

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Financial Reporting and Cost Accounting,) Docket NO. RM04-12-___
Oversight and Recovery Practices for)
Regional Transmission Organizations and)
Independent System Operators)

**SUPPLEMENTAL COMMENTS OF
ISO/RTO COUNCIL ON NOTICE OF INQUIRY**

The Alberta Electric System Operator (“AESO”), California Independent System Operator Corporation (“CAISO”), Electric Reliability Council of Texas (“ERCOT”), the Independent Electricity System Operator of Ontario (“IESO”)¹, ISO New England Inc. (“ISO-NE”), Midwest Independent Transmission System Operator, Inc. (“MISO”), New York Independent System Operator, Inc. (“NYISO”), PJM Interconnection, L.L.C. (“PJM”), and Southwest Power Pool (“SPP”) hereby jointly submit supplemental comments as the ISO/RTO Council (“IRC”) in connection with the Notice of Inquiry (“NOI”) issued in this proceeding on September 16, 2004.² The IRC initially submitted comments in this docket on November 9, 2004.³ The IRC submits these additional comments to further aid the Commission’s consideration of the issues raised in its NOI.

¹ In the prior filing, the Independent Electricity System Operator of Ontario was referred to as the Independent Electricity Market Operator of Ontario (“IMO”).

² The nine functioning Independent System Operators (“ISOs”) and Regional Transmission Organization (“RTOs”) in North America formed the IRC in April 2003. The IRC’s mission is to work collaboratively to develop effective processes, tools and standard methods for improving competitive electricity markets across North America. In fulfilling this mission it is the IRC’s goal to provide a perspective that balances reliability standards with market practices so that each complements the other, thereby resulting in efficient, robust markets that provide competitive and reliable service to customers.

³ In addition to supporting the IRC comments, certain IRC members submitted individual comments in this proceeding.

I. Overview of IRC Comments

In its original comments, the IRC expressed its support for the Commission's decision to issue the NOI⁴ and explained that it believes that the essential first step in addressing these issues is to make substantial reforms to the Uniform System of Accounts ("USOA"), which is currently not well suited for RTOs/ISOs or other organizations that provide comparable services.⁵ The adoption of a reformed accounting system that better meets the needs of RTOs/ISOs, market participants in the markets that some RTO/ISO's administer, and other transmission service providers, will make it easier for the Commission, state regulatory authorities, and stakeholders to monitor and compare costs both among RTOs/ISOs and with other transmission providers.

The Commission should endeavor to develop a revised USOA to achieve these goals in order: (1) to aid the Commission and stakeholders in assessing the efficiencies that result from creating RTOs/ISOs to perform their designated functions, (2) to capture traditional transmission providers' costs on a comparable basis, and (3) to create a consistent, national regulatory framework for reviewing industry costs. As the Commission considers how best to address any concerns it may have with regard to RTO/ISO costs, it should also ensure that RTO/ISO costs could be assessed relative to the costs of providing the same services in non-RTO/ISO regions.

In these regards, the Commission should consider revising the existing USOA so that it applies not only to RTOs/ISOs, but also to other FERC regulated utilities. The following supplemental comments provide the IRC's view on how the Commission may develop a revised USOA.

⁴ See NOI at P 16.

⁵ See *id.* at P 1.

II. Development of a Revised USOA

In considering modifying the USOA, the IRC identified two underlying bases for the Commission's consideration. First, the IRC believes that the following guiding principles should be employed in considering modifications to the existing USOA.⁶

- *Leverage the Existing USOA:* To the extent possible, the Commission should retain the existing USOA to capture those RTO/ISO functions that were traditionally performed by investor owned utilities. Employing such a principle will also enhance the Commission's ability to compare costs in RTO/ISO regions with costs in regions where investor-owned utilities do not operate within an RTO/ISO.
- *Develop High-Level Accounts:* Development of additional high-level accounts within the USOA to facilitate enhanced reporting of RTOs/ISOs, as transmission service providers and as market administrators. This will continue to provide RTOs/ISOs with the flexibility to handle variations in the market activities they perform while creating a common cost reporting platform for the Commission to permit consistent cost comparisons across different regions.
- *Offer a Standardized Cost Reporting Model:* Development of a revised USOA that standardizes *how* RTO/ISO, transmission service provider and market administrator costs are reported, but without requiring a "one size fits all" business model for RTO/ISO operation. Such a revised USOA would recognize that different RTOs/ISOs currently address and perform different market functionalities, while allowing the Commission to compare costs across regions.

Second, the IRC believes that identification of common RTO/ISO functions will achieve the dual purpose of highlighting where the existing USOA is deficient in capturing RTO/ISO, transmission service provider and market administrator functional costs, as well as helping to define the appropriate changes to the USOA. The common RTO/ISO functions proposed by the IRC are:

⁶ While PJM's original comments had suggested that the NERC Functional Model might provide a structure for developing a revised USOA, the IRC, including PJM, believes that the goal of restructuring the USOA can be accomplished with more modest changes to the existing USOA, and in a manner consistent with the principles discussed herein.

- *System Operations*: System Operations functions have traditionally been performed by IOUs or tight power pools and are now performed by IOUs, RTOs, ISOs, and TOs. Though accounts exist to accommodate System Operations activities (560, 561, 566), which include System Planning, they may be too broad in their current state and may require sub accounts to achieve the appropriate level of reporting detail.
- *Market Operations*: Market Operations functions are not provided for in the current USOA. New accounts are required to reflect the operations of RTOs/ISOs with energy and other markets.
- *Settlements & Billing*: Though a billing function is provided in the current USOA (903), it would be beneficial to segregate wholesale activities from retail activities, especially for Market Participants that bill end-use customers and also perform shadow settlements for their wholesale activities.
- *Customer Service*: Customer Service functions are provided for in the current USOA. Segregation of wholesale and retail activities may be necessary to reflect costs associated with wholesale and retail customers for those RTO/ISO's that serve both markets.
- *Corporate Services*: Corporate Service functions are provided for in the current USOA. No new accounts are required. Existing USOA accounts can be used.

In its November 9, 2004 filing, the IRC indicated that the RTOs/ISOs were in the best position to develop an initial proposal for consideration by the Commission. The IRC further recommended that the Commission convene a technical conference at which the RTOs/ISOs could present a “strawman” version of a revised USOA for consideration and discussion in order to assist the Commission to develop proposed USOA revisions which could be included in a future NOPR. In this regard, the IRC offers such a “strawman” proposal (*see* Attachment A) for how the existing USOA can be supplemented in a manner that conforms to the guiding principles identified in these comments.

Respectfully submitted,

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ATTACHMENT A

Proposed Revisions and Additions to the Uniform System of Accounts

Introduction

The following are proposed detailed revisions to the existing FERC Uniform System of Accounts (USoA). Aside from Section Headings, text in black is existing FERC content that has been included for reference purposes only. Text in blue are proposed additions for RTOs and ISOs. Please note that existing page, schedule, or instruction references to existing FERC documentation have not been modified for purposes of this document. These existing FERC references could change as a result of any permanent modifications made by FERC.

*** SECTION I. RELIABILITY AND MARKETS ***

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.

C. For RTOs and ISOs, this account shall include the cost of all labor and expenses incurred in the general supervision and direction of the operation of the transmission system as a whole. (See operating expense instruction X.)

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Operating Expense Instructions

X. Supervision and Engineering

The supervision and engineering includible in the operating expense accounts shall consist of all labor and expenses of management, engineers, analysts, other employees and consultants engaged in regional planning and engineering activities. 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.

1. Manage Planning and Engineering -Sub-account 560.1

Labor:

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- a. Evaluate transmission service requests, including both network and point-to-point service.
- b. Perform operations support engineering related to functions less than one year in advance. This includes ATC calculations, congestion management, load forecasting (horizon greater than 2 days), loss calculations, maintenance coordination, and support of operations staff.
- c. Perform long-term (horizon greater than 1 year) transmission planning and engineering activities. Identify long term new transmission line requirements and conduct feasibility studies on proposed transmission line additions.
- d. Manage generation and transmission interconnections. Process all requests for new interconnections.
- e. Manage all engineering activities related to the Regional Reliability Organization. This includes functions such as model building, NERC reporting, compliance, criteria and standards, and FERC annual reporting requirements.

Expenses:

- f. Consultant fees and expenses.
- g. Meals, traveling, and incidental expenses.

2. Manage Planning and Engineering Information Technology - Sub-account 560.2

Labor:

- a. Develop and Maintain application software.
- b. Support hardware and other technical infrastructure.

Expenses:

- c. Application software.
- d. Hardware and other technical infrastructure.
- e. Consultant fees and expenses.
- f. Meals, traveling, and incidental expenses.

561 Load dispatching.

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This account shall include the cost of labor, materials used and expenses incurred in load dispatching operations pertaining to the transmission of electricity. 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 (MAJOR ONLY)

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.

Sub-Account Items

1. Perform Reliability Analysis - Sub-account 561.1

Labor:

- a. Manage the region-wide reliability coordination function as specified by NERC and individual reliability organizations. Perform current and next-day reliability analysis according the NERC Policy 9, including calculating load forecasts, performing contingency analysis, identifying unreliable operating conditions, recommending appropriate solutions, and posting results.
- b. Manage and direct corrective actions to restore the power system under either a partial or total system blackout. This includes conducting an initial assessment of the grid, following steps outlined in regional policies, and directing system recovery with participants.

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Expenses:

- c. Consultant fees and expenses.
- d. System record and report forms.
- e. Meals, traveling and incidental expenses.
- f. Obtaining weather and special events reports.

2. Monitor and Operate the Transmission Grid -Sub-account 561.2

Labor:

- a. Monitor, assess & operate the power system & individual transmission facilities in real-time to maintain safe and reliable operation of the grid. Coordinate, communicate & direct preventive & corrective actions with asset owners. This includes monitoring the protection of relay devices, settings, etc. and coordinating with transmission owners accordingly.
- b. Manage congested transmission facilities to maintain system reliability. Monitor real-time flows and direct actions (e.g., redispatch or curtailment) according to regional plans and tariffs as necessary.
- c. Receive, review, analyze and act on real-time and future transmission outages requests submitted by transmission owners. Approve, reject or work with transmission owners to reschedule outages based on the results of analysis. Review generation outage plans to ensure reliability is not compromised.
- d. Identify changes to and update real-time and offline network models to accommodate network changes by participants and/or to improve solution consistency and accuracy. This includes monitoring solution quality field data values, providing IDC model updates to NERC and coordinating network model changes across all systems.
- e. Conduct Operator Training related to NERC certification and Transmission system management.
- f. Monitor and instruct resources necessary to maintain system reliability and resource adequacy. Monitor generation resources and communicate with generation owners regarding expected dispatch actions. Proactively provide instructions and schedules (e.g., voltage schedules) to ensure grid reliability. Ensure ancillary service requirements are met.
- g. Determine ancillary service requirements in accordance with regional reliability policies, operating guides and system constraints to ensure grid reliability.

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Expenses:

- e. Consultant fees and expenses.
- f. Communication service provided for system control purposes.
- g. System record and report forms.
- h. Meals, traveling and incidental expenses.
- i. Obtaining weather and special events reports.

3. Manage Transmission Service and Scheduling - Sub-account 561.3

Labor:

- a. Process hourly, daily, weekly and monthly transmission service requests using OASIS automation and operations support analysis according to timing requirements.
- b. Perform regular and accurate calculations of ATC and post results to OASIS. This includes overriding information and reviewing results from Planning & Engineering as necessary.
- c. Operate the OASIS system by providing user access and posting required information.
- d. Monitor the status of all scheduled energy transactions and take appropriate actions when necessary. Resolve scheduling errors. Approve, deny, replace or modify schedules as needed. Review schedules for compliance against scheduling practices and market rules.

Expenses:

- e. Consultant fees and expenses.
- f. Communication service provided for system control purposes.
- g. System record and report forms.
- h. Meals, traveling and incidental expenses.
- i. Obtaining weather and special events reports.

4. Manage System Operations Information Technology - Sub-account 561.4

Labor:

- a. Develop and Maintain application software.

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b. Support hardware and other technical infrastructure.

Expenses:

- c. Application software.
- d. Hardware and other technical infrastructure.
- e. Consultant fees and expenses.
- h. Meals, traveling and incidental expenses.

601 Market Facilitation (Proposed New Account).

This account shall include the cost of labor, materials used and expenses incurred to facilitate regional energy market activities. 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.

Sub-Account Items

1. Day-Ahead and Real-Time Markets - Sub-account 601.1

Labor:

- a. Real-Time - Manage the real-time deployment of resources to meet generation needs while minimizing transmission congestion and the cost of energy. This includes managing the evolution of market rules by facilitating various stakeholder committees; maintaining related sections of the tariff, market rules, operating procedures, and standards; and coordinating with neighboring areas to reduce seams issues.
- b. Day-Ahead - Manage the day-ahead energy market and provide capacity adequacy verification. This includes managing the evolution of market rules by facilitating various stakeholder committees; maintaining related sections of the tariff, market rules, operating procedures, and standards; and coordinating with neighboring areas to reduce seams issues.

Expenses:

- c. Consultant fees and expenses.
- d. Communication service provided for system control purposes.
- e. System record and report forms.
- f. Meals, traveling and incidental expenses.

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g. Obtaining weather and special events reports.

2. Transmission Rights- Sub-account 601.2

Labor:

a. Manage the allocation and auction of transmission rights. This includes managing the evolution of market rules by facilitating various stakeholder committees; maintaining related sections of the tariff, market rules, operating procedures, and standards; and coordinating with neighboring areas to reduce seams issues.

Expenses:

- b. Consultant fees and expenses.
- c. Communication service provided for system control purposes.
- d. System record and report forms.
- e. Meals, traveling and incidental expenses.
- f. Obtaining weather and special events reports.

3. Capacity Markets - Sub-account 601.3

Labor:

a. Manage Capacity Markets. This includes managing the evolution of market rules by facilitating various stakeholder committees; maintaining related sections of the tariff, market rules, operating procedures, and standards; and coordinating with neighboring areas to reduce seams issues.

Expenses:

- b. Consultant fees and expenses.
- c. Communication service provided for system control purposes.
- d. System record and report forms.
- e. Meals, traveling and incidental expenses.
- f. Obtaining weather and special events reports.

4. All other Ancillary Market Services - Sub-account 601.4

Labor:

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a. Manage all other ancillary services market functions. This includes managing the evolution of market rules by facilitating various stakeholder committees; maintaining related sections of the tariff, market rules, operating procedures, and standards; and coordinating with neighboring areas to reduce seams issues.

Expenses:

- b. Consultant fees and expenses.
- c. Communication service provided for system control purposes.
- d. System record and report forms.
- e. Meals, traveling and incidental expenses.
- f. Obtaining weather and special events reports.

5. Manage Market Monitoring - Sub-account 601.5

Labor:

- a. Review market data and operational decisions for compliance with market rules.
- b. Interface with the external market monitor as necessary.

Expenses:

- c. Consultant fees and expenses.
- d. Communication service provided for system control purposes.
- e. System record and report forms.
- f. Meals, traveling and incidental expenses.
- g. Obtaining weather and special events reports.

6. Manage Market Information Technology - Sub-account 601.6

Labor:

- a. Develop and Maintain application software.
- b. Support hardware and other technical infrastructure.

Expenses:

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- c. Application software.
- d. Hardware and other technical infrastructure.
- e. Consultant fees and expenses.
- f. Meals, traveling and incidental expenses.

*** SECTION II. CUSTOMER SERVICE & SETTLEMENTS ***

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 in the FERC Uniform System of Accounts.)

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

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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.

903 Customer records and collection expenses.

A. For Major and Non-major utilities, 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.

B. For RTOs and ISOs, retail and wholesale costs are to be separated using the following sub accounts that are to include all of the labor and expense items listed below.

Retail customer records and collection expenses – Sub-account 903.1

Wholesale customer records and collection expenses – Sub-account 903.2

Manage Related Information Technology - Sub-account 903.3

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.

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6. Preparing billing data.

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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 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.

21. Develop and Maintain application software.

22. Support hardware and other technical infrastructure.

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

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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).
33. Application software.
34. Hardware and other technical infrastructure.
35. Consultant fees and expenses.
36. Meals, traveling and incidental expenses.

Note: The cost of work on meter history and meter location records is chargeable to account 586, Meter Expenses.

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.

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.
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.

906 Customer service and informational expenses (Nonmajor only).

This account shall include the cost of supervision, labor, and

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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

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

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informational expense classification shall be charged to the account wherein the costs of such activity are included. (See operating expense instruction 1 in the FERC Uniform System of Accounts.)

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:

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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

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,

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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 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.

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.

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Materials and Expenses:

3. Communication service.
4. Printing, postage and office supplies expenses.

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 in the FERC Uniform System of Accounts.)

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

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use of utility services by present and prospective customers.

ITEMS

Labor:

1. Demonstrating uses of utility services.
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.

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.

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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:

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

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and designed for the joint purpose of increasing the use of utility

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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.)

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.

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.

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.

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4. Solicitation of new business.

*** SECTION III. CORPORATE SERVICES ***

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.

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.

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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.
 9. Payment of court costs, witness fees and other expenses of legal department.
 10. Postage, printing and stationery.
 11. Meals, traveling and incidental expenses.
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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.)

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.

924 Property insurance.

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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. 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

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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.

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

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also include the cost of labor and related supplies and expenses incurred in injuries and damages activities.

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

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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.

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 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.

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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
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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.

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,

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Franchises and Consents.

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.

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.

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

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for any other charges made to operating expenses for which there is no direct money outlay.

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.

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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.
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.

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Note B: Exclude from this account and include in account 426.4, 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.

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, transportation and garage equipment, to account 933, Transportation Expenses.

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.)

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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 apportionment 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.
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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.

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.

935 Maintenance of general plant.

A. This account shall include the cost assignable to customer

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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.

PART 104--[RESERVED]

Note: For the Uniform System of Accounts for all Public Utilities, see part 101 of this subchapter.

936 RTO and ISO Regulatory Fees. (Proposed New Account)

A. This account shall include all expenses (except pay of regular employees only incidentally engaged in such work) properly includible in RTO/ISO operating expenses, incurred by the RTO/ISO 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 RTO/ISO 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

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by charges to this account.

C. The RTO/ISO 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 RTO/ISO 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.

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.