CAPM analysis implies that, on average, the required return on equity for the four comparable natural gas distribution companies falls within the range of 9.95 to 10.28 percent (see Schedule 28).

Q Please summarize your cost of equity analysis to this point.

A I have performed a DCF and CAPM cost of equity analysis on a group of eight industry companies and a group of four comparable companies, and I have also performed a risk premium cost of equity analysis on the eight industry companies. The

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results of the risk premium analysis for the comparable companies was not meaningful, and therefore not included in this analysis. The results are summarized below:

	DCF	CAPM	Risk Premium
Industry Companies	9.51% - 10.31%	9.86% - 10.78%	10.59%
Comparable Companies	10.67% - 11.19%	9.45% - 10.28%	NM

Q. Based on the analysis you performed, what is your recommended return on common equity in this proceeding?

A. I am recommending a return on common equity in the range of 10.67 percent to 11.35 percent. This range was determined by starting with the DCF cost of common equity range for the industry companies and comparing those results with the DCF cost of common equity results for the comparable companies. The comparable companies are riskier than the industry companies as indicated by the fact that the industry companies average bond rating is "A+" and an average common equity ratio of 53 percent as opposed to the comparable companies which have an average bond rating of "BBB+" and an average common equity ratio of 49 percent (see Schedule 29). Based on my analysis, the Company is closely held and managed as a growth company. Therefore, any risk above the comparable group is the result of management actions and should be absorbed by the shareholders, not the ratepayers.

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Q Did you perform an analysis on Southern Union's resulting pre-tax interest coverage ratios?

A. Yes. A pro forma pre-tax interest coverage calculation was completed for Southern Union (see Schedule 30). It reveals that the return on equity range of 10.67 percent to 11.19 percent would yield a pre-tax interest coverage ratio in the range of 3.09 times to 3.26 times. This interest coverage range is much better than Standard & Poor's "BBB" average business position gas distribution companies benchmark of 1.86 times.

Rate of Return for Southern Union

Q Please explain how the returns developed for each capital component are used in the rate making approach you have adopted to be applied to Missouri Gas Energy (Southern Union's Missouri natural gas distribution operations).

A. The cost of service rate making method was adopted in this case. This approach develops the public utility's revenue requirement. The cost of service (revenue requirement) is based on the following components: prudent operation costs, rate base and a return allowed on the rate base (see Schedule 31).

It is my responsibility to calculate and recommend a rate of return that should be authorized on the Missouri jurisdictional rate base of Southern Union. Under the cost of service rate making approach, a weighted cost of capital in the range of 9.35 to 9.55

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percent was developed for Southern Union's Missouri natural gas distribution operations (see Schedule 32). This rate was calculated by applying an embedded cost of long-term debt of 8.19 percent, an embedded cost of preferred stock of 9.97 percent and a return on common equity range of 10.67 percent to 11.19 percent to a capital structure consisting of 49.26 percent long-term debt, 12.68 percent preferred stock and 38.06 percent common equity. Therefore, from a financial risk / return perspective, as I suggested earlier, I am recommending that Southern Union Gas Company's Missouri natural gas distribution operations be allowed to earn a return on its original cost rate base in the range of 9.35 to 9.55 percent.

Through my analysis, I believe that I have developed a fair and reasonable return and, when applied to Southern Union Gas Company's Missouri jurisdictional rate base, will allow Southern Union the opportunity to earn the revenue requirement developed in this rate case.

Potential Adjustment to Return on Equity

Q Are there any other adjustments that the Commission may wish to consider?

A. Yes. According to Standard and Poor's Utility Rating Service, April, 1997, the Company's chairman of the board and chief executive officer, together with his family, own approximately 41% of the Southern Union stock. This, combined with the growth

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aspects of the Company's management philosophy results in a more aggressively run operation. If the Commission is so inclined, it is Staff's position, that the Commission has the power to consider the low end of the range for Southern Union's return on common equity in order to make sure the shareholders bear their fair share of this risk, as opposed to the ratepayers

Secondly, it is the Staff's opinion that the Commission has the power to consider poor customer service when determining a reasonable rate of return. If this were to occur in this case, it should cause the shareholders of Southern Union to encourage their management to improve quality of service to a point that they comply with the Commission's directives

Q Does this conclude your prepared direct testimony?

A. Yes, it does

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the matter of Missouri Gas Energy's)
Tariff Sheets Designed to Increase Rates) Case No GR-98-140
for Gas Service in the Company's Missouri)
Service Area)

AFFIDAVIT OF RONALD L BIBLE

STATE OF MISSOURI)
)) SS
COUNTY OF COLE)

Ronald L Bible, is, of lawful age, on his oath states that he has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of 43 pages and 32 schedules to be presented in the above case, that the answers in the foregoing Direct Testimony were given by him, that he has knowledge of the matters set forth in such answers, and that such matters are true and correct to the best of his knowledge and belief



Ronald L Bible
RONALD L BIBLE

Subscribed and sworn to before me this 12th day of March 1998

Randall Z Wright
Notary Public

Randall Z. Wright
Notary Public, State of Missouri
County of Cole
My Commission Exp 01/02/2001

My Commission Expires _____

AN ANALYSIS OF THE COST OF CAPITAL

FOR

**MISSOURI GAS ENERGY, a division of
SOUTHERN UNION COMPANY**

CASE NO. GR-98-140

SCHEDULES

BY

RONALD L BIBLE

UTILITY SERVICES DIVISION

MISSOURI PUBLIC SERVICE COMMISSION

MARCH 1998

SOUTHERN UNION COMPANY
CASE NO GR-98-140

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1-2	List of Schedules (continued)
1-3	List of Schedules (continued)
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14	Natural Gas Distribution Industry Companies
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SOUTHERN UNION COMPANY
CASE NO GR-98-140

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19-1	Average Risk Premium Above the Yields of "A" Rated Public Utility Bonds for AGL Resources Inc 's Expected Returns on Common Equity
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19-4	Average Risk Premium Above the Yields of "Aa" Rated Public Utility Bonds for CTG Resources Inc s Expected Returns on Common Equity
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List of Schedules (continued)

Schedule Number	Description of Schedule
29	Bond Ratings Common Equity Ratios, and Market to Book Ratios for the Natural Gas Distribution Industry Companies and the Four Comparable Natural Gas Distribution Companies
30	Pro Forma Pre-Tax Interest Coverage Ratios for Southern Union Company
31	Public Utility Revenue Requirement or Cost of Service
32	Weighted Cost of Capital as of December 31, 1997 for Southern Union Company

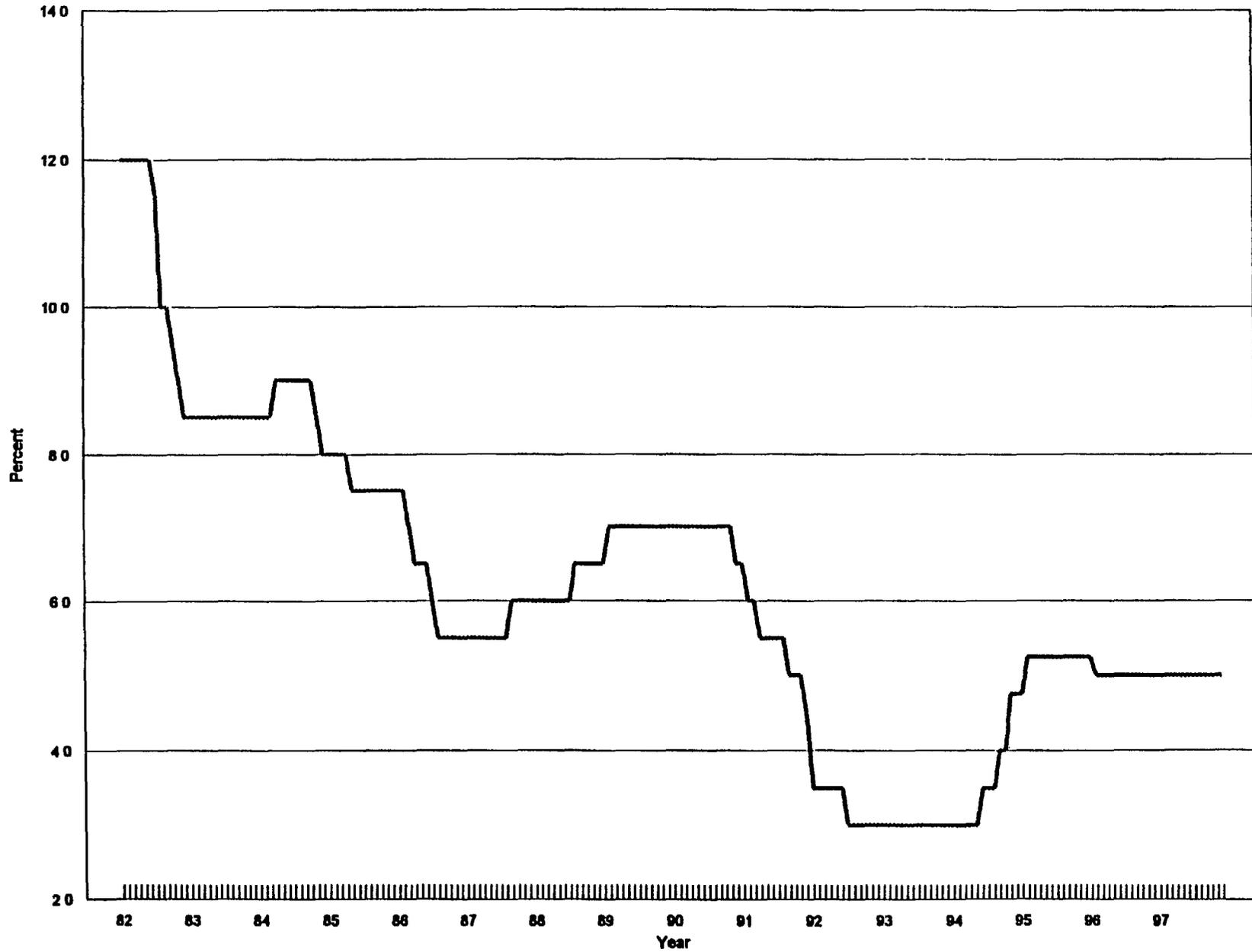
SOUTHERN UNION COMPANY
CASE NO GR-98-140

Federal Reserve Discount Rate Changes

Date	Discount Rate
01/01/82	12 00%
07/20	11 50%
08/02	11 00%
08/16	10 50%
08/27	10 00%
10/12	9 50%
11/22	9 00%
12/15	8 50%
01/01/83	8 50%
12/31	8 50%
04/09/84	9 00%
11/21	8 50%
12/24	8 00%
05/20/85	7 50%
03/07/86	7 00%
04/21	6 50%
07/11	6 00%
08/21	5 50%
09/04/87	6 00%
08/09/88	6 50%
02/24/89	7 00%
12/19/90	6 50%
02/01/91	6 00%
04/30	5 50%
09/13	5 00%
11/06	4 50%
12/20	3 50%
07/02/92	3 00%
01/01/93	3 00%
12/31	3 00%
05/17/94	3 50%
08/16	4 00%
11/15	4 75%
02/01/95	5 25%
01/31/96	5 00%
12/12/97	5 00%

Sources Federal Reserve Bulletin & The Wall Street Journal

Federal Reserve Discount Rates
1982 - 1997



Schedule 2-2

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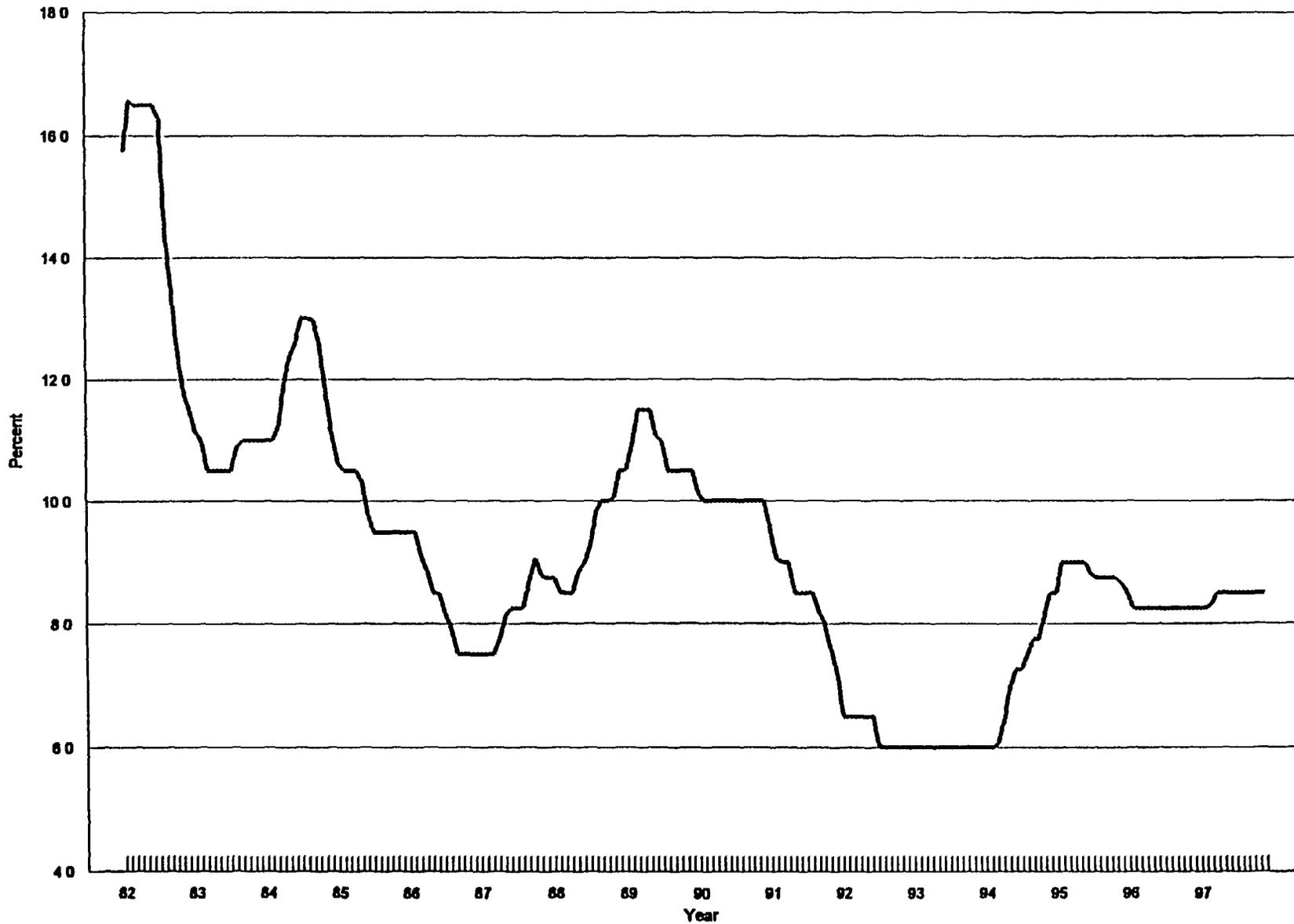
SOUTHERN UNION COMPANY
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Average Prime Interest Rates

<u>Year</u>	<u>Rate (%)</u>	<u>Mo/Year</u>	<u>Rate (%)</u>	<u>Mo/Year</u>	<u>Rate (%)</u>	<u>Mo/Year</u>	<u>Rate (%)</u>
1982	15.75	Jan 1986	9.50	Jan 1990	10.11	Jan 1994	6.00
	16.56	Feb	9.50	Feb	10.00	Feb	6.00
	16.50	Mar	9.10	Mar	10.00	Mar	6.06
	16.50	Apr	8.83	Apr	10.00	Apr	6.45
	16.50	May	8.50	May	10.00	May	6.99
	16.50	Jun	8.50	Jun	10.00	Jun	7.25
	16.26	Jul	8.16	Jul	10.00	Jul	7.25
	14.39	Aug	7.90	Aug	10.00	Aug	7.51
	13.50	Sep	7.50	Sep	10.00	Sep	7.75
	12.52	Oct	7.50	Oct	10.00	Oct	7.75
	11.85	Nov	7.50	Nov	10.00	Nov	8.15
	11.50	Dec	7.50	Dec	10.00	Dec	8.50
983	11.16	Jan 1987	7.50	Jan 1991	9.52	Jan 1995	8.50
	10.98	Feb	7.50	Feb	9.05	Feb	9.00
	10.50	Mar	7.50	Mar	9.00	Mar	9.00
	10.50	Apr	7.75	Apr	9.00	Apr	9.00
	10.50	May	8.14	May	8.50	May	9.00
	10.50	Jun	8.25	Jun	8.50	Jun	9.00
	10.50	Jul	8.25	Jul	8.50	Jul	8.80
	10.89	Aug	8.25	Aug	8.50	Aug	8.75
	11.00	Sep	8.70	Sep	8.20	Sep	8.75
	11.00	Oct	9.07	Oct	8.00	Oct	8.75
	11.00	Nov	8.78	Nov	7.58	Nov	8.75
	11.00	Dec	8.75	Dec	7.21	Dec	8.65
984	11.00	Jan 1988	8.75	Jan 1992	6.50	Jan 1996	8.50
	11.00	Feb	8.51	Feb	6.50	Feb	8.25
	11.21	Mar	8.50	Mar	6.50	Mar	8.25
	11.93	Apr	8.50	Apr	6.50	Apr	8.25
	12.39	May	8.84	May	6.50	May	8.25
	12.60	Jun	9.00	Jun	6.50	Jun	8.25
	13.00	Jul	9.28	Jul	6.02	Jul	8.25
	13.00	Aug	9.84	Aug	6.00	Aug	8.25
	12.97	Sep	10.00	Sep	6.00	Sep	8.25
	12.58	Oct	10.00	Oct	6.00	Oct	8.25
	11.77	Nov	10.05	Nov	6.00	Nov	8.25
	11.06	Dec	10.50	Dec	6.00	Dec	8.25
985	10.61	Jan 1989	10.50	Jan 1993	6.00	Jan 1997	8.28
	10.50	Feb	10.93	Feb	6.00	Feb	8.25
	10.50	Mar	11.50	Mar	6.00	Mar	8.30
	10.50	Apr	11.50	Apr	6.00	Apr	8.50
	10.31	May	11.50	May	6.00	May	8.50
	9.78	Jun	11.07	Jun	6.00	Jun	8.50
	9.50	Jul	10.98	Jul	6.00	Jul	8.50
	9.50	Aug	10.50	Aug	6.00	Aug	8.50
	9.50	Sep	10.50	Sep	6.00	Sep	8.50
	9.50	Oct	10.50	Oct	6.00	Oct	8.50
	9.50	Nov	10.50	Nov	6.00	Nov	8.50
	9.50	Dec	10.50	Dec	6.00	Dec	8.50

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Average Prime Interest Rate
1982 - 1997



Schedule 3-2

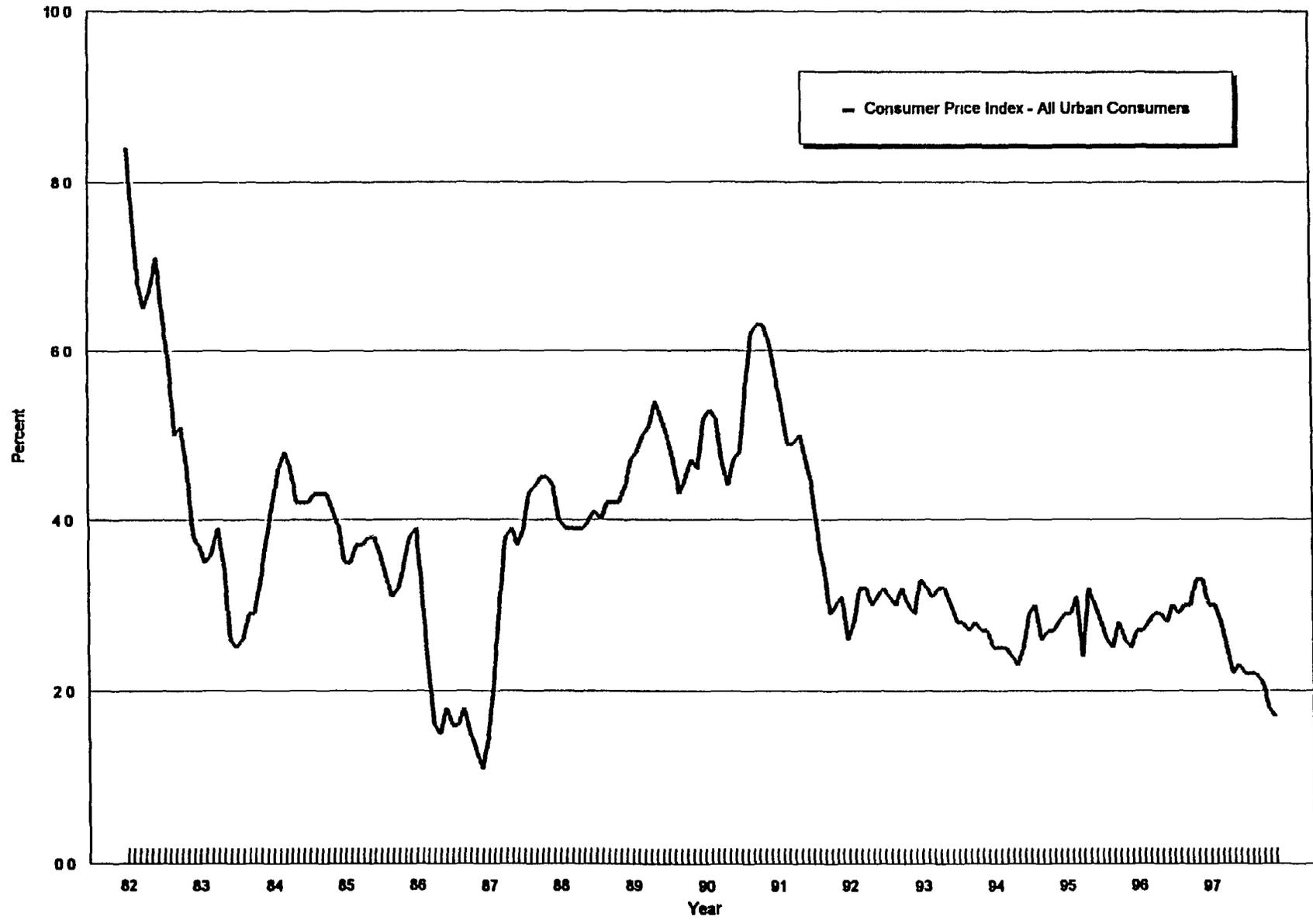
SOUTHERN UNION COMPANY
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Rate of Inflation

<u>Year</u>	<u>Rate (%)</u>	<u>Mo/Year</u>	<u>Rate (%)</u>	<u>Mo/Year</u>	<u>Rate (%)</u>	<u>Mo/Year</u>	<u>Rate (%)</u>
1982	8.40	Jan 1986	3.90	Jan 1990	5.20	Jan 1994	2.50
	7.60	Feb	3.10	Feb	5.30	Feb	2.50
	6.80	Mar	2.30	Mar	5.20	Mar	2.50
	6.50	Apr	1.60	Apr	4.70	Apr	2.40
	6.70	May	1.50	May	4.40	May	2.30
	7.10	Jun	1.80	Jun	4.70	Jun	2.50
	6.40	Jul	1.60	Jul	4.80	Jul	2.90
	5.90	Aug	1.60	Aug	5.60	Aug	3.00
	5.00	Sep	1.80	Sep	6.20	Sep	2.60
	5.10	Oct	1.50	Oct	6.30	Oct	2.70
	4.60	Nov	1.30	Nov	6.30	Nov	2.70
	3.80	Dec	1.10	Dec	6.10	Dec	2.80
1983	3.70	Jan 1987	1.50	Jan 1991	5.70	Jan 1995	2.90
	3.50	Feb	2.10	Feb	5.30	Feb	2.90
	3.60	Mar	3.00	Mar	4.80	Mar	3.10
	3.90	Apr	3.80	Apr	4.90	Apr	2.40
	3.50	May	3.90	May	5.00	May	3.20
	2.60	Jun	3.70	Jun	4.70	Jun	3.00
	2.50	Jul	3.90	Jul	4.40	Jul	2.80
	2.60	Aug	4.30	Aug	3.80	Aug	2.60
	2.90	Sep	4.40	Sep	3.40	Sep	2.50
	2.80	Oct	4.50	Oct	2.90	Oct	2.80
	3.30	Nov	4.50	Nov	3.00	Nov	2.60
	3.80	Dec	4.40	Dec	3.10	Dec	2.50
1984	4.20	Jan 1988	4.00	Jan 1992	2.60	Jan 1996	2.70
	4.60	Feb	3.90	Feb	2.80	Feb	2.70
	4.80	Mar	3.90	Mar	3.20	Mar	2.80
	4.60	Apr	3.90	Apr	3.20	Apr	2.90
	4.20	May	3.90	May	3.00	May	2.80
	4.20	Jun	4.00	Jun	3.10	Jun	2.80
	4.20	Jul	4.10	Jul	3.20	Jul	3.00
	4.30	Aug	4.00	Aug	3.10	Aug	2.90
	4.30	Sep	4.20	Sep	3.00	Sep	3.00
	4.30	Oct	4.20	Oct	3.20	Oct	3.00
	4.10	Nov	4.20	Nov	3.00	Nov	3.30
	3.80	Dec	4.40	Dec	2.90	Dec	3.30
1985	3.50	Jan 1989	4.70	Jan 1993	3.30	Jan 1997	3.00
	3.50	Feb	4.80	Feb	3.20	Feb	3.00
	3.70	Mar	5.00	Mar	3.10	Mar	2.80
	3.70	Apr	5.10	Apr	3.20	Apr	2.50
	3.80	May	5.40	May	3.20	May	2.20
	3.80	Jun	5.20	Jun	3.00	Jun	2.30
	3.60	Jul	5.00	Jul	2.80	Jul	2.20
	3.30	Aug	4.70	Aug	2.80	Aug	2.20
	3.10	Sep	4.30	Sep	2.70	Sep	2.20
	3.20	Oct	4.50	Oct	2.80	Oct	2.10
	3.50	Nov	4.70	Nov	2.70	Nov	1.80
	3.80	Dec	4.60	Dec	2.70	Dec	1.70

U.S. Department of Labor Bureau of Labor Statistics Consumer Price Index - All Urban Consumers, Change for 12-Month Period

Rate of Inflation
1982 - 1997



Schedule 4-2

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SOUTHERN UNION COMPANY
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Average Yields on Moody's Public Utility Bonds

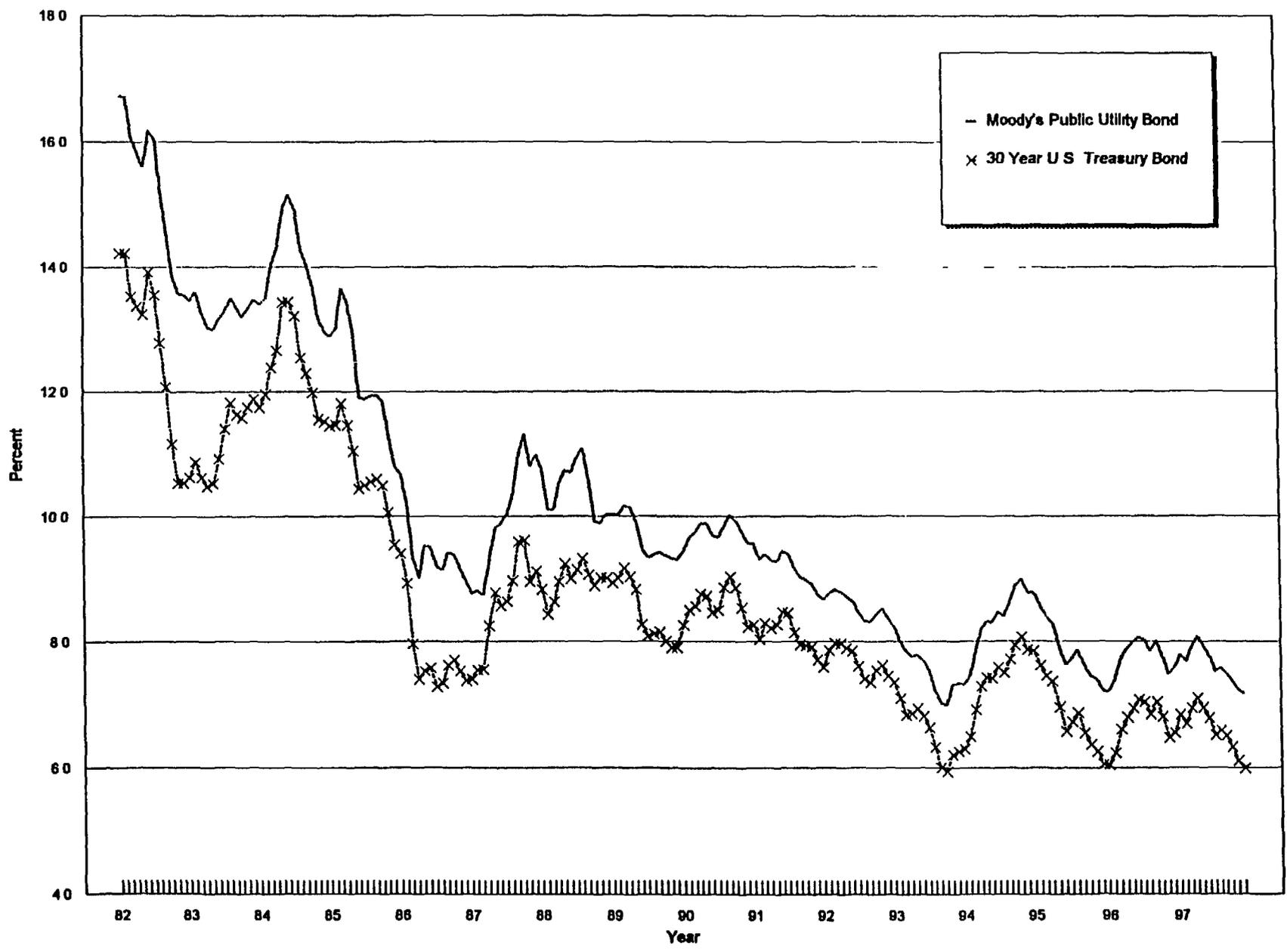
<u>Year</u>	<u>Rate (%)</u>	<u>Mo/Year</u>	<u>Rate (%)</u>	<u>Mo/Year</u>	<u>Rate (%)</u>	<u>Mo/Year</u>	<u>Rate (%)</u>
1982	16.73	Jan 1986	10.66	Jan 1990	9.44	Jan 1994	7.31
	16.72	Feb	10.16	Feb	9.66	Feb	7.44
	16.07	Mar	9.33	Mar	9.75	Mar	7.83
	15.82	Apr	9.02	Apr	9.87	Apr	8.20
	15.60	May	9.52	May	9.89	May	8.32
	16.18	Jun	9.51	Jun	9.69	Jun	8.31
	16.04	Jul	9.19	Jul	9.66	Jul	8.47
	15.22	Aug	9.15	Aug	9.84	Aug	8.41
	14.56	Sep	9.42	Sep	10.01	Sep	8.65
	13.88	Oct	9.39	Oct	9.94	Oct	8.88
	13.58	Nov	9.15	Nov	9.76	Nov	9.00
	13.55	Dec	8.96	Dec	9.57	Dec	8.79
1983	13.46	Jan 1987	8.77	Jan 1991	9.56	Jan 1995	8.77
	13.60	Feb	8.81	Feb	9.31	Feb	8.56
	13.28	Mar	8.75	Mar	9.39	Mar	8.41
	13.03	Apr	9.30	Apr	9.30	Apr	8.30
	13.00	May	9.82	May	9.29	May	7.93
	13.17	Jun	9.87	Jun	9.44	Jun	7.62
	13.28	Jul	10.01	Jul	9.40	Jul	7.73
	13.50	Aug	10.33	Aug	9.16	Aug	7.86
	13.35	Sep	11.00	Sep	9.03	Sep	7.62
	13.19	Oct	11.32	Oct	8.99	Oct	7.46
	13.33	Nov	10.82	Nov	8.93	Nov	7.40
	13.48	Dec	10.99	Dec	8.76	Dec	7.21
1984	13.40	Jan 1988	10.75	Jan 1992	8.67	Jan 1996	7.20
	13.50	Feb	10.11	Feb	8.77	Feb	7.37
	14.03	Mar	10.11	Mar	8.84	Mar	7.72
	14.30	Apr	10.53	Apr	8.79	Apr	7.88
	14.95	May	10.75	May	8.72	May	7.99
	15.16	Jun	10.71	Jun	8.64	Jun	8.07
	14.92	Jul	10.96	Jul	8.46	Jul	8.02
	14.29	Aug	11.09	Aug	8.34	Aug	7.84
	14.04	Sep	10.56	Sep	8.32	Sep	8.01
	13.68	Oct	9.82	Oct	8.44	Oct	7.78
	13.15	Nov	9.89	Nov	8.53	Nov	7.48
	12.96	Dec	10.02	Dec	8.36	Dec	7.58
1985	12.88	Jan 1989	10.02	Jan 1993	8.23	Jan 1997	7.79
	13.00	Feb	10.02	Feb	8.00	Feb	7.68
	13.66	Mar	10.16	Mar	7.85	Mar	7.92
	13.42	Apr	10.14	Apr	7.78	Apr	8.08
	12.89	May	9.92	May	7.78	May	7.94
	11.91	Jun	9.49	Jun	7.68	Jun	7.77
	11.88	Jul	9.34	Jul	7.53	Jul	7.52
	11.93	Aug	9.37	Aug	7.21	Aug	7.57
	11.95	Sep	9.43	Sep	7.01	Sep	7.50
	11.84	Oct	9.37	Oct	8.99	Oct	7.37
	11.33	Nov	9.33	Nov	7.30	Nov	7.24
	10.82	Dec	9.31	Dec	7.33	Dec	7.16

SOUTHERN UNION COMPANY
CASE NO GR-98-140

Average Yields on Thirty Year U S Treasury Bonds

Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)
82	14.22	Jan 1986	9.40	Jan 1990	8.26	Jan 1994	6.29
	14.22	Feb	8.93	Feb	8.50	Feb	6.49
	13.53	Mar	7.96	Mar	8.56	Mar	6.91
	13.37	Apr	7.39	Apr	8.76	Apr	7.27
	13.24	May	7.52	May	8.73	May	7.41
	13.92	Jun	7.57	Jun	8.46	Jun	7.40
	13.55	Jul	7.27	Jul	8.50	Jul	7.58
	12.77	Aug	7.33	Aug	8.86	Aug	7.49
	12.07	Sep	7.62	Sep	9.03	Sep	7.71
	11.17	Oct	7.70	Oct	8.86	Oct	7.94
	10.54	Nov	7.52	Nov	8.54	Nov	8.08
	10.54	Dec	7.37	Dec	8.24	Dec	7.87
83	10.63	Jan 1987	7.39	Jan 1991	8.27	Jan 1995	7.85
	10.88	Feb	7.54	Feb	8.03	Feb	7.61
	10.63	Mar	7.55	Mar	8.28	Mar	7.45
	10.48	Apr	8.25	Apr	8.21	Apr	7.38
	10.53	May	8.78	May	8.27	May	6.95
	10.93	Jun	8.57	Jun	8.47	Jun	6.57
	11.40	Jul	8.64	Jul	8.45	Jul	6.72
	11.82	Aug	8.97	Aug	8.14	Aug	6.86
	11.63	Sep	9.59	Sep	7.95	Sep	6.55
	11.58	Oct	9.61	Oct	7.93	Oct	6.37
	11.75	Nov	8.95	Nov	7.92	Nov	6.28
	11.88	Dec	9.12	Dec	7.70	Dec	6.08
84	11.75	Jan 1988	8.83	Jan 1992	7.58	Jan 1996	6.05
	11.95	Feb	8.43	Feb	7.85	Feb	6.24
	12.38	Mar	8.63	Mar	7.97	Mar	6.60
	12.65	Apr	8.95	Apr	7.98	Apr	6.79
	13.43	May	9.23	May	7.89	May	6.93
	13.44	Jun	9.00	Jun	7.84	Jun	7.06
	13.21	Jul	9.14	Jul	7.60	Jul	7.03
	12.54	Aug	9.32	Aug	7.39	Aug	6.84
	12.29	Sep	9.06	Sep	7.34	Sep	7.03
	11.98	Oct	8.89	Oct	7.53	Oct	6.81
	11.58	Nov	9.02	Nov	7.61	Nov	6.48
	11.52	Dec	9.01	Dec	7.44	Dec	6.55
85	11.45	Jan 1989	8.93	Jan 1993	7.34	Jan 1997	6.83
	11.47	Feb	9.01	Feb	7.09	Feb	6.69
	11.81	Mar	9.17	Mar	6.82	Mar	6.93
	11.47	Apr	9.03	Apr	6.85	Apr	7.09
	11.05	May	8.83	May	6.92	May	6.94
	10.44	Jun	8.27	Jun	6.81	Jun	6.77
	10.50	Jul	8.08	Jul	6.63	Jul	6.51
	10.56	Aug	8.12	Aug	6.32	Aug	6.58
	10.61	Sep	8.15	Sep	6.00	Sep	6.50
	10.50	Oct	8.00	Oct	5.94	Oct	6.33
	10.06	Nov	7.90	Nov	6.21	Nov	6.11
	9.54	Dec	7.90	Dec	6.25	Dec	5.99

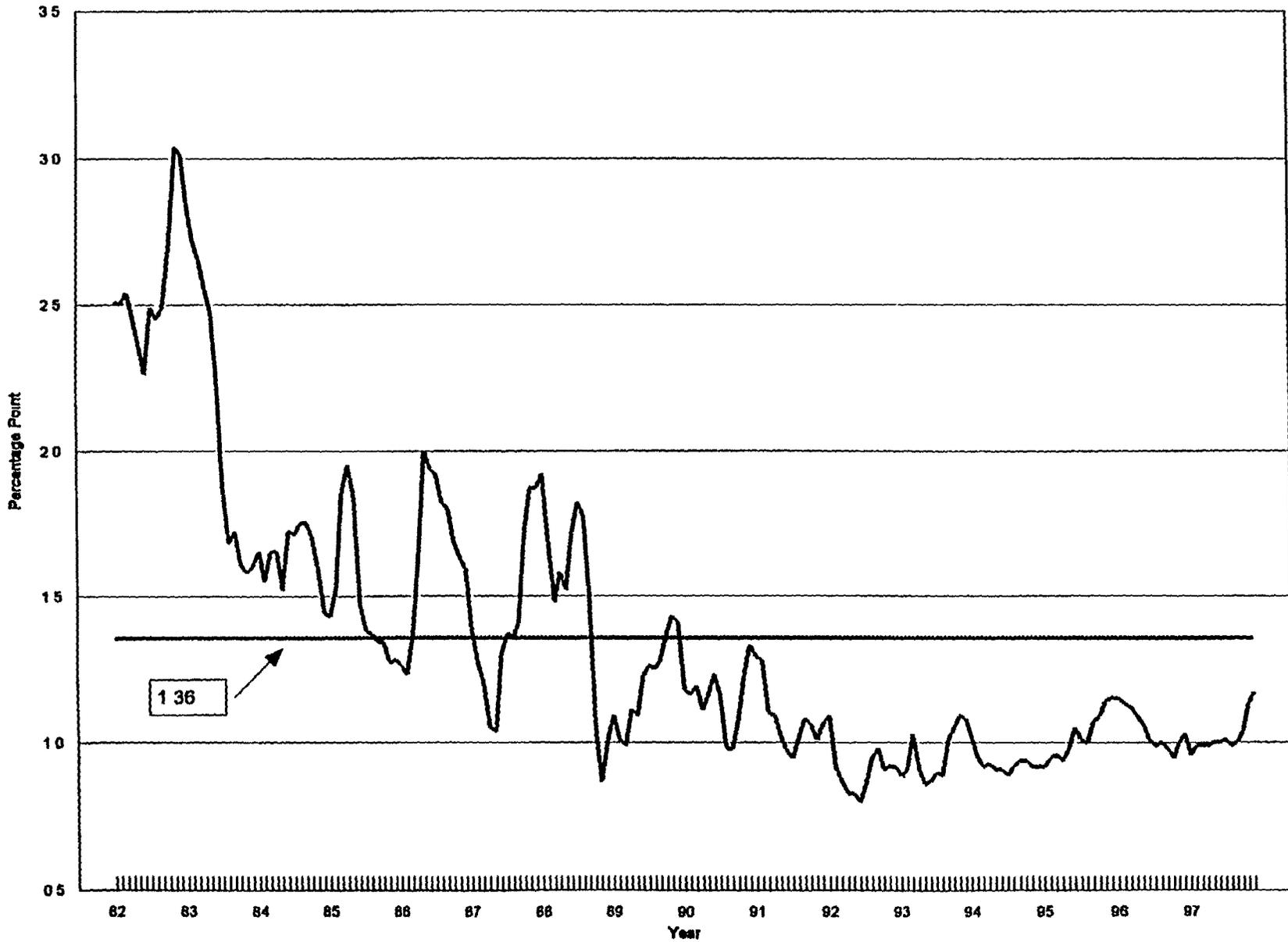
Average Yields on Moody's Public Utility Bonds and Thirty Year U S Treasury Bonds (1982 - 1997)



Schedule 5-3

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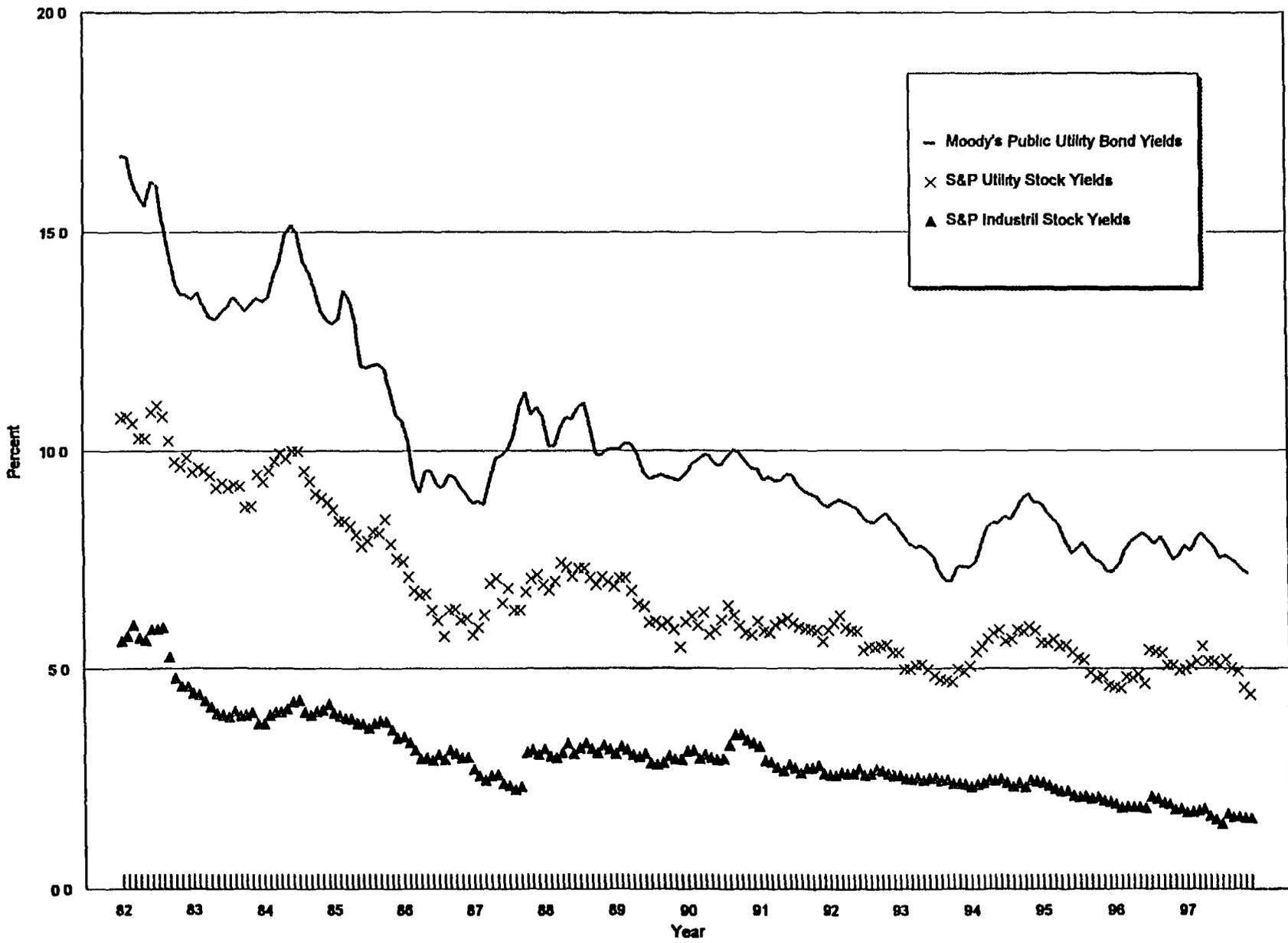
Monthly Spreads Between Yields on Moody's Public Utility Bonds and Thirty Year U S Treasury Bonds (1982 - 1997)



Schedule 5-4

1171

**Average Yields on Public Utility Bonds and S&P
Utility Stock & S&P Industrial Stock Yields**



Schedule 6

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Economic Estimates and Projections, 1996 - 1998

Source	Inflation Rate			Real GDP			Unemployment			3 Mo T Bill Rate			30-Yr T-Bond Rate		
	1996	1997	1998	1996	1997	1998	1996	1997	1998	1996	1997	1998	1996	1997	1998
Value Line's Investment Survey/ (11/30/97)	2.4%	2.5%	2.6%	2.5%	2.2%	2.3%	4.8%	4.9%	5.0%	5.1%	5.1%	5.2%	6.2%	6.3%	6.3%
Salomon Brothers Inc "Comments on Credit" (12/5/97)	3.2%	1.9%	2.2%	3.3%	3.6%	2.4%	5.4%	4.9%	4.6%	N/A	N/A	N/A	6.7%	6.6%	5.9%
Current rate	1.7%			4.3%			4.7%			5.1%			5.9%		

Notes: N/A = Not Available

Sources of Current Rates: Consumer Price Index - All Urban Consumers - 12 Month Period Ending December 31 1997
 The Wall Street Journal February 2 1997
 The Bureau of Labor Statistics January 1998
 The Wall Street Journal February 13 1998
 The Wall Street Journal February 13 1998

**Historical Capital Structures for Southern Union Company
Consolidated Basis
(Thousands of Dollars)**

Capital Components	1994	1995	* 1996	* 1997
Common Equity	\$208,975	\$225,664	\$246,530	\$268,149
Preferred Stock	\$0	\$100,000	\$100,000	\$100,000
Long-Term Debt	\$479,937	\$463,273	\$385,394	\$386,157
Short-Term Debt	\$0	\$0	\$0	\$0
Total	<u>\$688,912</u>	<u>\$788,937</u>	<u>\$731,924</u>	<u>\$754,306</u>

Capital Structure	1994	1995	1996	1997
Common Equity	30 33%	28 60%	33 68%	35 55%
Preferred Stock	0 00%	12 68%	13 66%	13 26%
Long-Term Debt	69 67%	58 72%	52 65%	51 19%
Short-Term Debt	0 00%	0 00%	0 00%	0 00%
Total	<u>100 00%</u>	<u>100 00%</u>	<u>100 00%</u>	<u>100 00%</u>

Notes The amount of Long-Term Debt includes Current Maturities

Source Southern Union Company's Stockholders Annual Reports and *Southern Union's 10K filing with the Securities and Exchange Commission

**Selected Financial Ratios for Southern Union Company
Consolidated Basis**

Financial Ratios	1994	1995	1996	1997
Return on Year-End Common Equity	4 01%	7 12%	8 47%	7 12%
Earnings Per Common Share	\$0 85	\$1 40	\$1 25	\$1 07
Cash Dividends Per Common Share	NA	NA	NA	NA
Common Dividend Payout Ratio	0 00%	0 00%	0 00%	0 00%
Year-End Market Price Per Common Share	\$16 79	\$18 13	\$22 00	\$22 88
Year-End Book Value Per Common Share	\$18 26	\$19 59	\$14 70	\$15 06
Year-End Market to Book Ratio	0 92 x	0 93 x	1 50 x	1 52 x
Senior Debt Rating	BBB	BBB	BBB	BBB

Notes **Return on Year-End Common Equity = Net Income Applicable to Common Stock / Year-End Common Stockholders Equity**

Common Dividend Payout Ratio = Cash Dividends Per Common Share / Earnings Per Common Share

Year-End Market to Book Ratio = Year-End Market Price Per Common Share / Year-End Book Value Per Common Share

Year-End Market Price Per Common Share has been adjusted for stock splits and stock dividends

Sources **Southern Union Company's Stockholders Annual Reports, Standard & Poor's Corporation's Utilities Rating Service and Southern Union's 10K filing with the Securities and Exchange Commission**

SOUTHERN UNION COMPANY
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**Capital Structure as of December 31, 1997
for Southern Union Company
(Combined Basis)**

Capital Component	Amount in Dollars	Percentage of Capital
Common Stock Equity	\$289,381,023	38.06%
Preferred Stock	\$96,372,365	12.68%
Long-Term Debt	\$374,551,622	49.26%
Short-Term Debt	\$0	0.00%
Total Capitalization	<u>\$760,305,010</u>	<u>100.00%</u>

Natural Gas Distribution Industry Financial Ratio Benchmarks

Total Debt / Total Capital - Including Preferred Stock

Standard & Poor's Corporation's
Utilities Rating Service
Financial Statistics, June 30, 1997
(Average Business Position)

BBB
(LOWER TO UPPER QUARTILE)
46%-69%

BBB
(MEAN)
58%

Notes See Schedule 12 of my Direct Testimony for the amount of Preferred Stock outstanding at December 31, 1997

See Schedule 11-1 for the amount of Long-Term Debt outstanding at December 31, 1997

The Company did not have any short-term debt outstanding as of December 31, 1997

Source Southern Union Company's Response to Data Request 3801

SOUTHERN UNION COMPANY
CASE NO GR-98-140

**Embedded Cost of Long-Term Debt as of December 31, 1997
for Southern Union Company
(Combined Basis)**

	(1)	(2)	(3)
Long-Term Debt	Interest Rate	Principal Amount Outstanding (12/31/97)	Annualized Cost to Company (1 * 2)
5% Senior Notes due February 1, 2024	7.600%	\$384,515,000	\$29,223,140
ARM Capital Lease	6.290%	\$453,653	\$28,535
IR Capital Lease	6.240%	\$9,783,929	\$610,517
Less: Unamortized Net Premium or Discount Expense and Debt Issuance Expense		(\$20,200,960)	
Plus: Annual Amortization of Net Premium or Discount Expense and Debt Issuance Expense			\$826,765
Total		<u><u>\$374,551,622</u></u>	<u><u>\$30,688,957</u></u>

		<u>\$30,688,957</u>
Embedded Cost of Long-Term Debt	=	<u>\$374,551,622</u>
	=	8.19%

Notes: Principal Amount Outstanding as of December 31, 1997 includes Current Maturities

See Schedule 11-2 of my Direct Testimony for the amount of the Annual Amortization of Net Premium or Discount Expense and Debt Issuance Expense

ARM lease is LIBOR+55bp One year LIBOR is 5.6875% Source: The Wall Street Journal, February 13, 1998

Source: Southern Union Company's response to Staff's Data Information Request Nos. 3802 & 3804

SOUTHERN UNION COMPANY
CASE NO GR-98-140

**Annual Amortization of Net Premium or Discount Expense and Debt Issuance Expense
as of December 31, 1997 for Southern Union Company
(Combined Basis)**

		(1)	(2)	(3)
		Number of Months to Maturity (12/31/97)	Unamortized Net Premium or Discount Expense and Debt Issuance Expense (12/31/97)	Annual Amortization of Net Premium or Discount Expense and Debt Issuance Expense
-Term Debt	Maturity Date			
6 1/2% Senior Notes due February 1 2024	2/1/24	313 0	\$3 781 391	\$145 357
7 1/4% Capital Lease	11/15/04	83 5	\$0	\$0
8 1/4% Capital Lease	6/30/03	72 5	\$111 367	\$18 433
Required Notes				
50% Debentures due May 15 2017 (1)	2/1/24	313 0	\$4 845,967	\$189 622
8 00% Notes due January 31 2012 (1)	2/1/24	313 0	\$8 832 521	\$342 481
7 5% Notes due January 31 2004 (1)	2/1/24	313 0	\$2 327 737	\$89 242
50% Brazos Mortgage Bonds due March 15 2000 (2)	3/15/00	26 5	\$91 977	\$41 650
Total			<u>\$20 200 960</u>	<u>\$826 766</u>

note Column 3 = [(Column 2 / Column 1) * 12]

(1) The cost of reacquiring these notes are being amortized over the life of the 7 60% Senior Notes due February 1 2024 which was used to retire the notes

(2) The 11 50% Brazos Mortgage Bonds were paid off early and the remaining issuance costs and reacquisition cost are being amortized over the original bonds

source Southern Union Company's response to Staff's Data Information Request Nos 3802 & 3804

SOUTHERN UNION COMPANY
CASE NO GR-98-140

**Embedded Cost of Preferred Stock as of December 31, 1997
for Southern Union Company
(Combined Basis)**

	(1)	(2)	(3)
Preferred Stock	Dividend Rate	Principal Amount Outstanding (12/31/97)	Annualized Cost to Company (1 * 2)
<u>Redeemable Preferred Stock Stated Par Value of \$25 Per Share</u>			
9.48% Preferred Securities	9.480%	\$100,000,000	\$9,480,000
Less: Net Unamortized Issuance Expense		(\$3,627,365)	
Add: Annual Amortization of Issuance Expense			<u>\$132,104</u>
Total		<u>\$96,372,635</u>	<u>\$9,612,104</u>

Embedded Cost of Preferred Stock = \$9,612,104
\$96,372,635

= **9.97%**

Note: The amount of Preferred Stock includes the amount redeemable within one year.

Source: Southern Union Company's response to Staff's Data Information Request No. 3802.

Criteria for Selecting Natural Gas Distribution Industry Companies

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Natural Gas Distribution Companies	Stock Publicly Traded	Information Printed in Value Line	Pre-Tax Interest Coverage >2.80x	Long-Term Debt to Total Capital < 53%	Distribution Revenues to Total Revenue >90%	Positive DPS Annualized Compound Growth Rate (1986-1996)	No Missouri Regulated Operations	Comparable Company Met All Criteria
AGL Resources, Inc.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Atmos Energy Corporation	Yes	Yes	No					
Bay Area Gas Company	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Berkshire Gas Company	Yes	No						
Cascade Natural Gas Corporation	Yes	Yes	No					
Colonial Gas Company	Yes	No						
Continental Energy Corporation	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
CTO Resources, Inc.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Corning Natural Gas Corporation	Yes	No						
Delta Natural Gas Company Inc	Yes	No						
Energy West	Yes	No						
Energynorth Inc	Yes	No						
Essex County Gas Company	Yes	No						
Fall River Gas Company	Yes	No						
Indiana Energy Inc	Yes	Yes	No					
Keyspan Energy Corp	Yes	No						
Laclede Gas Company	Yes	Yes	Yes	Yes	Yes	Yes	No	
Mobile Gas Service Corporation	Yes	No						
New Jersey Resources Corporation	Yes	Yes	Yes	No				
North Carolina Natural gas	Yes	No						
Northwest Natural Gas Company	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
NUI Corporation	Yes	Yes	No					
Pacific Enterprises	Yes	Yes	Yes	Yes	Yes	No		
Pennsylvania Enterprises, Inc	Yes	No						
Perth Energy Corporation	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Piedmont Natural Gas Company, Inc.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Providence Energy Corporation	Yes	Yes	No					
Public Service of North Carolina	Yes	No						
Roanoke Gas Company	Yes	No						
Southern Union Company	Yes	No						
South Jersey Industries, Inc	Yes	Yes	No					
Washington Energy Company	Yes	Yes	No					
Washington Gas Light Company	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Yankee Energy System	Yes	No						

Sources. Columns 2, 4 & 6 = The Value Line Investment Survey Ratings & Reports December 26 1997

Columns 1, 3 & 5 = Edward Jones Financial & Common Stock Information Natural Gas Industry January 31 1998

SOUTHERN UNION COMPANY
CASE NO GR-98-140

Natural Gas Distribution Industry Companies

Number	Ticker Symbol	Company Name
1	ATG	AGL Resources, Inc
2	BGC	Bay State Company
3	CNE	Connecticut Energy Corporation
4	CTG	CTG Resources, Inc
5	NWNG	Northwest Natural Gas Company
6	PGL	Peoples Energy Corporation
7	PNY	Piedmont Natural Gas Company, Inc
8	WGL	Washington Gas Light Company

SOUTHERN UNION COMPANY
CASE NO GR-98-140

**Dividends Per Share, Earnings Per Share & Book Value Per Share Growth Rates
for the Natural Gas Distribution Industry Companies**

Company Name	Dividends Per Share		Earnings Per Share		Book Value Per Share	
	1986	1996	1986	1996	1986	1996
AGL Resources, Inc	\$0 70	\$1 06	\$0 83	\$1 37	\$7 59	\$10 56
Bay State Company	\$0 91	\$1 52	\$1 49	\$2 00	\$10 02	\$16 98
Connecticut Energy Corporation	\$1 12	\$1 31	\$1 16	\$1 70	\$11 03	\$15 31
CTG Resources, Inc	\$1 30	\$1 50	\$1 57	\$1 82	\$10 52	\$15 90
Northwest Natural Gas Company	\$1 02	\$1 20	\$1 16	\$1 97	\$10 44	\$15 37
Peoples Energy Corporation	\$1 29	\$1 83	\$2 27	\$2 96	\$14 02	\$19 49
Piedmont Natural Gas Company, Inc	\$0 60	\$1 15	\$0 77	\$1 67	\$6 99	\$13 07
Washington Gas Light Company	\$0 88	\$1 14	\$1 15	\$1 85	\$9 12	\$12 79

Annual Compound Growth Rates

Company Name	DPS	EPS	BVPS	Average
	1986 - 1996	1986 - 1996	1986 - 1996	
AGL Resources, Inc	4 24%	5 14%	3 36%	4 24%
Bay State Company	5 28%	2 99%	5 42%	4 56%
Connecticut Natural Gas Corporation	1 58%	3 90%	3 33%	2 94%
CTG Resources, Inc	1 44%	1 49%	4 22%	2 38%
Northwest Natural Gas Company	1 64%	5 44%	3 94%	3 67%
Peoples Energy Corporation	3 56%	2 69%	3 35%	3 20%
Piedmont Natural Gas Company, Inc	6 72%	8 05%	6 46%	7 08%
Washington Gas Light Company	<u>2 62%</u>	<u>4 67%</u>	<u>3 44%</u>	3 64%
Average (Positive)	<u>3 38%</u>	<u>4 32%</u>	<u>4 19%</u>	
Standard Deviation	1 81%	1 90%	1 08%	

Source The Value Line Investment Survey: Ratings & Reports December 26 1997

**Historical and Projected Growth Rates
for the Natural Gas Distribution Industry Companies**

Company Name	(1) Average Positive Historical Annual Growth Rates	(2) Projected 5 Year Growth IBES (Mean)	(3) Projected 5 Year EPS Growth (S&P)	(4) Projected 3-5 Year EPS Growth Value Line	(5) Average Projected Growth	(6) Average Historical & Projected Growth
AGL Resources, Inc	4.24%	4.48%	4.00%	4.50%	4.33%	4.28%
Bay State Company	4.56%	4.00%	4.00%	9.50%	5.83%	5.20%
Connecticut Energy Corporation	2.94%	5.80%	6.00%	6.00%	5.93%	4.44%
CTG Resources, Inc	2.38%	6.00%	6.00%	5.00%	5.67%	4.02%
Northwest Natural Gas Company	3.67%	5.35%	5.00%	5.50%	5.28%	4.48%
Peoples Energy Corporation	3.20%	5.43%	5.00%	6.00%	5.48%	4.34%
Piedmont Natural Gas Company, Inc	7.08%	6.50%	7.00%	7.00%	6.83%	6.96%
Washington Gas Light Company	<u>3.64%</u>	<u>4.64%</u>	<u>5.00%</u>	<u>6.00%</u>	<u>5.21%</u>	<u>4.43%</u>
Average	<u>3.96%</u>	<u>5.28%</u>	<u>5.25%</u>	<u>6.19%</u>	<u>5.67%</u>	<u>4.77%</u>

Proposed Range of Growth 4.80% - 5.60%

Notes Column 5 = [(Column 2 + Column 3 + Column 4) / 3]

 Column 6 = [(Column 1 + Column 5) / 2]

Sources Column 1 = Average of Positive DPS, EPS and BVPS Annual Compound Growth Rates from Schedule 15

 Column 2 = I/B/E/S Inc.'s Institutional Brokers Estimate System January 15, 1998

 Column 3 = Standard & Poor's Corporation's Earnings Guide, February, 1998

 Column 4 = Value Line Investment Survey: Ratings and Reports December 26, 1997

Schedule 16

11/21

**Average High / Low Stock Price for November 1, 1997 through January 31, 1998
for the Natural Gas Distribution Industry Companies**

Company Name	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	— November 1997 —		— December 1997 —		— January 1998 —		Average High/Low Stock Price
	High Stock Price	Low Stock Price	High Stock Price	Low Stock Price	High Stock Price	Low Stock Price	(11/1/97 1/31/98)
AGL Resources Inc	\$19 75	\$17 88	\$21 31	\$18 75	\$20 75	\$18 88	\$19 55
Bay State Company	\$29 38	\$28 25	\$37 50	\$29 38	\$37 75	\$36 84	\$33 20
Connecticut Energy Corporation	\$25 88	\$24 00	\$30 44	\$25 83	\$29 75	\$27 19	\$27 15
CTG Resources Inc	\$25 38	\$22 63	\$26 13	\$23 25	\$26 00	\$23 25	\$24 44
Northwest Natural Gas Company	\$28 00	\$24 50	\$31 38	\$26 38	\$30 75	\$26 50	\$27 92
Peoples Energy Corporation	\$36 63	\$33 63	\$39 63	\$36 06	\$39 88	\$36 31	\$37 02
Piedmont Natural Gas Company Inc	\$33 13	\$27 00	\$36 44	\$31 50	\$35 88	\$30 19	\$32 36
Washington Gas Light Company	\$27 63	\$25 63	\$31 38	\$26 44	\$30 75	\$26 00	\$27 97

Notes Column 9 = [(Column 1 + Column 2 + Column 3 + Column 4 + Column 5 + Column 6 / 6)]

Sources Standard & Poor's Corporation's Security Owner's Stock Guide

**Estimated Costs of Common Equity
for the Natural Gas Distribution Industry Companies**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Company Name	Expected Dividend (12/98)	Average High/Low Stock Price (11/1/97 - 1/31/98)	Projected Dividend Yield	Average Positive Historical & Projected Growth Rate	Average Projected Growth Rate	Historical & Projected Estimated Cost of Common Equity	Projected Estimated Cost of Common Equity
AGL Resources Inc	\$1 080	\$19 550	5 52%	4 28%	4 33%	9 80%	9 85%
Bay State Company	\$1 590	\$33 200	4 79%	5 20%	5 83%	9 99%	10 62%
Connecticut Energy Corporation	\$1 330	\$27 150	4 90%	4 44%	5 93%	9 34%	10 83%
CTG Resources, Inc	\$1 260	\$24 440	5 16%	4 02%	5 67%	9 18%	10 83%
Northwest Natural Gas Company	\$1 220	\$27 920	4 37%	4 48%	5 28%	8 85%	9 65%
Peoples Energy Corporation	\$1 890	\$37 020	5 11%	4 34%	5 48%	9 45%	10 59%
Piedmont Natural Gas Company, Inc	\$1 240	\$32 380	3 83%	6 96%	6 83%	10 79%	10 66%
Washington Gas Light Company	\$1 190	\$27 970	4 25%	4 43%	5 21%	8 68%	9 46%
Average			4.74%	4.77%	4.98%	9.51%	10.31%

Notes Column 1 = Estimated Dividends Declared per share represents the projected dividends for 1998

Column 3 = (Column 1 / Column 2)

Column 6 = (Column 3 + Column 4)

Column 7 = (Column 3 + Column 5)

Sources Column 1 = The Value Line Investment Survey Ratings & Reports December 28 1997

Column 2 = Schedule 17

Column 4 = Schedule 16

Column 5 = Schedule 16

SOUTHERN UNION COMPANY
CASE NO GR-98-140

Average Risk Premium Above the Yields of "A" Rated Moody's Public Utility Bonds
for AGL Resources, Inc.'s Expected Returns on Common Equity

Mo/Year	AGL's Expected ROE	A Rated Bonds Yields	AGL's Risk Premium	Mo/Year	AGL's Expected ROE	A Rated Bonds Yields	AGL's Risk Premium
Jan 1986	15.00%	10.75%	4.21%	Jan 1992	11.50%	8.84%	2.66%
Feb	15.00%	10.26%	4.74%	Feb	11.50%	8.93%	2.57%
Mar	15.00%	9.48%	5.52%	Mar	11.50%	8.97%	2.53%
Apr	10.50%	9.14%	1.36%	Apr	11.00%	8.93%	2.07%
May	10.50%	9.59%	0.91%	May	11.00%	8.87%	2.13%
Jun	10.50%	9.62%	0.88%	Jun	11.00%	8.78%	2.22%
Jul	11.00%	9.37%	1.63%	Jul	11.00%	8.57%	2.43%
Aug	11.00%	9.29%	1.71%	Aug	11.00%	8.44%	2.56%
Sep	11.00%	9.52%	1.48%	Sep	11.00%	8.40%	2.60%
Oct	11.00%	9.52%	1.48%	Oct	11.00%	8.54%	2.48%
Nov	11.00%	9.28%	1.72%	Nov	11.00%	8.63%	2.37%
Dec	11.00%	9.12%	1.88%	Dec	11.00%	8.43%	2.57%
Jan 1987	13.00%	8.95%	4.05%	Jan 1993	11.50%	8.27%	3.23%
Feb	13.00%	9.00%	4.00%	Feb	11.50%	8.04%	3.48%
Mar	13.00%	8.93%	4.07%	Mar	11.50%	7.90%	3.60%
Apr	9.50%	9.38%	0.12%	Apr	11.50%	7.81%	3.69%
May	9.50%	9.91%	-0.41%	May	11.50%	7.88%	3.64%
Jun	9.50%	10.02%	-0.52%	Jun	11.50%	7.75%	3.75%
Jul	11.50%	10.15%	1.35%	Jul	11.50%	7.54%	3.96%
Aug	11.50%	10.45%	1.05%	Aug	11.50%	7.25%	4.25%
Sep	11.50%	11.22%	0.28%	Sep	11.50%	7.04%	4.46%
Oct	12.50%	11.34%	1.16%	Oct	10.50%	7.03%	3.47%
Nov	12.50%	10.82%	1.68%	Nov	10.50%	7.30%	3.20%
Dec	12.50%	10.98%	1.52%	Dec	10.50%	7.34%	3.16%
Jan 1988	12.00%	10.78%	1.24%	Jan 1994	11.00%	7.33%	3.67%
Feb	12.00%	10.10%	1.90%	Feb	11.00%	7.42%	3.58%
Mar	12.00%	10.09%	1.91%	Mar	11.00%	7.85%	3.15%
Apr	13.00%	10.54%	2.46%	Apr	10.50%	8.22%	2.28%
May	13.00%	10.81%	2.19%	May	10.50%	8.33%	2.17%
Jun	13.00%	10.79%	2.21%	Jun	10.50%	8.31%	2.19%
Jul	13.00%	11.04%	1.96%	Jul	11.00%	8.47%	2.53%
Aug	13.00%	11.17%	1.83%	Aug	11.00%	8.41%	2.59%
Sep	13.00%	10.61%	2.39%	Sep	11.00%	8.64%	2.36%
Oct	14.00%	10.01%	3.99%	Oct	11.00%	8.86%	2.14%
Nov	14.00%	9.90%	4.10%	Nov	11.00%	8.98%	2.02%
Dec	14.00%	10.06%	3.94%	Dec	11.00%	8.78%	2.24%
Jan 1989	12.50%	10.08%	2.42%	Jan 1995	11.00%	8.73%	2.27%
Feb	12.50%	10.07%	2.43%	Feb	11.00%	8.52%	2.48%
Mar	12.50%	10.23%	2.27%	Mar	11.00%	8.37%	2.63%
Apr	11.00%	10.18%	0.82%	Apr	12.00%	8.27%	3.73%
May	11.00%	9.99%	1.01%	May	12.00%	7.91%	4.09%
Jun	11.00%	9.64%	1.36%	Jun	12.00%	7.80%	4.40%
Jul	10.50%	9.50%	1.00%	Jul	11.50%	7.70%	3.80%
Aug	10.50%	9.52%	0.98%	Aug	11.50%	7.83%	3.67%
Sep	10.50%	9.58%	0.92%	Sep	11.50%	7.62%	3.88%
Oct	10.50%	9.54%	0.96%	Oct	12.50%	7.48%	5.04%
Nov	10.50%	9.51%	0.99%	Nov	12.50%	7.43%	5.07%
Dec	10.50%	9.44%	1.06%	Dec	12.50%	7.23%	5.27%
Jan 1990	12.50%	9.56%	2.94%	Jan 1996	13.00%	7.22%	5.78%
Feb	12.50%	9.78%	2.74%	Feb	13.00%	7.37%	5.63%
Mar	12.50%	9.85%	2.65%	Mar	13.00%	7.73%	5.27%
Apr	12.00%	9.82%	2.08%	Apr	13.50%	7.89%	5.61%
May	12.00%	10.00%	2.00%	May	13.50%	7.98%	5.52%
Jun	12.00%	9.80%	2.20%	Jun	13.50%	8.06%	5.44%
Jul	12.50%	9.75%	2.75%	Jul	14.00%	8.20%	5.80%
Aug	12.50%	9.82%	2.58%	Aug	14.00%	7.84%	6.16%
Sep	12.50%	10.12%	2.38%	Sep	14.00%	8.01%	5.99%
Oct	12.00%	10.05%	1.95%	Oct	14.00%	7.77%	6.23%
Nov	12.00%	9.90%	2.10%	Nov	14.00%	7.49%	6.51%
Dec	12.00%	9.73%	2.27%	Dec	14.00%	7.56%	6.41%
Jan 1991	11.50%	9.71%	1.79%	Jan 1997	14.50%	7.77%	6.73%
Feb	11.50%	9.47%	2.03%	Feb	14.50%	7.64%	6.86%
Mar	11.50%	9.55%	1.95%	Mar	14.50%	7.87%	6.63%
Apr	11.50%	9.48%	2.04%	Apr	14.00%	8.03%	6.97%
May	11.50%	9.44%	2.06%	May	14.00%	7.89%	6.11%
Jun	11.50%	9.59%	1.91%	Jun	14.00%	7.72%	6.28%
Jul	11.50%	9.55%	1.95%	Jul	14.00%	7.48%	6.52%
Aug	11.50%	9.29%	2.21%	Aug	14.00%	7.51%	6.49%
Sep	11.50%	9.16%	2.34%	Sep	14.00%	7.47%	6.53%
Oct	10.50%	9.12%	1.38%	Oct	13.50%	7.35%	6.15%
Nov	10.50%	9.05%	1.45%	Nov	13.50%	7.25%	6.25%
Dec	10.50%	8.88%	1.62%	Dec	13.50%	7.18%	6.34%

Summary Information (1986 - 1997)

Average Risk Premium 3.06%

High Risk Premium 6.86%

Low Risk Premium -0.52%

see: The Value Line Investment Survey Ratings & Reports and Moody's Bond Record.

SOUTHERN UNION COMPANY
CASE NO GR 98-140

Average Risk Premium Above the Yields of "A" Rated Moody's Public Utility Bonds
for Bay State Gas Company's Expected Returns on Common Equity

Mo/Year	BGC's Expected ROE	A Rated Bonds Yields	BGC's Risk Premium	Mo/Year	BGC's Expected ROE	A Rated Bonds Yields	BGC's Risk Premium
Jan 1986	14.00%	10.79%	3.21%	Jan 1992	13.50%	8.84%	4.66%
Feb	14.00%	10.26%	3.74%	Feb	13.50%	8.93%	4.57%
Mar	14.00%	9.48%	4.52%	Mar	13.50%	8.97%	4.53%
Apr	14.00%	9.14%	4.86%	Apr	10.00%	8.93%	1.07%
May	14.00%	9.59%	4.41%	May	10.00%	8.87%	1.13%
Jun	14.00%	9.62%	4.38%	Jun	10.00%	8.78%	1.22%
Jul	14.00%	9.37%	4.63%	Jul	10.00%	8.57%	1.43%
Aug	14.00%	9.29%	4.71%	Aug	10.00%	8.44%	1.56%
Sep	14.00%	9.52%	4.48%	Sep	10.00%	8.40%	1.60%
Oct	14.50%	9.52%	4.98%	Oct	10.00%	8.54%	1.46%
Nov	14.50%	9.28%	5.22%	Nov	10.00%	8.63%	1.37%
Dec	14.50%	9.12%	5.38%	Dec	10.00%	8.43%	1.57%
Jan 1987	14.50%	8.95%	5.55%	Jan 1993	11.00%	8.27%	2.73%
Feb	14.50%	9.00%	5.50%	Feb	11.00%	8.04%	2.96%
Mar	14.50%	8.93%	5.57%	Mar	11.00%	7.90%	3.10%
Apr	15.50%	9.38%	6.12%	Apr	11.00%	7.81%	3.19%
May	15.50%	9.91%	5.59%	May	11.00%	7.86%	3.14%
Jun	15.50%	10.02%	5.48%	Jun	11.00%	7.75%	3.25%
Jul	15.50%	10.15%	5.35%	Jul	11.50%	7.54%	3.96%
Aug	15.50%	10.45%	5.05%	Aug	11.50%	7.25%	4.25%
Sep	15.50%	11.22%	4.28%	Sep	11.50%	7.04%	4.46%
Oct	15.50%	11.34%	4.16%	Oct	11.50%	7.03%	4.47%
Nov	15.50%	10.82%	4.68%	Nov	11.50%	7.30%	4.20%
Dec	15.50%	10.98%	4.52%	Dec	11.50%	7.34%	4.16%
Jan 1988	14.50%	10.76%	3.74%	Jan 1994	11.50%	7.33%	4.17%
Feb	14.50%	10.10%	4.40%	Feb	11.50%	7.42%	4.08%
Mar	14.50%	10.09%	4.41%	Mar	11.50%	7.85%	3.65%
Apr	15.00%	10.54%	4.46%	Apr	11.50%	8.22%	3.28%
May	15.00%	10.81%	4.19%	May	11.50%	8.33%	3.17%
Jun	15.00%	10.79%	4.21%	Jun	11.50%	8.31%	3.19%
Jul	15.00%	11.04%	3.96%	Jul	11.50%	8.47%	3.03%
Aug	15.00%	11.17%	3.83%	Aug	11.50%	8.41%	3.09%
Sep	15.00%	10.61%	4.39%	Sep	11.50%	8.64%	2.86%
Oct	15.00%	10.01%	4.99%	Oct	11.50%	8.86%	2.64%
Nov	15.00%	9.90%	5.10%	Nov	11.50%	8.98%	2.52%
Dec	15.00%	10.06%	4.94%	Dec	11.50%	8.78%	2.74%
Jan 1989	13.00%	10.08%	2.92%	Jan 1995	11.00%	8.73%	2.27%
Feb	13.00%	10.07%	2.93%	Feb	11.00%	8.52%	2.48%
Mar	13.00%	10.23%	2.77%	Mar	11.00%	8.37%	2.63%
Apr	12.00%	10.18%	1.82%	Apr	9.50%	8.27%	1.23%
May	12.00%	9.99%	2.01%	May	9.50%	7.91%	1.59%
Jun	12.00%	9.64%	2.36%	Jun	9.50%	7.60%	1.90%
Jul	13.00%	9.50%	3.50%	Jul	10.00%	7.70%	2.30%
Aug	13.00%	9.52%	3.48%	Aug	10.00%	7.83%	2.17%
Sep	13.00%	9.58%	3.42%	Sep	10.00%	7.82%	2.38%
Oct	13.00%	9.54%	3.46%	Oct	10.00%	7.46%	2.54%
Nov	13.00%	9.51%	3.49%	Nov	10.00%	7.43%	2.57%
Dec	13.00%	9.44%	3.56%	Dec	10.00%	7.23%	2.77%
Jan 1990	14.50%	9.56%	4.94%	Jan 1996	11.00%	7.22%	3.78%
Feb	14.50%	9.78%	4.74%	Feb	11.00%	7.37%	3.63%
Mar	14.50%	9.85%	4.65%	Mar	11.00%	7.73%	3.27%
Apr	14.50%	9.92%	4.58%	Apr	11.50%	7.89%	3.61%
May	14.50%	10.00%	4.50%	May	11.50%	7.98%	3.52%
Jun	14.50%	9.80%	4.70%	Jun	11.50%	8.06%	3.44%
Jul	14.50%	9.75%	4.75%	Jul	11.50%	8.20%	3.30%
Aug	14.50%	9.92%	4.58%	Aug	11.50%	7.84%	3.66%
Sep	14.50%	10.12%	4.38%	Sep	11.50%	8.01%	3.49%
Oct	13.50%	10.05%	3.45%	Oct	11.00%	7.77%	3.23%
Nov	13.50%	9.90%	3.60%	Nov	11.00%	7.49%	3.51%
Dec	13.50%	9.73%	3.77%	Dec	11.00%	7.59%	3.41%
Jan 1991	13.50%	9.71%	3.79%	Jan 1997	12.00%	7.77%	4.23%
Feb	13.50%	9.47%	4.03%	Feb	12.00%	7.64%	4.36%
Mar	13.50%	9.55%	3.95%	Mar	12.00%	7.87%	4.13%
Apr	12.50%	9.46%	3.04%	Apr	10.00%	8.03%	1.97%
May	12.50%	9.44%	3.06%	May	10.00%	7.89%	2.11%
Jun	12.50%	9.59%	2.91%	Jun	10.00%	7.72%	2.28%
Jul	12.00%	9.55%	2.45%	Jul	11.50%	7.48%	4.02%
Aug	12.00%	9.29%	2.71%	Aug	11.50%	7.51%	3.99%
Sep	12.00%	9.16%	2.84%	Sep	11.50%	7.47%	4.03%
Oct	12.00%	9.12%	2.88%	Oct	12.00%	7.35%	4.65%
Nov	12.00%	9.05%	2.95%	Nov	12.00%	7.25%	4.75%
Dec	12.00%	8.88%	3.12%	Dec	12.00%	7.18%	4.84%

Summary Information (1986 - 1997)

Average Risk Premium 3.69%

High Risk Premium 6.12%

Low Risk Premium 1.07%

SOUTHERN UNION COMPANY
CASE NO GR 88-140

Average Risk Premium Above the Yields of "A" Rated Moody's Public Utility Bonds
for Connecticut Energy Corporation's Expected Returns on Common Equity

Mo/Year	CNE's Expected ROE	A Rated Bonds Yields	CNE's Risk Premium	Mo/Year	CNE's Expected ROE	A Rated Bonds Yields	CNE's Risk Premium
Jan 1985	0.00%	10.79%	NM	Jan 1992	11.00%	8.84%	2.16%
Feb	0.00%	10.26%	NM	Feb	11.00%	8.93%	2.07%
Mar	0.00%	9.48%	NM	Mar	11.00%	8.07%	2.03%
Apr	0.00%	9.14%	NM	Apr	11.00%	8.93%	2.07%
May	0.00%	9.59%	NM	May	11.00%	8.87%	2.13%
Jun	0.00%	9.62%	NM	Jun	11.00%	8.78%	2.22%
Jul	0.00%	9.37%	NM	Jul	11.00%	8.57%	2.43%
Aug	0.00%	9.29%	NM	Aug	11.00%	8.44%	2.56%
Sep	0.00%	9.52%	NM	Sep	11.00%	8.40%	2.60%
Oct	0.00%	9.52%	NM	Oct	11.00%	8.54%	2.46%
Nov	0.00%	9.28%	NM	Nov	11.00%	8.63%	2.37%
Dec	0.00%	9.12%	NM	Dec	11.00%	8.43%	2.57%
Jan 1987	0.00%	8.95%	NM	Jan 1993	11.50%	8.27%	3.23%
Feb	0.00%	9.00%	NM	Feb	11.50%	8.04%	3.46%
Mar	0.00%	8.93%	NM	Mar	11.50%	7.90%	3.60%
Apr	0.00%	9.38%	NM	Apr	12.00%	7.81%	4.19%
May	0.00%	9.91%	NM	May	12.00%	7.86%	4.14%
Jun	0.00%	10.02%	NM	Jun	12.00%	7.75%	4.25%
Jul	0.00%	10.15%	NM	Jul	13.00%	7.54%	5.46%
Aug	0.00%	10.45%	NM	Aug	13.00%	7.25%	5.75%
Sep	0.00%	11.22%	NM	Sep	13.00%	7.04%	5.96%
Oct	0.00%	11.34%	NM	Oct	11.50%	7.03%	4.47%
Nov	0.00%	10.82%	NM	Nov	11.50%	7.30%	4.20%
Dec	0.00%	10.98%	NM	Dec	11.50%	7.34%	4.16%
Jan 1988	0.00%	10.78%	NM	Jan 1994	11.00%	7.33%	3.67%
Feb	0.00%	10.10%	NM	Feb	11.00%	7.42%	3.58%
Mar	0.00%	10.09%	NM	Mar	11.00%	7.85%	3.15%
Apr	0.00%	10.54%	NM	Apr	10.50%	8.22%	2.28%
May	0.00%	10.81%	NM	May	10.50%	8.33%	2.17%
Jun	0.00%	10.79%	NM	Jun	10.50%	8.31%	2.19%
Jul	0.00%	11.04%	NM	Jul	11.00%	8.47%	2.53%
Aug	0.00%	11.17%	NM	Aug	11.00%	8.41%	2.59%
Sep	0.00%	10.61%	NM	Sep	11.00%	8.64%	2.36%
Oct	0.00%	10.01%	NM	Oct	10.50%	8.86%	1.64%
Nov	0.00%	9.90%	NM	Nov	10.50%	8.98%	1.52%
Dec	0.00%	10.06%	NM	Dec	10.50%	8.78%	1.74%
Jan 1989	0.00%	10.08%	NM	Jan 1995	11.00%	8.73%	2.27%
Feb	0.00%	10.07%	NM	Feb	11.00%	8.52%	2.48%
Mar	0.00%	10.23%	NM	Mar	11.00%	8.37%	2.63%
Apr	11.50%	10.18%	1.32%	Apr	10.50%	8.27%	2.23%
May	11.50%	9.99%	1.51%	May	10.50%	7.91%	2.59%
Jun	11.50%	9.64%	1.86%	Jun	10.50%	7.60%	2.90%
Jul	12.00%	9.50%	2.50%	Jul	10.50%	7.70%	2.80%
Aug	12.00%	9.52%	2.48%	Aug	10.50%	7.83%	2.67%
Sep	12.00%	9.58%	2.42%	Sep	10.50%	7.62%	2.88%
Oct	12.00%	9.54%	2.46%	Oct	10.50%	7.46%	3.04%
Nov	12.00%	9.51%	2.49%	Nov	10.50%	7.43%	3.07%
Dec	12.00%	9.44%	2.56%	Dec	10.50%	7.23%	3.27%
Jan 1990	12.00%	9.56%	2.44%	Jan 1996	11.00%	7.22%	3.78%
Feb	12.00%	9.76%	2.24%	Feb	11.00%	7.37%	3.63%
Mar	12.00%	9.85%	2.15%	Mar	11.00%	7.73%	3.27%
Apr	11.50%	9.82%	1.58%	Apr	11.00%	7.89%	3.11%
May	11.50%	10.00%	1.50%	May	11.00%	7.98%	3.02%
Jun	11.50%	9.80%	1.70%	Jun	11.00%	8.08%	2.94%
Jul	10.50%	9.75%	0.75%	Jul	11.00%	8.20%	2.80%
Aug	10.50%	9.92%	0.58%	Aug	11.00%	7.84%	3.16%
Sep	10.50%	10.12%	0.36%	Sep	11.00%	8.01%	2.99%
Oct	10.50%	10.05%	0.45%	Oct	10.50%	7.77%	2.73%
Nov	10.50%	9.90%	0.60%	Nov	10.50%	7.49%	3.01%
Dec	10.50%	9.73%	0.77%	Dec	10.50%	7.59%	2.91%
Jan 1991	9.50%	9.71%	-0.21%	Jan 1997	10.50%	7.77%	2.73%
Feb	9.50%	9.47%	0.03%	Feb	10.50%	7.64%	2.86%
Mar	9.50%	9.55%	-0.05%	Mar	10.50%	7.87%	2.63%
Apr	8.50%	9.46%	-0.96%	Apr	10.00%	8.03%	1.97%
May	8.50%	9.44%	-0.94%	May	10.00%	7.89%	2.11%
Jun	8.50%	9.59%	1.09%	Jun	10.00%	7.72%	2.28%
Jul	10.50%	9.55%	0.95%	Jul	10.00%	7.48%	2.52%
Aug	10.50%	9.29%	1.21%	Aug	10.00%	7.51%	2.49%
Sep	10.50%	9.18%	1.34%	Sep	10.00%	7.47%	2.53%
Oct	10.00%	9.12%	0.88%	Oct	10.00%	7.35%	2.65%
Nov	10.00%	9.05%	0.95%	Nov	10.00%	7.25%	2.75%
Dec	10.00%	8.88%	1.12%	Dec	10.00%	7.16%	2.84%

Summary Information (1986 - 1997)

Average Risk Premium 1.73%

High Risk Premium 6.96%

Low Risk Premium -1.09%

1 NM = Not Meaningful because Value Line did not follow Connecticut Energy until April of 1989

2 The Value Line Investment Survey Ratings & Reports and Moody's Bond Record

SOUTHERN UNION COMPANY
CASE NO GR 98-140

Average Risk Premium Above the Yields of "A" Rated Moody's Public Utility Bonds
for CTG Resources, Inc. Expected Returns on Common Equity

Mo/Year	CTG's Expected ROE	A Rated Bonds Yields	CTG's Risk Premium	Mo/Year	CTG's Expected ROE	A Rated Bonds Yields	CTG's Risk Premium
Jan 1988	15.50%	10.79%	4.71%	Jan 1992	12.00%	8.84%	3.16%
Feb	15.50%	10.26%	5.24%	Feb	12.00%	8.93%	3.07%
Mar	15.50%	9.48%	6.02%	Mar	12.00%	8.97%	3.03%
Apr	15.50%	9.14%	6.36%	Apr	11.50%	8.83%	2.57%
May	15.50%	9.59%	5.91%	May	11.50%	8.87%	2.63%
Jun	15.50%	9.62%	5.88%	Jun	11.50%	8.78%	2.72%
Jul	16.00%	9.37%	6.63%	Jul	11.50%	8.57%	2.93%
Aug	16.00%	9.29%	6.71%	Aug	11.50%	8.44%	3.06%
Sep	16.00%	9.52%	6.48%	Sep	11.50%	8.40%	3.10%
Oct	15.00%	9.52%	5.48%	Oct	11.50%	8.54%	2.96%
Nov	15.00%	9.28%	5.72%	Nov	11.50%	8.63%	2.87%
Dec	15.00%	9.12%	5.88%	Dec	11.50%	8.43%	3.07%
Jan 1987	16.00%	8.95%	7.05%	Jan 1993	12.50%	8.27%	4.23%
Feb	16.00%	9.00%	7.00%	Feb	12.50%	8.04%	4.46%
Mar	16.00%	8.93%	7.07%	Mar	12.50%	7.90%	4.60%
Apr	15.00%	9.38%	5.62%	Apr	12.50%	7.81%	4.69%
May	15.00%	9.91%	5.09%	May	12.50%	7.86%	4.64%
Jun	15.00%	10.02%	4.98%	Jun	12.50%	7.75%	4.75%
Jul	15.00%	10.15%	4.85%	Jul	11.50%	7.54%	3.96%
Aug	15.00%	10.45%	4.55%	Aug	11.50%	7.25%	4.25%
Sep	15.00%	11.22%	3.78%	Sep	11.50%	7.04%	4.46%
Oct	14.50%	11.34%	3.16%	Oct	12.00%	7.03%	4.97%
Nov	14.50%	10.82%	3.68%	Nov	12.00%	7.30%	4.70%
Dec	14.50%	10.98%	3.52%	Dec	12.00%	7.34%	4.66%
Jan 1988	14.50%	10.76%	3.74%	Jan 1994	12.50%	7.33%	5.17%
Feb	14.50%	10.10%	4.40%	Feb	12.50%	7.42%	5.08%
Mar	14.50%	10.05%	4.41%	Mar	12.50%	7.85%	4.65%
Apr	14.00%	10.54%	3.46%	Apr	12.00%	8.22%	3.78%
May	14.00%	10.81%	3.19%	May	12.00%	8.33%	3.67%
Jun	14.00%	10.79%	3.21%	Jun	12.00%	8.31%	3.69%
Jul	14.00%	11.04%	2.96%	Jul	12.00%	8.47%	3.53%
Aug	14.00%	11.17%	2.83%	Aug	12.00%	8.41%	3.59%
Sep	14.00%	10.61%	3.39%	Sep	12.00%	8.64%	3.36%
Oct	13.00%	10.01%	2.99%	Oct	12.00%	8.86%	3.14%
Nov	13.00%	9.80%	3.10%	Nov	12.00%	8.98%	3.02%
Dec	13.00%	10.08%	2.94%	Dec	12.00%	8.76%	3.24%
Jan 1989	11.50%	10.08%	1.42%	Jan 1995	12.00%	8.73%	3.27%
Feb	11.50%	10.07%	1.43%	Feb	12.00%	8.52%	3.48%
Mar	11.50%	10.23%	1.27%	Mar	12.00%	8.37%	3.63%
Apr	12.50%	10.18%	2.32%	Apr	11.50%	8.27%	3.23%
May	12.50%	9.99%	2.51%	May	11.50%	7.91%	3.59%
Jun	12.50%	9.64%	2.86%	Jun	11.50%	7.60%	3.90%
Jul	11.50%	9.50%	2.00%	Jul	11.00%	7.70%	3.30%
Aug	11.50%	9.52%	1.98%	Aug	11.00%	7.83%	3.17%
Sep	11.50%	9.58%	1.92%	Sep	11.00%	7.62%	3.38%
Oct	10.50%	8.54%	0.96%	Oct	11.00%	7.48%	3.54%
Nov	10.50%	8.51%	0.99%	Nov	11.00%	7.43%	3.57%
Dec	10.50%	9.44%	1.06%	Dec	11.00%	7.23%	3.77%
Jan 1990	13.00%	9.56%	3.44%	Jan 1996	11.50%	7.22%	4.28%
Feb	13.00%	9.78%	3.24%	Feb	11.50%	7.37%	4.13%
Mar	13.00%	9.85%	3.15%	Mar	11.50%	7.73%	3.77%
Apr	12.00%	9.92%	2.08%	Apr	11.50%	7.89%	3.61%
May	12.00%	10.00%	2.00%	May	11.50%	7.98%	3.52%
Jun	12.00%	9.80%	2.20%	Jun	11.50%	8.06%	3.44%
Jul	12.00%	9.75%	2.25%	Jul	11.00%	8.20%	2.80%
Aug	12.00%	9.92%	2.08%	Aug	11.00%	7.84%	3.16%
Sep	12.00%	10.12%	1.88%	Sep	11.00%	8.01%	2.99%
Oct	12.00%	10.05%	1.95%	Oct	11.00%	7.77%	3.23%
Nov	12.00%	9.90%	2.10%	Nov	11.00%	7.49%	3.51%
Dec	12.00%	9.73%	2.27%	Dec	11.00%	7.69%	3.41%
Jan 1991	12.50%	9.71%	2.79%	Jan 1997	11.50%	7.77%	3.73%
Feb	12.50%	9.47%	3.03%	Feb	11.50%	7.64%	3.86%
Mar	12.50%	9.55%	2.95%	Mar	11.50%	7.87%	3.63%
Apr	12.50%	9.45%	3.04%	Apr	9.50%	8.03%	1.47%
May	12.50%	9.44%	3.06%	May	9.50%	7.89%	1.61%
Jun	12.50%	9.59%	2.91%	Jun	9.50%	7.72%	1.78%
Jul	12.00%	9.55%	2.45%	Jul	8.00%	7.48%	0.52%
Aug	12.00%	9.29%	2.71%	Aug	8.00%	7.51%	0.49%
Sep	12.00%	9.16%	2.84%	Sep	8.00%	7.47%	0.53%
Oct	12.50%	9.12%	3.38%	Oct	10.00%	7.35%	2.65%
Nov	12.50%	9.05%	3.45%	Nov	10.00%	7.25%	2.75%
Dec	12.50%	8.88%	3.62%	Dec	10.00%	7.16%	2.84%

Summary Information (1986 - 1997)

Average Risk Premium 3.49%

High Risk Premium 7.07%

Low Risk Premium 0.49%

SOUTHERN UNION COMPANY
CASE NO GR 98-140

Average Risk Premium Above the Yields of "A" Rated Moody's Public Utility Bonds
for Northwest Natural Gas Company's Expected Returns on Common Equity

Mo/Year	NWNG's Expected ROE	A Rated Bonds Yields	NWNG's Risk Premium	Mo/Year	NWNG's Expected ROE	A Rated Bonds Yields	NWNG's Risk Premium
Jan 1986	13.40%	10.76%	2.71%	Jan 1992	12.00%	8.84%	3.16%
Feb	13.50%	10.26%	3.24%	Feb	12.00%	8.93%	3.07%
Mar	13.50%	9.48%	4.02%	Mar	12.00%	8.97%	3.03%
Apr	11.50%	9.14%	2.36%	Apr	11.00%	8.93%	2.07%
May	11.50%	9.59%	1.91%	May	11.00%	8.67%	2.13%
Jun	11.50%	9.62%	1.88%	Jun	11.00%	8.78%	2.22%
Jul	11.00%	9.37%	1.63%	Jul	11.00%	8.57%	2.43%
Aug	11.00%	9.29%	1.71%	Aug	11.00%	8.44%	2.56%
Sep	11.00%	9.52%	1.48%	Sep	11.00%	8.40%	2.60%
Oct	11.00%	9.52%	1.48%	Oct	11.00%	8.54%	2.46%
Nov	11.00%	9.25%	1.72%	Nov	11.00%	8.63%	2.37%
Dec	11.00%	9.12%	1.88%	Dec	11.00%	8.43%	2.57%
Jan 1987	12.00%	8.95%	3.05%	Jan 1993	12.00%	8.27%	3.73%
Feb	12.00%	9.00%	3.00%	Feb	12.00%	8.04%	3.96%
Mar	12.00%	8.93%	3.07%	Mar	12.00%	7.90%	4.10%
Apr	12.00%	9.38%	2.62%	Apr	12.50%	7.81%	4.69%
May	12.00%	9.91%	2.09%	May	12.50%	7.86%	4.64%
Jun	12.00%	10.02%	1.98%	Jun	12.50%	7.75%	4.75%
Jul	11.50%	10.15%	1.35%	Jul	13.00%	7.54%	5.46%
Aug	11.50%	10.45%	1.05%	Aug	13.00%	7.25%	5.75%
Sep	11.50%	11.22%	0.28%	Sep	13.00%	7.04%	5.96%
Oct	11.00%	11.34%	-0.34%	Oct	13.50%	7.03%	6.47%
Nov	11.00%	10.82%	0.18%	Nov	13.50%	7.30%	6.20%
Dec	11.00%	10.98%	0.02%	Dec	13.50%	7.34%	6.16%
Jan 1988	12.00%	10.76%	1.24%	Jan 1994	12.50%	7.33%	5.17%
Feb	12.00%	10.10%	1.90%	Feb	12.50%	7.42%	5.08%
Mar	12.00%	10.09%	1.91%	Mar	12.50%	7.85%	4.65%
Apr	11.50%	10.54%	0.96%	Apr	11.50%	8.22%	3.28%
May	11.50%	10.81%	0.69%	May	11.50%	8.33%	3.17%
Jun	11.50%	10.79%	0.71%	Jun	11.50%	8.31%	3.19%
Jul	12.00%	11.04%	0.96%	Jul	9.50%	8.47%	1.03%
Aug	12.00%	11.17%	0.83%	Aug	9.50%	8.41%	1.09%
Sep	12.00%	10.61%	1.39%	Sep	9.50%	8.64%	0.86%
Oct	12.50%	10.01%	2.49%	Oct	10.50%	8.86%	1.64%
Nov	12.50%	9.90%	2.60%	Nov	10.50%	8.98%	1.52%
Dec	12.50%	10.06%	2.44%	Dec	10.50%	8.76%	1.74%
Jan 1989	13.00%	10.08%	2.92%	Jan 1995	11.50%	8.73%	2.77%
Feb	13.00%	10.07%	2.93%	Feb	11.50%	8.52%	2.98%
Mar	13.00%	10.23%	2.77%	Mar	11.50%	8.37%	3.13%
Apr	13.50%	10.18%	3.32%	Apr	11.00%	8.27%	2.73%
May	13.50%	9.99%	3.51%	May	11.00%	7.91%	3.09%
Jun	13.50%	9.64%	3.86%	Jun	11.00%	7.60%	3.40%
Jul	13.00%	9.50%	3.50%	Jul	10.50%	7.70%	2.80%
Aug	13.00%	9.52%	3.48%	Aug	10.50%	7.83%	2.67%
Sep	13.00%	9.58%	3.42%	Sep	10.50%	7.62%	2.88%
Oct	12.50%	9.54%	2.96%	Oct	10.50%	7.46%	3.04%
Nov	12.50%	9.51%	2.99%	Nov	10.50%	7.43%	3.07%
Dec	12.50%	9.44%	3.06%	Dec	10.50%	7.23%	3.27%
Jan 1990	12.50%	9.56%	2.94%	Jan 1996	11.50%	7.22%	4.28%
Feb	12.50%	9.76%	2.74%	Feb	11.50%	7.37%	4.13%
Mar	12.50%	9.85%	2.65%	Mar	11.50%	7.73%	3.77%
Apr	12.00%	9.92%	2.08%	Apr	11.50%	7.89%	3.61%
May	12.00%	10.00%	2.00%	May	11.50%	7.98%	3.52%
Jun	12.00%	9.80%	2.20%	Jun	11.50%	8.08%	3.44%
Jul	12.00%	9.75%	2.25%	Jul	12.00%	8.20%	3.80%
Aug	12.00%	9.92%	2.08%	Aug	12.00%	7.84%	4.16%
Sep	12.00%	10.12%	1.88%	Sep	12.00%	8.01%	3.99%
Oct	11.50%	10.05%	1.45%	Oct	11.50%	7.77%	3.73%
Nov	11.50%	9.90%	1.60%	Nov	11.50%	7.49%	4.01%
Dec	11.50%	9.73%	1.77%	Dec	11.50%	7.59%	3.91%
Jan 1991	12.50%	9.71%	2.79%	Jan 1997	12.50%	7.77%	4.73%
Feb	12.50%	9.47%	3.03%	Feb	12.50%	7.64%	4.86%
Mar	12.50%	9.55%	2.95%	Mar	12.50%	7.87%	4.63%
Apr	11.50%	9.46%	2.04%	Apr	11.50%	8.03%	3.47%
May	11.50%	9.44%	2.06%	May	11.50%	7.89%	3.61%
Jun	11.50%	9.59%	1.91%	Jun	11.50%	7.72%	3.78%
Jul	12.00%	9.55%	2.45%	Jul	12.00%	7.48%	4.52%
Aug	12.00%	9.29%	2.71%	Aug	12.00%	7.51%	4.49%
Sep	12.00%	9.16%	2.84%	Sep	12.00%	7.47%	4.53%
Oct	12.50%	9.12%	3.38%	Oct	12.50%	7.35%	5.15%
Nov	12.50%	9.05%	3.45%	Nov	12.50%	7.25%	5.25%
Dec	12.50%	8.88%	3.62%	Dec	12.50%	7.16%	5.34%

Summary Information (1986 - 1997)

Average Risk Premium 2.93%

High Risk Premium 6.47%

Low Risk Premium -0.34%

as The Value Line Investment Survey Ratings & Reports and Moody's Bond Record



SOUTHERN UNION COMPANY
CASE NO GR 98-140

Average Risk Premium Above the Yields of "Aa" Rated Moody's Public Utility Bonds
for Peoples Energy Corporation's Expected Returns on Common Equity

Mo/Year	PGL's Expected ROE	Aa Rated Bonds Yields	PGL's Risk Premium	Mo/Year	PGL's Expected ROE	Aa Rated Bonds Yields	PGL's Risk Premium
Jan 1986	17.00%	10.44%	6.56%	Jan 1992	12.00%	8.63%	3.37%
Feb	17.00%	9.98%	7.02%	Feb	12.00%	8.78%	3.24%
Mar	17.00%	9.16%	7.84%	Mar	12.00%	8.82%	3.18%
Apr	17.00%	8.87%	8.13%	Apr	11.50%	8.76%	2.74%
May	17.00%	9.38%	7.62%	May	11.50%	8.69%	2.81%
Jun	17.00%	9.36%	7.64%	Jun	11.50%	8.63%	2.87%
Jul	16.00%	9.05%	6.95%	Jul	11.50%	8.45%	3.05%
Aug	16.00%	9.03%	6.97%	Aug	11.50%	8.30%	3.20%
Sep	16.00%	9.28%	6.72%	Sep	11.50%	8.28%	3.22%
Oct	16.50%	9.24%	7.26%	Oct	11.50%	8.42%	3.08%
Nov	16.50%	9.01%	7.49%	Nov	11.50%	8.51%	2.99%
Dec	16.50%	8.81%	7.69%	Dec	11.50%	8.32%	3.18%
Jan 1987	15.00%	8.62%	6.38%	Jan 1993	12.50%	8.14%	4.36%
Feb	15.00%	8.69%	6.31%	Feb	12.50%	7.92%	4.58%
Mar	15.00%	8.64%	6.36%	Mar	12.50%	7.76%	4.74%
Apr	15.00%	9.15%	5.85%	Apr	12.50%	7.64%	4.86%
May	15.00%	9.63%	5.37%	May	12.50%	7.64%	4.86%
Jun	15.00%	9.61%	5.39%	Jun	12.50%	7.54%	4.96%
Jul	12.00%	9.70%	2.30%	Jul	12.50%	7.38%	5.12%
Aug	12.00%	10.05%	1.95%	Aug	12.50%	7.07%	5.43%
Sep	12.00%	10.66%	1.34%	Sep	12.50%	6.89%	5.61%
Oct	12.50%	11.11%	1.39%	Oct	11.50%	6.89%	4.61%
Nov	12.50%	10.62%	1.88%	Nov	11.50%	7.17%	4.33%
Dec	12.50%	10.78%	1.72%	Dec	11.50%	7.18%	4.32%
Jan 1988	14.50%	10.52%	3.98%	Jan 1994	12.00%	7.18%	4.82%
Feb	14.50%	9.91%	4.59%	Feb	12.00%	7.34%	4.66%
Mar	14.50%	9.82%	4.68%	Mar	12.00%	7.74%	4.26%
Apr	14.50%	10.29%	4.21%	Apr	12.50%	8.12%	4.38%
May	14.50%	10.53%	3.97%	May	12.50%	8.24%	4.26%
Jun	14.50%	10.52%	3.98%	Jun	12.50%	8.21%	4.29%
Jul	15.50%	10.76%	4.74%	Jul	11.50%	8.38%	3.12%
Aug	15.50%	10.85%	4.65%	Aug	11.50%	8.32%	3.18%
Sep	15.50%	10.34%	5.16%	Sep	11.50%	8.56%	2.84%
Oct	15.50%	9.79%	5.71%	Oct	11.50%	8.78%	2.72%
Nov	15.50%	8.80%	5.70%	Nov	11.50%	8.90%	2.60%
Dec	15.50%	9.90%	5.60%	Dec	11.50%	8.69%	2.81%
Jan 1989	15.00%	9.89%	5.11%	Jan 1995	11.00%	8.66%	2.34%
Feb	15.00%	9.83%	5.07%	Feb	11.00%	8.45%	2.65%
Mar	15.00%	10.05%	4.95%	Mar	11.00%	8.29%	2.71%
Apr	15.00%	10.02%	4.98%	Apr	10.00%	8.17%	1.83%
May	15.00%	9.79%	5.21%	May	10.00%	7.80%	2.20%
Jun	15.00%	9.37%	5.63%	Jun	10.00%	7.49%	2.51%
Jul	14.00%	9.23%	4.77%	Jul	9.50%	7.60%	1.90%
Aug	14.00%	9.27%	4.73%	Aug	9.50%	7.71%	1.79%
Sep	14.00%	9.35%	4.65%	Sep	9.50%	7.48%	2.02%
Oct	15.00%	9.28%	5.72%	Oct	9.50%	7.30%	2.20%
Nov	15.00%	9.25%	5.75%	Nov	9.50%	7.22%	2.28%
Dec	15.00%	9.25%	5.75%	Dec	9.50%	7.03%	2.47%
Jan 1990	14.00%	9.39%	4.61%	Jan 1996	12.00%	7.02%	4.98%
Feb	14.00%	9.57%	4.43%	Feb	12.00%	7.20%	4.80%
Mar	14.00%	9.60%	4.40%	Mar	12.00%	7.55%	4.45%
Apr	14.00%	9.81%	4.19%	Apr	12.00%	7.70%	4.30%
May	14.00%	9.83%	4.17%	May	12.00%	7.78%	4.21%
Jun	14.00%	9.60%	4.40%	Jun	12.00%	7.67%	4.13%
Jul	13.50%	9.61%	3.89%	Jul	13.50%	8.20%	5.30%
Aug	13.50%	9.78%	3.72%	Aug	13.50%	7.84%	5.66%
Sep	13.50%	9.87%	3.63%	Sep	13.50%	8.01%	5.49%
Oct	13.50%	9.77%	3.73%	Oct	15.00%	7.77%	7.23%
Nov	13.50%	9.59%	3.91%	Nov	15.00%	7.48%	7.51%
Dec	13.50%	9.42%	4.08%	Dec	15.00%	7.59%	7.41%
Jan 1991	14.00%	9.39%	4.61%	Jan 1997	12.00%	7.77%	4.23%
Feb	14.00%	9.16%	4.84%	Feb	12.00%	7.64%	4.36%
Mar	14.00%	9.23%	4.77%	Mar	12.00%	7.87%	4.13%
Apr	12.00%	9.14%	2.86%	Apr	12.00%	8.03%	3.97%
May	12.00%	9.18%	2.84%	May	12.00%	7.89%	4.11%
Jun	12.00%	9.28%	2.72%	Jun	12.00%	7.72%	4.28%
Jul	12.00%	9.26%	2.74%	Jul	12.50%	7.48%	5.02%
Aug	12.00%	9.06%	2.94%	Aug	12.50%	7.51%	4.99%
Sep	12.00%	8.95%	3.05%	Sep	12.50%	7.47%	5.03%
Oct	11.50%	8.82%	2.58%	Oct	14.00%	7.35%	6.65%
Nov	11.50%	8.87%	2.63%	Nov	14.00%	7.25%	6.75%
Dec	11.50%	8.71%	2.79%	Dec	14.00%	7.16%	6.84%

Summary Information (1986 - 1997)

Average Risk Premium 4.40%

High Risk Premium 8.13%

Low Risk Premium 1.24%

1 The Value Line Investment Survey: Ratings & Reports and Moody's Bond Record

1195

SOUTHERN UNION COMPANY
CASE NO GR-98-140

Average Risk Premium Above the Yields of "A" Rated Moody's Public Utility Bonds
for Piedmont Natural Gas Company's Expected Returns on Common Equity

Mo/Year	PNY's Expected ROE	A Rated Bonds Yields	PNY's Risk Premium	Mo/Year	PNY's Expected ROE	A Rated Bonds Yields	PNY's Risk Premium
Jan 1988	14.00%	10.79%	3.21%	Jan 1992	11.50%	8.84%	2.66%
Feb	14.00%	10.26%	3.74%	Feb	11.50%	8.93%	2.57%
Mar	14.00%	9.48%	4.52%	Mar	11.50%	8.97%	2.53%
Apr	14.00%	9.14%	4.86%	Apr	13.00%	8.93%	4.07%
May	14.00%	9.59%	4.41%	May	13.00%	8.87%	4.13%
Jun	14.00%	9.62%	4.38%	Jun	13.00%	8.78%	4.22%
Jul	12.50%	9.37%	3.13%	Jul	13.00%	8.57%	4.43%
Aug	12.50%	9.29%	3.21%	Aug	13.00%	8.44%	4.56%
Sep	12.50%	9.52%	2.98%	Sep	13.00%	8.40%	4.60%
Oct	10.50%	9.52%	0.98%	Oct	13.00%	8.54%	4.46%
Nov	10.50%	9.28%	1.22%	Nov	13.00%	8.63%	4.37%
Dec	10.50%	9.12%	1.38%	Dec	13.00%	8.43%	4.57%
Jan 1987	12.50%	8.95%	3.55%	Jan 1993	13.50%	8.27%	5.23%
Feb	12.50%	9.00%	3.50%	Feb	13.50%	8.04%	5.46%
Mar	12.50%	8.93%	3.57%	Mar	13.50%	7.90%	5.60%
Apr	12.50%	9.38%	3.12%	Apr	13.50%	7.81%	5.69%
May	12.50%	9.91%	2.59%	May	13.50%	7.86%	5.64%
Jun	12.50%	10.02%	2.48%	Jun	13.50%	7.75%	5.60%
Jul	12.50%	10.15%	2.35%	Jul	14.00%	7.54%	6.46%
Aug	12.50%	10.45%	2.05%	Aug	14.00%	7.25%	6.75%
Sep	12.50%	11.22%	1.28%	Sep	14.00%	7.04%	6.96%
Oct	14.00%	11.34%	2.66%	Oct	13.00%	7.03%	5.07%
Nov	14.00%	10.82%	3.18%	Nov	13.00%	7.30%	5.70%
Dec	14.00%	10.98%	3.02%	Dec	13.00%	7.34%	5.66%
Jan 1988	15.00%	10.76%	4.24%	Jan 1994	10.00%	7.33%	2.67%
Feb	15.00%	10.10%	4.90%	Feb	10.00%	7.42%	2.58%
Mar	15.00%	10.09%	4.91%	Mar	10.00%	7.85%	2.15%
Apr	16.50%	10.54%	5.96%	Apr	10.00%	8.22%	1.78%
May	16.50%	10.81%	5.69%	May	10.00%	8.33%	1.67%
Jun	16.50%	10.79%	5.71%	Jun	10.00%	8.31%	1.69%
Jul	16.50%	11.04%	5.46%	Jul	11.00%	8.47%	2.53%
Aug	16.50%	11.17%	5.33%	Aug	11.00%	8.41%	2.56%
Sep	16.50%	10.61%	5.89%	Sep	11.00%	8.64%	2.36%
Oct	15.50%	10.01%	5.49%	Oct	11.50%	8.86%	2.64%
Nov	15.50%	9.90%	5.60%	Nov	11.50%	8.88%	2.52%
Dec	15.50%	10.06%	5.44%	Dec	11.50%	8.76%	2.74%
Jan 1989	14.50%	10.08%	4.42%	Jan 1995	11.50%	8.73%	2.77%
Feb	14.50%	10.07%	4.43%	Feb	11.50%	8.52%	2.98%
Mar	14.50%	10.23%	4.27%	Mar	11.50%	8.37%	3.13%
Apr	14.00%	10.18%	3.82%	Apr	12.00%	8.27%	3.73%
May	14.00%	9.99%	4.01%	May	12.00%	7.91%	4.09%
Jun	14.00%	9.64%	4.36%	Jun	12.00%	7.60%	4.40%
Jul	14.50%	9.50%	5.00%	Jul	11.50%	7.70%	3.80%
Aug	14.50%	9.52%	4.98%	Aug	11.50%	7.83%	3.67%
Sep	14.50%	9.58%	4.92%	Sep	11.50%	7.62%	3.88%
Oct	14.00%	9.54%	4.46%	Oct	11.50%	7.46%	4.04%
Nov	14.00%	9.51%	4.49%	Nov	11.50%	7.43%	4.07%
Dec	14.00%	9.44%	4.56%	Dec	11.50%	7.23%	4.27%
Jan 1990	13.00%	9.56%	3.44%	Jan 1996	12.00%	7.22%	4.78%
Feb	13.00%	9.78%	3.24%	Feb	12.00%	7.37%	4.63%
Mar	13.00%	9.65%	3.35%	Mar	12.00%	7.73%	4.27%
Apr	13.00%	9.92%	3.08%	Apr	12.00%	7.89%	4.11%
May	13.00%	10.00%	3.00%	May	12.00%	7.96%	4.02%
Jun	13.00%	9.80%	3.20%	Jun	12.00%	8.06%	3.94%
Jul	12.50%	9.75%	2.75%	Jul	12.50%	8.20%	4.30%
Aug	12.50%	9.92%	2.58%	Aug	12.50%	7.84%	4.66%
Sep	12.50%	10.12%	2.38%	Sep	12.50%	8.01%	4.49%
Oct	13.50%	10.05%	3.45%	Oct	12.50%	7.77%	4.73%
Nov	13.50%	9.90%	3.60%	Nov	12.50%	7.49%	5.01%
Dec	13.50%	9.73%	3.77%	Dec	12.50%	7.59%	4.91%
Jan 1991	13.50%	9.71%	3.79%	Jan 1997	12.00%	7.77%	4.23%
Feb	13.50%	9.47%	4.03%	Feb	12.00%	7.64%	4.36%
Mar	13.50%	9.55%	3.95%	Mar	12.00%	7.87%	4.13%
Apr	10.00%	9.46%	0.54%	Apr	12.50%	8.03%	4.47%
May	10.00%	9.44%	0.56%	May	12.50%	7.89%	4.61%
Jun	10.00%	9.59%	0.41%	Jun	12.50%	7.72%	4.78%
Jul	9.50%	9.55%	-0.05%	Jul	12.50%	7.48%	5.02%
Aug	9.50%	9.29%	0.21%	Aug	12.50%	7.51%	4.99%
Sep	9.50%	9.16%	0.34%	Sep	12.50%	7.47%	5.03%
Oct	8.50%	9.12%	-0.62%	Oct	13.00%	7.35%	5.65%
Nov	8.50%	9.05%	-0.55%	Nov	13.00%	7.25%	5.75%
Dec	8.50%	8.88%	-0.38%	Dec	13.00%	7.16%	5.84%

Summary Information (1988 - 1997)

Average Risk Premium 3.77%

High Risk Premium 6.96%

Low Risk Premium -0.62%

is The Value Line Investment Survey: Ratings & Reports and Moody's Bond Record

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SOUTHERN UNION COMPANY
CASE NO GR 98-140

Average Risk Premium Above the Yields of "Aa" Rated Moody's Public Utility Bonds
for Washington Gas Light Company's Expected Returns on Common Equity

Mo/Year	WGL's Expected ROE	Aa Rated Bonds Yields	WGL's Risk Premium	Mo/Year	WGL's Expected ROE	Aa Rated Bonds Yields	WGL's Risk Premium
Jan 1986	13.50%	10.44%	3.06%	Jan 1982	12.50%	8.63%	3.87%
Feb	13.50%	9.98%	3.52%	Feb	12.50%	8.76%	3.74%
Mar	13.50%	9.16%	4.34%	Mar	12.50%	8.82%	3.68%
Apr	13.50%	8.87%	4.63%	Apr	12.00%	8.76%	3.24%
May	13.50%	9.38%	4.12%	May	12.00%	8.69%	3.31%
Jun	13.50%	9.36%	4.14%	Jun	12.00%	8.63%	3.37%
Jul	12.50%	9.05%	3.45%	Jul	12.00%	8.45%	3.55%
Aug	12.50%	9.03%	3.47%	Aug	12.00%	8.30%	3.70%
Sep	12.50%	9.28%	3.22%	Sep	12.00%	8.28%	3.72%
Oct	12.50%	9.24%	3.26%	Oct	12.00%	8.42%	3.58%
Nov	12.50%	9.01%	3.49%	Nov	12.00%	8.51%	3.49%
Dec	12.50%	8.81%	3.69%	Dec	12.00%	8.32%	3.68%
Jan 1987	12.50%	8.62%	3.88%	Jan 1993	12.00%	8.14%	3.86%
Feb	12.50%	8.69%	3.81%	Feb	12.00%	7.92%	4.08%
Mar	12.50%	8.64%	3.86%	Mar	12.00%	7.76%	4.24%
Apr	11.50%	9.15%	2.35%	Apr	12.50%	7.64%	4.86%
May	11.50%	9.63%	1.87%	May	12.50%	7.64%	4.86%
Jun	11.50%	9.61%	1.89%	Jun	12.50%	7.54%	4.96%
Jul	12.00%	9.70%	2.30%	Jul	13.00%	7.38%	5.62%
Aug	12.00%	10.05%	1.95%	Aug	13.00%	7.07%	5.93%
Sep	12.00%	10.66%	1.34%	Sep	13.00%	6.89%	6.11%
Oct	12.00%	11.11%	0.89%	Oct	12.50%	6.89%	5.61%
Nov	12.00%	10.62%	1.38%	Nov	12.50%	7.17%	5.33%
Dec	12.00%	10.78%	1.22%	Dec	12.50%	7.18%	5.32%
Jan 1988	11.50%	10.52%	0.98%	Jan 1994	11.50%	7.18%	4.32%
Feb	11.50%	9.91%	1.59%	Feb	11.50%	7.34%	4.16%
Mar	11.50%	9.82%	1.58%	Mar	11.50%	7.74%	3.76%
Apr	12.00%	10.29%	1.71%	Apr	12.00%	8.12%	3.88%
May	12.00%	10.53%	1.47%	May	12.00%	8.24%	3.76%
Jun	12.00%	10.52%	1.48%	Jun	12.00%	8.21%	3.79%
Jul	11.50%	10.78%	0.74%	Jul	12.50%	8.38%	4.12%
Aug	11.50%	10.85%	0.65%	Aug	12.50%	8.32%	4.18%
Sep	11.50%	10.34%	1.16%	Sep	12.50%	8.56%	3.94%
Oct	11.50%	9.79%	1.71%	Oct	12.00%	8.78%	3.22%
Nov	11.50%	9.80%	1.70%	Nov	12.00%	8.90%	3.10%
Dec	11.50%	9.90%	1.60%	Dec	12.00%	8.69%	3.31%
Jan 1989	11.50%	9.89%	1.61%	Jan 1995	11.00%	8.68%	2.34%
Feb	11.50%	9.83%	1.57%	Feb	11.00%	8.45%	2.55%
Mar	11.50%	10.06%	1.45%	Mar	11.00%	8.29%	2.71%
Apr	11.50%	10.02%	1.48%	Apr	11.00%	8.17%	2.83%
May	11.50%	9.79%	1.71%	May	11.00%	7.80%	3.20%
Jun	11.50%	9.37%	2.13%	Jun	11.00%	7.49%	3.51%
Jul	11.00%	9.23%	1.77%	Jul	11.50%	7.60%	3.90%
Aug	11.00%	9.27%	1.73%	Aug	11.50%	7.71%	3.79%
Sep	11.00%	9.35%	1.65%	Sep	11.50%	7.48%	4.02%
Oct	11.50%	9.28%	2.22%	Oct	11.50%	7.30%	4.20%
Nov	11.50%	9.25%	2.25%	Nov	11.50%	7.22%	4.28%
Dec	11.50%	9.25%	2.25%	Dec	11.50%	7.03%	4.47%
Jan 1990	12.50%	9.39%	3.11%	Jan 1996	12.00%	7.02%	4.98%
Feb	12.50%	9.57%	2.93%	Feb	12.00%	7.20%	4.80%
Mar	12.50%	9.60%	2.90%	Mar	12.00%	7.55%	4.45%
Apr	12.00%	9.81%	2.19%	Apr	13.00%	7.70%	5.30%
May	12.00%	9.83%	2.17%	May	13.00%	7.79%	5.21%
Jun	12.00%	9.60%	2.40%	Jun	13.00%	8.87%	5.13%
Jul	12.00%	9.61%	2.39%	Jul	14.00%	8.20%	5.80%
Aug	12.00%	9.78%	2.22%	Aug	14.00%	7.84%	6.16%
Sep	12.00%	9.87%	2.13%	Sep	14.00%	8.01%	5.99%
Oct	12.00%	9.77%	2.23%	Oct	14.50%	7.77%	6.73%
Nov	12.00%	9.59%	2.41%	Nov	14.50%	7.49%	7.01%
Dec	12.00%	9.42%	2.58%	Dec	14.50%	7.59%	6.91%
Jan 1991	13.00%	9.39%	3.61%	Jan 1997	14.50%	7.77%	6.73%
Feb	13.00%	9.16%	3.84%	Feb	14.50%	7.64%	6.86%
Mar	13.00%	9.23%	3.77%	Mar	14.50%	7.87%	6.63%
Apr	11.50%	9.14%	2.36%	Apr	12.50%	8.03%	4.47%
May	11.50%	9.18%	2.34%	May	12.50%	7.89%	4.61%
Jun	11.50%	9.28%	2.22%	Jun	12.50%	7.72%	4.78%
Jul	11.50%	9.26%	2.24%	Jul	13.00%	7.48%	5.52%
Aug	11.50%	9.06%	2.44%	Aug	13.00%	7.51%	5.49%
Sep	11.50%	8.95%	2.55%	Sep	13.00%	7.47%	5.53%
Oct	11.00%	8.82%	2.08%	Oct	13.50%	7.35%	6.15%
Nov	11.00%	8.87%	2.13%	Nov	13.50%	7.25%	6.25%
Dec	11.00%	8.71%	2.29%	Dec	13.50%	7.16%	6.34%

Summary Information (1986 - 1997)

Average Risk Premium 4.63%

High Risk Premium 7.01%

Low Risk Premium 0.66%

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**Risk Premium Costs of Equity Estimates
for the Natural Gas Distribution Industry Companies**

	(1)	(2)	(3)	(4)
Company Name	Bond Rating	Appropriate Yield	Equity Premium	Cost of Common Equity
AGL Resources, Inc	A-	7 16%	3 06%	10 22%
Bay State Company	A	7 16%	3 59%	10 75%
Connecticut Energy Corporation	A-	7 16%	1 73%	8 89%
CTG Resources, Inc	A-	7 16%	3 49%	10 65%
Northwest Natural Gas Company	A	7 16%	2 93%	10 09%
Peoples Energy Corporation	AA-	7 07%	4 40%	11 47%
Piedmont Natural Gas Company, Inc	A	7 16%	3 77%	10 93%
Washington Gas Light Company	AA-	7 07%	4 63%	11 70%
Average				<u><u>10 59%</u></u>

NOTES

Column 1 = The bond rating is from Standard & Poor's Corporation Utilities Rating Service, Financial Statistics, June 30, 1997 and Standard and Poor's Corporation Utilities and Perspectives February 9, 1998

Column 2 = The appropriate yield is equal to the rate quoted in Moody's Bond Record, January, 1998, for newly issued thirty year Public Utility Bonds given the bond rating for the Company

Column 3 = The equity premium represents the average difference between the Company's expected return on common equity as reported in The Value Line Investment Survey Ratings & Report and the average yield on equally rated Moody's Public Utility Bonds from January of 1986 through June 1997 See Schedule 19

Column 4 = Column 2 + Column 3

**Capital Asset Pricing Model (CAPM) Costs of Equity Estimates
for the Natural Gas Distribution Industry Companies**

Company Name	(1) Risk Free Rate	(2) Company's Beta	(3) Market Risk Premium (87-96)	(4) Market Risk Premium (26-96)	(5) Cost of Common Equity (87-96)	(6) Cost of Common Equity (26-96)
AGL Resources Inc	5.99%	0.75	5.89%	7.30%	10.41%	11.47%
Bay State Company	5.99%	0.55	5.89%	7.30%	9.23%	10.01%
Connecticut Energy Corporation	5.99%	0.60	5.89%	7.30%	9.52%	10.37%
CTG Resources Inc	5.99%	0.50	5.89%	7.30%	8.94%	9.64%
Northwest Natural Gas Company	5.99%	0.60	5.89%	7.30%	9.52%	10.37%
Peoples Energy Corporation	5.99%	0.90	5.89%	7.30%	11.29%	12.56%
Piedmont Natural Gas Company, Inc	5.99%	0.60	5.89%	7.30%	9.52%	10.37%
Washington Gas Light Company	5.99%	0.75	5.89%	7.30%	10.41%	11.47%
Average		<u>0.66</u>			<u>9.86%</u>	<u>10.78%</u>

NOTES

Column 1 = The Risk Free Rate of Interest which is equal to the 30 year U S Treasury Rate as quoted in the Federal Reserve Bulletin January 6 1998

Column 2 = Beta is a measure of the movement and relative risk of an individual stock to the market as a whole as reported by The Value Line Investment Survey Ratings & Reports December 28 1997

Column 3 = The Market Risk Premium is the amount over the Risk Free Rate that is demanded by investors for holding a portfolio of equal risk to the market for 1987 1996 and was reported by Ibbotson Associates, Inc in Stocks Bonds Bills and Inflation 1997 Yearbook

Column 4 = The same as Column 3 but covers 1928-1996

Column 5 = (Column 1 + (Column 2 * Column 3))

Column 6 = (Column 1 + (Column 2 * Column 4))

Criteria for Selecting Comparable Natural Gas Distribution Companies

	(1)	(2)	(3)	(4)	(5)	(6)
	Stock Publicly Traded	Information Printed In Value Line	S & P Credit Rating BBB+ BBB-	Distribution Revenues to Total Revenue >90%	No Missouri Operations	Comparable Company Met All Criteria
Natural Gas Distribution Companies						
AGL Resources Inc	Yes	Yes	No			
Atmos Energy Corporation	Yes	Yes	No			
Bay State Gas Company	Yes	Yes	No			
Berkshire Gas Company	Yes	No				
Cascade Natural Gas Corporation	Yes	Yes	BBB+	Yes	Yes	Yes
Colonial Gas Company	Yes	No				
Connecticut Energy Corporation	Yes	Yes	No			
CTG Resources Inc	Yes	Yes	No			
Coming Natural Gas Corporation	Yes	No				
Delta Natural Gas Company Inc	Yes	No				
Energy West	Yes	No				
Energymoth Inc	Yes	No				
Essex County Gas Company	Yes	No				
Fall River Gas Company	Yes	No				
Indiana Energy Inc	Yes	Yes	No			
Keyspan Energy Corp	Yes	No				
Laclede Gas Company	Yes	Yes	No			
Mobile Gas Service Corporation	Yes	No				
New Jersey Resources Corporation	Yes	Yes	No			
North Carolina Natural Gas	Yes	No				
Northwest Natural Gas Company	Yes	Yes	No			
PLS Corporation	Yes	Yes	BBB+	Yes	Yes	Yes
Pacific Enterprises	Yes	Yes	No			
Peoples Energy Corporation	Yes	Yes	No			
Pennsylvania Enterprises Inc	Yes	No				
Piedmont Natural Gas Company Inc	Yes	Yes	No			
Prudence Energy Corporation	Yes	Yes	BBB+	Yes	Yes	Yes
Public Service of North Carolina	Yes	No				
Roanoke Gas Company	Yes	No				
South Jersey Industries, Inc.	Yes	Yes	BBB+	Yes	Yes	Yes
Southern Union Company	Yes	No				
Washington Gas Light Company	Yes	Yes	No			
Yankee Energy System	Yes	No				

Sources: Columns 2, 4 & 6 = The Value Line Investment Survey Ratings & Reports December 26 1987

Columns 1, 3 & 5 = Edward Jones Financial & Common Stock Information Natural Gas Industry January 31 1988

SOUTHERN UNION COMPANY
CASE NO GR-98-140

**Four Comparable Natural Gas Distribution Companies
for Southern Union Company**

<u>Number</u>	<u>Ticker Symbol</u>	<u>Company Name</u>
1	CGC	Cascade Natural Gas Corporation
2	NUI	NUI Corporation
3	PVY	Providence Energy Corporation
4	SJI	South Jersey Industnes, Inc

**Projected Growth Rates
for the Four Comparable Natural Gas Distribution Companies**

	(1)	(2)	(3)	(4)	(5)	(6)
Company Name	Average Positive Historical Annual Growth Rates	Projected 5 Year Growth IBES (Mean)	Projected 5 Year EPS Growth (S&P)	Projected 3-5 Year EPS Growth Value Line	Average Projected Growth	Average Historical & Projected Growth
Cascade Natural Gas Corporation	7.87%	5.80%	4.00%	10.00%	6.60%	7.24%
NUI Corporation	-1.51%	10.40%	10.00%	5.00%	8.47%	3.48%
Providence Energy Corporation	-0.37%	4.00%	4.00%	8.00%	5.33%	2.48%
South Jersey Industries Inc	2.44%	4.00%	4.00%	3.00%	3.67%	3.05%
Average	2.11%	6.05%	5.50%	6.50%	6.02%	4.06%

Proposed Range of Growth

5.50% - 6.00%

Notes Column 5 = [(Column 2 + Column 3 + Column 4) / 3]

Column 6 = [(Column 1 + Column 5) / 2]

Sources Column 1 = I/B/E/S Inc's Institutional Brokers Estimate System January 15 1998

Column 2 = Standard & Poor's Corporation's Earnings Guide February 1998

Column 3 = Value Line Investment Survey Ratings and Reports December 26 1997

**Average High / Low Stock Price for November 1, 1997 through January 31, 1998
for the Four Comparable Natural Gas Distribution Companies**

Company Name	(1)	(2)	(3)	(4)	(5)	(6)	(9)
	--- November 1997 ---		--- December 1997 ---		--- January 1998 ---		Average High/Low Stock Price (11/1/97 - 1/31/98)
	High Stock Price	Low Stock Price	High Stock Price	Low Stock Price	High Stock Price	Low Stock Price	
Cascade Natural Gas Corporation	\$17 13	\$18 50	\$19 00	\$16 75	\$18 56	\$16 25	\$17 37
NUI Corporation	\$25 00	\$22 75	\$29 63	\$24 19	\$28 63	\$25 38	\$25 83
Providence Energy Corporation	\$19 00	\$17 63	\$17 63	\$18 63	\$22 25	\$21 56	\$19 45
South Jersey Industries Inc	\$25 50	\$24 63	\$30 50	\$24 88	\$30 19	\$28 75	\$27 41

Notes Column 9 = [(Column 1 + Column 2 + Column 3 + Column 4 + Column 5 + Column 6 / 6)

Sources Standard & Poor's Corporation's Security Owner's Stock Guide

**Estimated Costs of Common Equity
for the Four Comparable Natural Gas Distribution Companies**

	(1)	(2)	(3)	(4)	(5)
Company Name	Expected Dividend (12/98)	Average High/Low Stock Price (11/1/97 - 1/31/98)	Projected Dividend Yield	Average Projected Growth Rate	Estimate Cost of Common Equity
Cascade Natural Gas Corporation	\$0 970	\$16 250	5 97%	6 60%	12 57%
NUI Corporation	\$0 960	\$25 930	3 70%	8 47%	12 17%
Providence Energy Corporation	\$1 080	\$19 450	5 55%	5 33%	10 88%
South Jersey Industnes, Inc	\$1 440	\$26 430	5 45%	3 67%	9 12%
Average			<u>5 17%</u>	<u>6 02%</u>	<u>11 19%</u>

Proposed ROE Range 10 67% - 11 19%

Notes Column 1 = Estimated Dividends Declared per share represents the projected dividends for 1998

Column 3 = (Column 1 / Column 2)

Column 5 = (Column 3 + Column 4)

Sources Column 1 = The Value Line Investment Survey Ratings & Reports December 26, 1997

Column 2 = Schedule 28

Column 4 = Schedule 25

**Capital Asset Pricing Model (CAPM) Costs of Equity Estimates
for the Four Comparable Natural Gas Distribution Industry Companies**

Company Name	(1) Risk Free Rate	(2) Company's Beta	(3) Market Risk Premium (87-96)	(4) Market Risk Premium (26-96)	(5) Cost of Common Equity (Low)	(6) Cost of Common Equity (High)
Cascade Natural Gas	5.99%	0.60	5.89%	7.30%	9.52%	10.37%
NUI Corporation	5.99%	0.70	5.89%	7.30%	10.11%	11.10%
Providence Energy Corporation	5.99%	0.50	5.89%	7.30%	8.94%	9.64%
South Jersey Industries Inc	5.99%	0.55	5.89%	7.30%	9.23%	10.01%
Average		<u>0.59</u>			<u>9.45%</u>	<u>10.28%</u>

NOTES

Column 1 = The Risk Free Rate of Interest which is equal to the 30 year U S Treasury Rate as quoted in the Federal Reserve Bulletin February 6 1998

Column 2 = Beta is a measure of the movement and relative risk of an individual stock to the market as a whole as reported by The Value Line Investment Survey Ratings & Reports December 26 1997

Column 3 = The Market Risk Premium is the amount over the Risk Free Rate that is demanded by investors for holding a portfolio of equal risk to the market for 1987-1996 and was reported by Ibbotson Associates Inc in Stocks Bonds, Bills, and Inflation 1997 Yearbook.

Column 4 = The same as Column 3 but covers 1926-1996

Column 5 = (Column 1 + (Column 2 * Column 3))

Column 6 = (Column 1 + (Column 2 * Column 4))

SOUTHERN UNION COMPANY
CASE NO GR-98-140

**Bond Ratings, Common Equity Ratios, and Market to Book Ratios
for the Natural Gas Distribution Industry Companies and
the Four Comparable Natural Gas Distribution Companies**

Company Name	(1) Bond Rating	(2) Common Equity Ratio	(3) Market to Book Ratio
AGL Resources Inc (formally Atlanta Gas Light)	A-	46 00%	1 80x
Bay State Company	A	50 00%	2 16x
Connecticut Energy Corporation	A-	51 90%	1 73x
CTG Resources Inc	A-	57 10%	1 51x
Northwest Natural Gas Company	A	50 50%	1 71x
Peoples Energy Corporation	AA-	57 60%	1 85x
Piedmont Natural Gas Company Inc	A	52 40%	2 18x
Washington Gas Light Company	AA-	56 20%	1 97x
Average	A	52 71%	1 86x
Cascade Natural Gas Corporation	BBB+	50 00%	1 61x
NUI Corporation	BBB	43 40%	1 51x
Providence Energy Corporation	BBB+	50 60%	1 51x
South Jersey Industries, Inc	BBB+	53 20%	1 89x
Average	BBB+	49 30%	1 63x
Southern Union Company	BBB	38 06%	1 52x

Column 1 is from Standard & Poor's Corporation's Utilities Rating Service, Financial Statistics for the 12 months ended June 30, 1997 and Standard and Poor's Utilities and Perspectives, February 9, 1998

Column 2 is from The Value Line Investment Survey: Ratings & Reports, December 26, 1997 with the exception of Southern Union which is the common equity ratio from Schedule 10

Column 3 is from Edward Jones' Financial & Common Stock Information Natural Gas Industry, January 31, 1998

SOUTHERN UNION COMPANY
CASE NO GR-98-140

**Pro Forma Pre-Tax Interest Coverage Ratios
for Southern Union Company
(Combined Basis)**

	<u>10 67%</u>	<u>10 93%</u>	<u>11 19%</u>
1 Common Equity (Schedule 10)	\$289,381,023	\$289,381,023	\$289,381,023
2 Earnings Allowed (ROE * [1])	\$32,700,056	\$34,146,961	\$35,738,556
3 Tax Multiplier (1 / { 1 - Tax Rate })	1 6231	1 6231	1 6231
4 Pre-Tax Earnings ([3] * [4])	\$53,075,028	\$55,423,481	\$58,006,779
5 Preferred Dividends (Schedule 12)	\$9,480,000	\$9,480,000	\$9,480,000
6 Annual Interest Costs (Schedule 11-1)	\$29,862,192	\$29,862,192	\$29,862,192
7 Avail for Coverage ([4] + [5] + [6])	\$92,417,220	\$94,765,673	\$97,348,971
8 Pro Forma Pre-Tax Interest Coverage ([7] / [6])	3 09 x	3 17 x	3.26 x

**Natural Gas Distribution Industry-Utility Financial Ratio Benchmarks
Pretax Interest Coverage (x)**

Standard & Poor's Corporation's
Utilities Rating Service
Financial Statistics
June 30, 1997

A
3 20x

BBB+
2 59x

BBB
1 86x

Note Southern Union's preferred stock is a hybrid and does not need to be factored up for taxes

SOUTHERN UNION COMPANY
CASE NO GR-98-140

Public Utility Revenue Requirement

or

Cost of Service

The formula for the revenue requirement of a public utility may be stated as follows

Equation 1 **Revenue Requirement = Cost of Service**

or

Equation 2 **$RR = O + (V - D)R$**

The symbols in the second equation are represented by the following factors

RR = Revenue Requirement

O = Prudent Operating Costs, including Depreciation and Taxes

V = Gross Valuation of the Property Serving the Public

D = Accumulated Depreciation

(V - D) = Rate Base (Net Valuation)

(V - D)R = Return Amount (\$\$) or Earnings Allowed on Rate Base

$R = iL + dP + kE$ or Overall Rate of Return (%)

i = Embedded Cost of Debt

L = Proportion of Debt in the Capital Structure

d = Embedded Cost of Preferred Stock

P = Proportion of Preferred Stock in the Capital Structure

k = Required Return on Common Equity (ROE)

E = Proportion of Common Equity in the Capital Structure

SOUTHERN UNION COMPANY
CASE NO GR-98-140

**Weighted Cost of Capital as of December 31, 1997
for Southern Union Company
(Combined Basis)**

Capital Component	Percentage of Capital	Embedded Cost	Weighted Cost of Capital Using Common Equity Return of		
			10.67%	10.93%	11.19%
Common Stock Equity	38.06%	—	4.06%	4.16%	4.26%
Preferred Stock	12.68%	9.97%	1.26%	1.26%	1.26%
Long-Term Debt	49.26%	8.19%	4.03%	4.03%	4.03%
Short-Term Debt	0.00%	0.00%	0.00%	0.00%	0.00%
Total	<u>100.00%</u>		<u>9.35%</u>	<u>9.45%</u>	<u>9.55%</u>

See Schedule 10 for the Capital Structure Ratios

See Schedule 12 of my Direct Testimony for the Embedded Cost of Preferred Stock

See Schedule 11 for the Embedded Cost of Long-Term Debt.

SURREBUTTAL TESTIMONY
OF
RONALD L. BIBLE
MISSOURI GAS ENERGY, a division of
SOUTHERN UNION COMPANY
CASE NO. GR-98-140

Q Please state your name

A My name is Ronald L Bible

Q Are you the same Ronald L Bible who filed direct and rebuttal testimony in this proceeding for the staff of the Missouri Public Service Commission (Staff)?

A Yes, I am

Q In your direct testimony, did you recommend a fair and reasonable rate of return for the Missouri jurisdictional natural gas distribution rate base for Southern Union Company (Southern Union or Company)?

A Yes, I did

Q What is the purpose of your present testimony?

A The purpose of my surrebuttal testimony is to respond to portions of the rebuttal testimony of Mr Fairchild Mr Fairchild sponsored rate of return testimony for the Company

Surrebuttal Testimony of
Ronald L. Bible

Response to Mr. Fairchild's Rebuttal Testimony

Q Please discuss Mr. Fairchild's comments concerning underestimation of the cost of equity for your comparable group.

A. On page four of Mr. Fairchild's rebuttal testimony, he states that I included some negative growth rates in my analysis, with the implication that they were included in determining the estimated range of growth. That is not true. According to the Institutional Broker's Estimate Service, two of the four companies in my comparable group were projected to have negative growth. When these rates were averaged with the other two companies in the group, the result was, in fact, a positive 2.11 percent. I considered this an extremely low number and eliminated it from my range. So, Mr. Fairchild is wrong in his implication that negative numbers were used to derive a return on equity estimate. Furthermore, proper statistical technique, when eliminating extreme values, is to eliminate high as well as low extreme numbers. Mr. Fairchild eliminated the low numbers, but did not eliminate the high numbers, which skews his result to the high end of the range. My range, derived by using proper technique, is 5.50 percent to 6.00 percent, and is the correct range to use in this estimate.

Q Please discuss Mr. Fairchild's comments that Southern Union's leveraged capital structure directly benefits ratepayers and that there should be an upward adjustment in ROE to reflect the greater risk.

Surrebuttal Testimony of
Ronald L. Bible

A Referring to Report and Order for Case No. GR-96-285, page 13, first line: The Commission finds that the TOPrS issued by Southern Union Financing Company I constitutes equity, not debt, with respect to Southern Union. Therefore, Southern Union's capital structure is 48.8 percent debt and 51.2 percent equity. This is not a highly leveraged capital structure and does not support an upward revision in ROE to compensate for added risk. Furthermore, Standard and Poor's has recently upgraded Southern Union's credit rating from BBB to BBB+. This indicates they view the Company as less risky. Something that concerns me about Mr. Fairchild's rebuttal testimony is that on page seven he states that Southern Union's highly leveraged capital structure directly benefits ratepayers. On page eight of his rebuttal testimony he shows the leveraged portion of my comparable group's capital structure, long-term debt, as 7.7 percent. On page nine he shows the long-term debt of Southern Union as 8.2 percent. Clearly he states the leveraged portion is lowering the cost, but the numbers he shows are a higher debt cost. Also, on page eleven he shows the pre-tax cost of common equity as 17.7 percent using an ROE of 12 percent and he shows the same pre-tax cost of common equity of 17.7 percent using an ROE of 10.9 percent. You cannot have the same pre-tax cost of common equity with two significantly different ROEs. Mr. Fairchild's calculations are wrong. When the correct calculations are made, with a 12 percent ROE, the pre-tax cost is 19.5 percent which makes the weighted cost of equity 7.49 percent and the weighted cost of capital 12.76 percent. This is higher than the comparable group, which

Surrebuttal Testimony of
Ronald L. Bible

changed Especially since the outdated studies from the 1970's and early 1980's that Mr Fairchild refers to and uses to support his testimony

According to an article in the January 19, 1998 issue of Business Week, It's Time For Bonds To Get Some Respect. The current (bond) rally is part of a trend toward lower interest rates that started in the fall of 1981 That year marks both the peak in government bond yields (at 15 78%) and the end of the great bear bond market that began in April, 1946 That era was marked by rising prices that culminated in oil shocks and an inflation explosion in the 1970's

Already, the difference between stock and bond returns, what economists call the "equity premium" is narrowing From 1982 to 1997, bonds scored a real annual return of 9 4% and stocks 12 5%, according to Jeremy Siegel, finance professor at the Wharton School and author of *Stocks for the Long Run*. Says Siegel "Virtually no economist believes the equity premium will be as high as it has been over the past half century "

No matter how you slice the data, the message remains the same, says James Paulson, chief investment officer at Norwest Investment Management "Stock and bond returns are close when inflation is not a worry "

In an April 4, 1996 article in The Standard Times, Utility Funds Still A Solid Investment, Sally Edwards, who co-manages the Franklin Utilities Fund and the Franklin Global Utilities Fund in the \$139 billion Franklin Templeton fund family says, "If we have a stable or declining economy, that's when utilities tend to do well And that's what I see now "

Surrebuttal Testimony of
Ronald L. Bible

is opposite of what Mr. Fairchild claims. Therefore, Southern Union's capital structure does not leave the ratepayers better off. It is actually more expensive and it is not a given that ratepayers benefit.

Q. Would you comment on Mr. Fairchild's tests of reasonableness he refers to in his rebuttal testimony?

A. Yes. Mr. Fairchild applied Southern Union's beta of .95 to the risk premiums of 5.89 percent and 7.3 percent and added them to the 5.99 percent risk-free rate to produce a CAPM cost of equity range. This is incorrect. If we are going to test the reasonableness of the DCF model for the comparable groups we need to use the beta for the comparable groups in the CAPM model. The comparable group average beta is .59. Applying this to the risk premiums and adding each to the risk-free rates produces a cost of equity range of 9.47 percent to 10.30 percent. This validates the DCF cost of equity estimates I provided.

Q. Would you comment on Mr. Fairchild's adjustment to ROE based on changed capital market conditions?

A. Yes. While I agree with his observation that capital market conditions have changed, Mr. Fairchild fails to account for many of the conditions affecting rate of return regulation. The business, economic and financial market conditions have all

Surrebuttal Testimony of
Ronald L Bible

According to the article in the March 30, 1998 Wall Street Journal, Are Stocks Overvalued? Not A Chance, In his book "Stocks for the Long Run," Jeremy Siegel of the University of Pennsylvania concludes "It is widely known that stock returns, on average exceed bonds in the long run. But, it is little known that in the long run, the risks in stocks are less than those found in bonds or even bills!" Mr Siegel looked at every 20-year holding period from 1802 to 1992 and found that the worst real return for stocks was an annual average of 1.2% and the best was an annual average of 12.6%. For the long-term bonds, the range was *minus* 3.1% to plus 8.8%, for T-bills, minus 3.0% to plus 8.3%.

According to The Alliance For Competitive Electricity, a group of small and large utilities throughout the nation, Investor owned utilities are owned by their shareholders. Utility stocks traditionally have been stable, conservative investments. To attract investors, utility stocks often have high dividends. The combination of steady share price and regular dividends appeals to investors interested in capital preservation and income. According to shareholder surveys, the typical utility investor is female, college educated and over 65 years of age. Additionally, utility investors are long-term investors, not speculators. The typical utility stock investor holds her stock for more than seven years. Utility investors bought their stock because they thought the risk to their capital was minimal. Determination of that risk was often based on experience as well as regulatory practices. Of course, this stability also meant investors received lower returns on their

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Surrebuttal Testimony of
Ronald L. Bible

investment than for more valuable stock. This lower cost translated into lower rates for customers.

At the Financial Research Institute symposium on March 6, 1998, Michael C. Heim, CFA and Vice President with A. G. Edwards and Sons showed that gas utility rate filings have decreased since 1995. He cited declining interest rates as a reason. When asked what impact this had, he replied that ROE was expected to go down.

Q Would you summarize this and explain the implications for Mr. Fairchild's downward adjustment in ROE?

A. Yes. What we have is a new environment with smaller spreads between stock and bond returns and lower return expectations from stockholders, particularly utility stockholders. Mr. Fairchild's arbitrary adjustment is an incorrect way to account for the changed environment. The appropriate way to factor in the changes is to incorporate them, from the bottom up, into the analysis and models to determine a fair rate of return. That is what I have done.

Q Please comment on Mr. Fairchild's statement that you excluded short-term debt from your capital computations.

A. I did not use short-term debt in the capital structure in order to make sure adequate funds were available for construction projects and the Service Line Replacement.

Surrebuttal Testimony of
Ronald L. Bible

Program. However, if the Commission wants to incorporate short-term debt in the cost of capital calculations, it would have the effect of lowering Souther Union's cost of capital and its required rate of return.

Q Does this conclude your prepared surrebuttal testimony?

A Yes

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the matter of Missouri Gas Energy's)
Tariff Sheets Designed to Increase Rates) Case No GR-98-140
for Gas Service in the Company's Missouri)
Service Area)

AFFIDAVIT OF RONALD L BIBLE

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Ronald L Bible, is, of lawful age, on his oath states that he has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form, consisting of 8 pages and 0 schedules to be presented in the above case, that the answers in the foregoing Surrebuttal Testimony were given by him, that he has knowledge of the matters set forth in such answers, and that such matters are true and correct to the best of his knowledge and belief



Ronald L Bible
RONALD L BIBLE

Subscribed and sworn to before me this 14th day of May 1998

Randall Z. Wright
Notary Public

Randall Z. Wright
Notary Public, State of Missouri
County of Cole
My Commission Exp. 01/02/2001

My Commission Expires _____

REBUTTAL TESTIMONY
OF
RONALD L. BIBLE
MISSOURI GAS ENERGY, a division of
SOUTHERN UNION COMPANY
CASE NO GR-98-140

Q Please state your name

A. My name is Ronald L Bible

Q Are you the same Ronald L Bible who filed direct testimony in this proceeding for the staff of the Missouri Public Service Commission (Staff)?

A. Yes, I am

Q In your direct testimony, did you recommend a fair and reasonable rate of return for the Missouri jurisdictional natural gas distribution rate base for Southern Union Company?

A Yes, I did

Q What is the purpose of your present testimony?

A. The purpose of my rebuttal testimony is to respond to portions of the direct testimony of Mr Bruce H Fairchild and Mr Mark Burdette Mr Fairchild sponsored rate of return testimony for Southern Union Company (Southern Union or Company) Mr Burdette sponsored rate of return testimony for the Office of the Public Counsel of

Rebuttal Testimony of
Ronald L. Bible

the State of Missouri (Public Counsel) I will address the issues of the appropriate capital structure, embedded costs of preferred stock, long-term debt and return on common equity (ROE) to be applied to Southern Union for rate making purposes in this proceeding

Return on Equity, Capital Structure and Embedded Cost of Long-Term Debt & Preferred Stock

Q Do you have any changes to make to your testimony?

A Yes On page 40 of my direct testimony, I stated the return on common equity should be in the range of 10 67 percent to 11 35 percent It should read 10 67 percent to 11 19 percent

Q Has an agreement been reached concerning the appropriate capital structure and embedded cost of long-term debt and preferred stock to be applied to Southern Union for ratemaking purposes in this proceeding?

A Yes Southern Union, Public Counsel and Staff agreed on the appropriate capital structure and embedded costs to be applied to Southern Union for ratemaking purposes in this proceeding It is my understanding that Mr Fairchild and Mr Burdette have agreed to use the embedded cost of long-term debt as I and Mr Fairchild calculated it Also, Mr Fairchild and myself have agreed to the embedded cost of preferred stock as Mr Burdette calculated it Furthermore, we all agreed to adjust long-term debt as a

Rebuttal Testimony of
Ronald L. Bible

percentage of total capital to reflect the percentage completion of the AMR program. AMR lease amounts decrease which decreases long-term debt and increases preferred stock and common stock as a percentage of total capital. The AMR leases will also be addressed in true-up. Corrected figures are attached in Schedules 1 through 5.

Q Have Staff, Public Counsel and the Company agreed to this settlement?

A Yes

Public Counsel's Return On Common Equity for Southern Union

Q Please summarize Mr. Burdette's recommended return on common equity for Southern Union.

A On page ten of Mr. Burdette's direct testimony, he states "MGE should be allowed a return on common equity of 10.70%." The table below summarizes Mr. Burdette's discounted cash flow model ROE analysis for Southern Union.

Dividend Yield (Dividend/Stock Price)	4.49%
Growth Rate	6.00%
Proposed ROE	10.70%

Q Please explain how Mr. Burdette arrived at a dividend yield of 4.49 percent.

Rebuttal Testimony of
Ronald L. Bible

A. Mr. Burdette analyzed a group of ten companies to arrive at a dividend yield for Southern Union. Mr. Burdette used recent stock prices and the dividends expected to be paid in calendar year 1998 to determine an average dividend yield for each of his comparable companies. The average dividend yield for each company was then averaged to determine an overall average dividend yield for the comparable company group of 4.49.

Q. Did Mr. Burdette make an adjustment to his ROE to account for Southern Union's lower common equity ratio?

A. Yes. Mr. Burdette adjusted his calculated DCF cost of equity of 10.49 percent to a recommended 10.70 percent in consideration of MGE's inseparable connection to Southern Union, and his belief Southern Union's aggressive growth strategy creates some additional risk for MGE.

Q. Do you agree?

A. No. While I understand Mr. Burdette's opinion as to the risk, I believe the risk he describes should be borne by the shareholders, not the ratepayers, since the shareholders would be the recipients of the rewards for this growth strategy.

Mr. Fairchild's Return On Common Equity for Southern Union

Q. Please summarize Mr. Fairchild's required ROE analysis for Southern Union.

A. Mr. Fairchild used both a discounted cash flow (DCF) and risk premium cost of equity analysis. Mr. Fairchild's DCF analysis produced a range of 10.6 percent to 11.6

Rebuttal Testimony of
Ronald L Bible

percent, and his risk premium produced a range of 11.66 percent to 14.87 percent to arrive at his proposed return on common equity range of 11.50 percent to 12.50 percent to be applied to Southern Union in this case. Mr. Fairchild then selected a point 25 basis points above his midpoint of 12.00 percent to account for flotation costs and what Mr. Fairchild describes as the DCF model's downward bias, to arrive at his recommended ROE of 12.25 percent.

Q Does Staff agree with Mr. Fairchild's 25 basis point adjustment?

A. No. It is Staff's opinion that flotation costs should be recovered on a dollar for dollar basis when they are incurred and not as an adjustment to ROE. Secondly, the potential long-term risks of competition and stranded investment to MGE as a local distribution company are minimal when compared to gas marketers and the electric industry. Therefore, it is my opinion that the historical and near-term expected growth rates are a reasonable surrogate for long-term growth rates.

Q Does Staff propose any other adjustments to Mr. Fairchild's recommended ROE in this proceeding?

A. Yes. Mr. Fairchild's risk premium range of 11.66 percent to 14.87 percent is not an accurate representation of the individual estimates used to determine the range. Listed below are Mr. Fairchild's individual risk premium results.

Rebuttal Testimony of
 Ronald L. Bible

Risk Premium Source	ROE	
Carleton, Chambers, & Lakonishok Risk Differentiated-First study	13 36%	Dropped high
Carleton, Chambers, & Lakonishok Second study	12 96%	
Brigham, Shome, & Vinson 1966 - 1984	11 66%	Dropped low
Brigham, Shome, & Vinson 1980 - 1984	14 87%	Dropped high
Harris	14 77%	Dropped high
Benore Investor	12 82%	
RRA Authorized ROE	11 77%	
Capital Asset Pricing Model	12 48%	
Moody's LDCs	12 82%	

Mr Fairchild dropped the Brigham, Shome, & Vinson 1980 - 1984 method and the Harris method because they produced returns that were too high based on current economic conditions Mr Fairchild then dropped the high and the low of the remaining estimates to revise his range to 11 8 percent to 13 0 percent Mr Fairchild takes the high point and the low point to develop his range ignoring all other data, but if the five points are averaged they produce an ROE estimate of 12 57 percent If that point is in turn averaged

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Rebuttal Testimony of
Ronald L. Bible

with Mr Fairchild's DCF mid-point of 11 10 percent it produces a ROE recommendation of 11 84 Furthermore, the risk premium studies Mr Fairchild refers to are dated and include information from a time when the business, economic and financial conditions were completely different than they are today To use his word, it is "inconceivable" that this information would be relied upon to determine ROE Given the situation, Mr Fairchild's DCF range of 10 6 percent to 11 6 percent is the only accurate part of his testimony

Summary and Conclusions

Q Please summarize the conclusions of your rebuttal testimony

A. I conclude the following

1 The agreement reached between Southern Union, Public Counsel and Staff concerning the appropriate capital structure, embedded cost of long-term debt and embedded cost of preferred stock to be applied to Southern Union for ratemaking purposes in this proceeding is appropriate and reasonable,

2 I believe that my recommended return on equity range of 10 67 percent to 11 19 percent, as documented in my direct testimony, would produce a fair and reasonable return on equity for the Missouri jurisdictional natural gas distribution rate base for Southern Union Company

SOUTHERN UNION COMPANY
CASE NO GR-98-140

**Capital Structure as of December 31, 1997
for Southern Union Company
(Combined Basis)**

Capital Component	Amount in Dollars	Percentage of Capital
Common Stock Equity	\$289,381,023	38.39%
Preferred Stock	\$96,372,365	12.79%
Long-Term Debt	\$367,990,543	48.82%
Short-Term Debt	\$0	0.00%
Total Capitalization	<u><u>\$753,743,931</u></u>	<u><u>100.00%</u></u>

Natural Gas Distribution Industry Financial Ratio Benchmarks

Total Debt / Total Capital - Including Preferred Stock

Standard & Poor's Corporation's
Utilities Rating Service
Financial Statistics, June 30, 1997
(Average Business Position)

BBB
(LOWER TO UPPER QUARTILE)
46%-69%

BBB
(MEAN)
58%

Notes See Schedule 12 of my Direct Testimony for the amount of Preferred Stock outstanding at December 31, 1997

See Schedule 11-1 for the amount of Long-Term Debt outstanding at December 31, 1997

The Company did not have any short-term debt outstanding as of December 31, 1997

Source Southern Union Company's Response to Data Request 3801

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SOUTHERN UNION COMPANY
CASE NO GR-98-140

**Embedded Cost of Long-Term Debt as of December 31, 1997
for Southern Union Company
(Combined Basis)**

	(1)	(2)	(3)
Long-Term Debt	Interest Rate	Principal Amount Outstanding (12/31/97)	Annualized Cost to Company (1 * 2)
3% Senior Notes due February 1, 2024	7.600%	\$384,515,000	\$29,223,140
Variable Capital Lease	6.290%	\$453,653	\$28,535
Fixed Rate Capital Lease	6.240%	\$3,147,513	\$196,405
Less: Unamortized Net Premium or Discount Expense and Debt Issuance Expense		(\$20,125,623)	
Plus: Annual Amortization of Net Premium or Discount Expense and Debt Issuance Expense			\$814,295
Total		<u><u>\$367,990,543</u></u>	<u><u>\$30,262,375</u></u>

		\$30,262,375
Embedded Cost of Long-Term Debt	=	<u>\$367,990,543</u>
	=	8.22%

as Principal Amount Outstanding as of December 31, 1997 includes Current Maturities

See Schedule 11-2 of my Direct Testimony for the amount of the Annual Amortization of Net Premium or Discount Expense and Debt Issuance Expense

AMR lease is LIBOR+55bp One year LIBOR is 5.6875% Source: The Wall Street Journal, February 13, 1998

Source: Southern Union Company's response to Staff's Data Information Request Nos. 3802 & 3804

SOUTHERN UNION COMPANY
CASE NO GR-98-140

**Annual Amortization of Net Premium or Discount Expense and Debt Issuance Expense
as of December 31, 1997 for Southern Union Company
(Combined Basis)**

		(1)	(2)	(3)
	Maturity Date	Number of Months to Maturity (12/31/97)	Unamortized Net Premium or Discount Expense and Debt Issuance Expense (12/31/97)	Annual Amortization of Net Premium or Discount Expense and Debt Issuance Expense
Term Debt				
Senior Notes due February 1 2024	2/1/24	313 0	\$3 791,391	\$145 357
Capital Lease	11/15/04	83 5	\$0	\$0
Capital Lease	6/30/03	72 5	\$36 030	\$5 964
Retired Notes				
7 60% Debentures due May 15 2017 (1)	2/1/24	313 0	\$4 945 967	\$189 622
7 60% Notes due January 31 2012 (1)	2/1/24	313 0	\$8 932 521	\$342 461
7 60% Notes due January 31 2004 (1)	2/1/24	313 0	\$2 327 737	\$89,242
11 50% Brazos Mortgage Bonds due March 15 2000 (2)	3/15/00	26 5	\$91 977	\$41 650
			<u>\$20,125,623</u>	<u>\$814,295</u>

Column 3 = [(Column 2 / Column 1) * 12]

(1) The cost of reacquiring these notes are being amortized over the life of the 7 60% Senior Notes due February 1 2024 which was used to retire the notes

(2) The 11 50% Brazos Mortgage Bonds were paid off early and the remaining issuance costs and reacquisition cost are being amortized over the original bonds

SOUTHERN UNION COMPANY
CASE NO GR-98-140

**Pro Forma Pre-Tax Interest Coverage Ratios
for Southern Union Company
(Combined Basis)**

	<u>10 67%</u>	<u>10 93%</u>	<u>11 19%</u>
1 Common Equity	\$289,381,023	\$289,381,023	\$289,381,023
2 Earnings Allowed (ROE * [1])	\$32,700,056	\$34,146,961	\$35,738,556
3 Tax Multiplier (1 / {1 - Tax Rate})	1 6231	1 6231	1 6231
4 Pre-Tax Earnings ([3] * [4])	\$53,075,028	\$55,423,481	\$58,006,779
5 Preferred Dividends	\$9,480,000	\$9,480,000	\$9,480,000
6 Annual Interest Costs	\$29,448,080	\$29,448,080	\$29,448,080
7 Avail for Coverage ([4] + [5] + [6])	\$92,003,108	\$94,351,561	\$96,934,859
8 Pro Forma Pre-Tax Interest Coverage ([7] / [6])	3 12 x	3.20 x	3.29 x

**Natural Gas Distribution Industry-Utility Financial Ratio Benchmarks
Pretax Interest Coverage (x)**

Standard & Poor's Corporation's
Utilities Rating Service
Financial Statistics
June 30, 1997

A
3 20x

BBB+
2 59x

BBB
1 86x

Note: Southern Union's preferred stock is a hybrid and does not need to be factored up for taxes.

SOUTHERN UNION COMPANY
CASE NO GR-98-140

**Weighted Cost of Capital as of December 31, 1997
for Southern Union Company
(Combined Basis)**

Capital Component	Percentage of Capital	Embedded Cost	Weighted Cost of Capital Using Common Equity Return of		
			10 67%	10 93%	11 19%
Common Stock Equity	38 39%	---	4 10%	4 20%	4 30%
Preferred Stock	12 79%	9 84%	1 26%	1 26%	1 26%
Long-Term Debt	48 82%	8 22%	4 01%	4 01%	4 01%
Short-Term Debt	0 00%	0 00%	0 00%	0 00%	0 00%
Total	<u>100 00%</u>		<u>9.37%</u>	<u>9.47%</u>	<u>9.57%</u>

Notes: See Schedule 10 for the Capital Structure Ratios

See Schedule 12 of my Direct Testimony for the Embedded Cost of Preferred Stock

See Schedule 11 for the Embedded Cost of Long-Term Debt