

AQUA TEXAS, INC.

ACCOUNT 396.0 COMMUNICATION EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL  
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2010

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. 15-SQUARE						
NET SALVAGE PERCENT.. 0						
2001	3,234.61	2,049	648	2,587	5.50	470
2002	29,030.56	16,451	5,204	23,827	6.50	3,666
2004	42,170.82	18,274	5,780	36,391	8.50	4,281
2006	5,187.77	1,556	492	4,696	10.50	447
2008	7,338.46	1,223	387	6,951	12.50	556
2010	3,786.41	126	40	3,746	14.50	258
	90,748.63	39,679	12,551	78,198		9,678
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT ..						8.1 10.66

AQUA TEXAS, INC.

ACCOUNT 397.0 MISCELLANEOUS EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL  
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2010

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. 15-SQUARE						
NET SALVAGE PERCENT.. 0						
2001	1,465.55	928	795	671	5.50	122
2004	13,270.95	5,751	4,927	8,344	8.50	982
	14,736.50	6,679	5,722	9,014		1,104
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 8.2						7.49

AQUA TEXAS, INC.

ACCOUNT 398.0 OTHER TANGIBLE PLANT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL  
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2010

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. 20-SQUARE						
NET SALVAGE PERCENT.. 0						
1988	170,309.46	170,309	170,309			
1999	25,850.66	14,864	5,308	20,543	8.50	2,417
2001	70,777.44	33,619	12,006	58,771	10.50	5,597
2002	14,531.13	6,176	2,206	12,325	11.50	1,072
2003	53,449.95	20,044	7,158	46,292	12.50	3,703
2004	139,188.97	45,236	16,155	123,034	13.50	9,114
2005	507.34	140	50	457	14.50	32
	474,614.95	290,388	213,192	261,423		21,935
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 11.9						4.62



RG-354  
Revised December 2007

# System of Accounts for Water and Wastewater Utilities with 200 or More Connections

printed on  
recycled paper

Water Supply Division

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



AT-GRAY101675



# **System of Accounts for Water and Wastewater Utilities with 200 or More Connections**

Prepared by  
Water Supply Division

RG-354  
December 2007



**Buddy Garcia, *Chairman***  
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# 1. Introduction

This guide provides accounting information for investor-owned water and wastewater utilities with 200 or more connections that are regulated by the Texas Commission on Environmental Quality (TCEQ). The main focus is on the TCEQ system of accounting.

## ***What Systems Does the TCEQ Recognize?***

The Utilities and Districts Section of the TCEQ, referred to as “us” in this publication, recognizes the following two systems of accounting:

- The TCEQ system of accounts detailed in this publication.
- The *Uniform System of Accounts*, published by the National Association of Regulatory Utility Commissions (NARUC). You may purchase a copy of this system of accounts from NARUC, P.O. Box 684, Washington, DC 20044-0684 (phone 202-898-2200). You may also order online at the NARUC web site, <[www.naruc.org](http://www.naruc.org)>.

## ***Who Should Use the NARUC Accounting System?***

Utilities that have complex stock issues **must** use the NARUC system of accounts. These are examples of complex stock issues:

- Issues in which the cash value of the consideration received differs from the par or stated value of any stock.
- Issues of common stock subscribed.
- Issues of preferred stock.

## ***Who Should Use the TCEQ Accounting System?***

The TCEQ-approved system of accounts described in this publication is intended for use by water or wastewater utility personnel who have some knowledge of double-entry bookkeeping and general accounting principals and use a general ledger system, preferably computerized. This publication is not intended to teach you basic accounting principles.

## ***What Is the Purpose of the TCEQ System?***

The TCEQ system is provided for the following purposes:

- to make it easier for you to complete a Rate/Tariff Change Application (see Chapter 4, “Using These Accounts to Complete a Rate/Tariff Change Application”);

- to promote uniformity of accounting within the regulated water and wastewater industry in Texas; and
- to meet the unique accounting needs of Texas water and sewer utilities.

## ***How to Use the TCEQ System***

When you use this system of accounts to set up your general ledger system, you may omit sewer or water service accounts if you do not provide such service. You may also renumber the accounts if your computerized general ledger system has a different numbering system. However, if you operate an investor-owner utility, you must be able to provide us with accounting information according to the system of accounts described in this publication on our request.

To find a list of account names and numbers, see Chapter 2, "Summary of Accounts." There you will also find the recommended service life for depreciable assets in the list of balance sheet accounts, followed by a list of income statement accounts.

For a description of the items to include in each of these accounts, see Chapter 3, "Account Definitions." It includes the definitions of balance sheet accounts, as well as the definitions of income statement accounts.

## ***How to Contact Us***

If you have questions about these definitions or need other assistance, contact us in the following ways:

- **By phone:** 512/239-4691 and ask to speak to an engineer or an accountant
- **By mail:** Utilities and Districts Section, MC- 153  
TCEQ  
P.O. Box 13087  
Austin, TX 78711-3087
- **By fax:** 512/239-6972
- **By e-mail:** [utildist@tceq.state.tx.us](mailto:utildist@tceq.state.tx.us)
- **Web:** [www.tceq.state.tx.us/goto/contact/ud/](http://www.tceq.state.tx.us/goto/contact/ud/)

## 2. Summary of Accounts

### Balance Sheet Accounts

#### *Assets and Other Debits*

##### Utility Plant<sup>1</sup>

- 101 Utility plant in service—Water
  - 301 Organization (5 years)
  - 303 Land and land rights (not applicable)
  - 304 Masonry or metal structures (30 years)
  - 305 Wood structures (20 years)
  - 307 Wells (30 years)
  - 308 Well access roads (50 years)
  - 309 Well pumps 5 hp or less (5 years)
  - 310 Well pumps greater than 5 hp (10 years)
  - 313 Booster pumps 5 hp or less (10 years)
  - 314 Booster pumps greater than 5 hp (30 years)
  - 315 Hypochlorinators (5 years)
  - 316 Gas chlorinators (20 years)
  - 318 Other chemical feeding equipment (20 year/variable)
  - 320 Pressure tanks (30 years)
  - 321 Elevated storage tanks (50 years)
  - 322 Ground storage tanks (50 years)
  - 325 Distribution system (50 years)
  - 327 Service lines and taps (20 years)
  - 328 Meters (10 years)
  - 333 Fire hydrants (50 years)
  - 334 Fences (15 years)
- 105 Other plant and miscellaneous equipment—Water
  - 339 Furniture and fixtures (10 years)
  - 340 Computers and software (5 years)
  - 341 Transportation equipment/vehicles (5 years)
  - 342 Shop tools (5 years)
  - 343 Laboratory equipment (10 years)
  - 344 Heavy equipment (15 years)
  - 349 Miscellaneous equipment (variable)
- 107 Accumulated depreciation/amortization—Water
- 110 Utility plant in service—Wastewater
  - 351 Organization (5 years)
  - 353 Land and land rights (not applicable)
  - 354 Masonry or metal structures (30 years)
  - 355 Wood structures (20 years)
  - 357 Plant access road (50 years)
  - 360 Collection sewers—Force (50 years)
  - 361 Collection sewers—Gravity (50 years)
  - 363 Flow-measuring devices (10 years)
  - 364 Receiving wells/manholes (25 years)
  - 365 Lift station pumps 5 hp or less (5 years)
  - 366 Lift station pumps greater than 5 hp (10 years)
  - 367 Treatment process pumps 5 hp or less (5 years)
  - 368 Treatment process pumps greater than 5 hp (10 years)
  - 369 Effluent/outfall pumps (25 years)
  - 371 Treatment and disposal equipment (25 years)
  - 372 Chlorination/dechlorination/ammonia equipment (20 years)
  - 373 UV disinfection equipment (5 years)
  - 374 Ozone disinfection equipment (5 years)
  - 380 Outfall sewer lines (50 years)
  - 389 Plant sewers (50 years)

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<sup>1</sup>For depreciable assets, use time given in parentheses as the depreciation period for rate determination. This does not have to match the depreciation period used for tax purposes.

- 111 Other plant and miscellaneous equipment —Wastewater
  - 390 Furniture and fixtures (10 years)
  - 391 Computers and software (5 years)
  - 392 Transportation equipment/vehicles (5 years)
  - 393 Shop tools (5 years)
  - 394 Laboratory equipment (10 years)
  - 395 Heavy equipment (15 years)
  - 399 Miscellaneous equipment (various)
- 112 Accumulated depreciation/amortization—Wastewater
- 125 Construction work in progress—Water
- 126 Construction work in progress—Wastewater
- 130 Property held for future use
- 131 Accumulated depreciation—Property held for future use
- 135 Utility plant acquisition adjustments—Water
- 136 Accumulated amortization—Acquisition adjustments— Water
- 137 Utility plant acquisition adjustments—Wastewater
- 138 Accumulated amortization—Acquisition adjustments— Wastewater

#### **Other Property and Investments**

- 140 Nonutility property
- 141 Accumulated depreciation—Nonutility property
- 150 Utility investments
- 155 Other investments

#### **Current and Accrued Assets**

- 160 Cash
- 162 Customer accounts receivable
- 163 Allowance for uncollectibles
- 165 Receivables from associated companies
- 167 Materials and supplies inventory
- 174 Miscellaneous current and accrued assets
- 186 Prepayments and miscellaneous deferred debits
  - 01 Deferred rate case expense
  - 10 Other deferred debits
- 190 Accumulated deferred income taxes

#### ***Equity Capital and Liabilities***

##### **Equity Capital**

- 201 Stock
- 211 Other paid-in capital
- 215 Retained earnings
- 218 Proprietary capital

##### **Liabilities**

##### ***Long-Term Debt***

- 224 Notes payable—Noncurrent

##### ***Current and Accrued Liabilities***

- 225 Notes payable—Current
- 231 Accounts payable
- 233 Payables to associated companies
- 235 Customer deposits
- 236 Accrued taxes payable
- 237 Accrued interest
- 271 Contributions in aid of construction (CIAC)
- 272 Accumulated amortization of CIAC
- 282 Accumulated deferred income taxes

## **Income Statement Accounts**

### ***Utility Operating Income***

#### **Revenues**

- 400 Water service
- 401 Wastewater service
- 405 Surcharge revenues—Water
- 406 Surcharge revenues—Wastewater
- 408 Tap fees—Water
- 409 Tap fees—Wastewater
- 410 Other fees

#### **Expenses**

- 601 Salaries—Water
- 602 Salaries—Wastewater
- 611 Contract services—Water
- 612 Contract services—Wastewater
- 621 Employee benefits—Water
- 622 Employee benefits—Wastewater
- 625 Purchased water
- 626 Purchased wastewater treatment
- 630 Chemicals—Water
- 631 Chemicals—Wastewater
- 635 Utilities—Water
- 636 Utilities—Wastewater
- 640 Repairs and maintenance—Water
- 641 Repairs and maintenance—Wastewater
- 650 Rental of equipment—Water
- 651 Rental of equipment—Wastewater
- 655 Transportation expenses—Water
- 656 Transportation expenses—Wastewater
- 657 Office expense—Water
  - 01 Office rent
  - 02 Telecommunications
  - 03 Office supplies
  - 04 Office power
  - 10 Other office expense
- 658 Office expense—Wastewater
  - 01 Office rent
  - 02 Telecommunications
  - 03 Office supplies
  - 04 Office power
  - 10 Other office expense
- 659 Other professional services—Water
  - 01 Tax and other accounting
  - 02 Recurring legal expenses
  - 03 Recurring engineering expenses
- 660 Other professional services—Wastewater
  - 01 Tax and other accounting
  - 02 Recurring legal expenses
  - 03 Recurring engineering expenses
- 663 Insurance expense—Water
  - 01 Vehicle
  - 02 Liability
  - 03 Plant and equipment loss
- 664 Insurance expense—Wastewater
  - 01 Vehicle
  - 02 Liability
  - 03 Plant and equipment loss
- 666 Rate case expense—Water
- 667 Rate case expense—Wastewater

- 670 Other regulatory expense—Water
  - 01 Testing
  - 03 Inspections
  - 04 Operator training
  - 05 Licenses/permits
- 671 Other regulatory expense—Wastewater
  - 01 Testing
  - 03 Inspections
  - 04 Operator training
  - 05 Licenses/permits
- 675 Miscellaneous expense—Water
  - 01 Seminars
  - 02 Bad debt expense
  - 05 Other
- 676 Miscellaneous expense—Wastewater
  - 01 Seminars
  - 02 Bad debt expense
  - 05 Other
- 700 Taxes other than income—Water
  - 01 Payroll taxes—Social Security/unemployment
  - 02 Franchise taxes
  - 03 Property taxes
- 701 Taxes other than income—Wastewater
  - 01 Payroll taxes—Social Security/unemployment
  - 02 Franchise taxes
  - 03 Property taxes
- 710 Depreciation and amortization expense—Water
- 711 Depreciation and amortization expense—Wastewater
- 720 Gain/loss on sale/abandonment of utility assets
- 740 Income tax expense
  - 01 Federal income taxes
  - 02 Provision for deferred income taxes

### ***Other Income and Deductions***

- 800 Interest income
- 836 Amortization of utility plant acquisition adjustments—Water
- 838 Amortization of utility plant acquisition adjustments— Wastewater
- 850 Miscellaneous nonutility expenses
- 855 Taxes applicable to other income and deductions
- 875 Dividends paid
- 900 Interest expense

# 3. Account Definitions

## Balance Sheet Accounts

### Assets and Other Debits

#### Utility Plant

- 101 Utility plant in service—Water.** This is the control account for Plant Subaccounts 301 through 334 for water. Include only the original cost of utility plant owned and used by the utility in providing water service.
- 101-301 *Organization (5 years).* Fees paid to federal or state governments for the privilege of incorporation and expenditures incident to organizing the corporation, partnership, or other enterprise. Examples include:
- cost of certificates authorizing an enterprise to engage in the public utility business
  - fees and expenses for incorporation, consolidations, or mergers
  - office expenses incident to organizing the utility, stock, and minute books
  - corporate seal
- 101-303 *Land and land rights (not applicable).* Original cost of land, rights-of-way, and easements used in water operations.
- 101-304 *Masonry or metal structures (30 years).* The cost in place of masonry or metal structures and improvements used in connection with obtaining water (source of supply); pumping; water treatment, transmission, and distribution; and general plant such as yard paving, pump houses and storage sheds, grading and clearing, landscaping, sidewalks, paving of roadways, and buildings.
- 101-305 *Wood structures (20 years).* Same as masonry or metal except structure is made of wood.
- 101-307 *Wells (30 years).* Cost installed of wells and springs used as a source of water supply, such as clearing and grading of land; collecting pipes; landscaping; springs and appurtenances; and wells, casings, and appurtenances.
- 101-308 *Well access roads (50 years).* Cost of original grading, clearing, pavement, and gravel for road used specifically for well access. Expenditures for occasional maintenance should be included in “Contract services—Water (Account 611)” and “Materials and supplies” (Account 640), as appropriate, if recurring, or “Prepayments and miscellaneous deferred expenses” (Account 186-10), if infrequently occurring.



- 101-309 *Well pumps 5 hp or less (5 years).* Original cost of 5-horsepower or less well pumps and labor costs to install, such as control panels, electrical controls associated with pumps, and pump piping.
- 101-310 *Well pumps greater than 5 hp (10 years).* Original cost of greater than 5-horsepower pumps and labor to install, such as control panels, electrical controls associated with pumps, and pump piping.
- 101-313 *Booster pumps 5 hp or less (10 years).* Original cost of booster pumps of 5 horsepower or less and labor to install, such as control panels, electrical controls associated with pumps, and pump piping.
- 101-314 *Booster pumps greater than 5 hp (30 years).* Original cost of booster pumps greater than 5 horsepower and labor to install, such as control panels, electrical controls associated with pumps, and pump piping.
- 101-315 *Hypochlorinators (5 years).* Original cost of hypochlorinators and cost of labor to install.
- 101-316 *Gas chlorinators (20 years).* Original cost of gas chlorinators and cost of labor to install.
- 101-318 *Other chemical feeding equipment (20 years/variable).* Original cost of other chemical feed equipment and cost of labor to install.
- 101-320 *Pressure tanks (30 years).* Original cost of installed tanks, including parts and labor, excavation, and land preparation costs associated directly with installation.
- 101-321 *Elevated storage tanks (50 years).* Original cost of installed tanks, including parts and labor, excavation, and land preparation costs associated directly with installation.
- 101-322 *Ground storage tanks (50 years).* Original cost of installation of the tank, including parts and labor, excavation, and land preparation costs associated with installing the tank.
- 101-325 *Distribution system (50 years).* Distribution main piping, installation, valves, fittings, shutoffs, etc.
- 101-327 *Service lines and taps (20 years).* Cost including installation of service lines from the distribution main to the customer's tap; and taps, including corporation stops or tees, gate valves, and boxes.
- 101-328 *Meters (10 years).* Meters and labor to install the meters, meter boxes, yokes, and stops.
- 101-333 *Fire hydrants (50 years).* Lines connecting the hydrant to the distribution main, excavation cost of hydrants, and fittings, including barrel and shoe.

- 101-334 *Fences (15 years)*. Original cost of fencing plus labor to install.
- 105 Other plant and miscellaneous equipment—Water.** This account is the control account for Plant Subaccounts 339 through 350 for water. Include only the original cost of utility plant that is necessary and is used by the utility to provide water service.
- 105-339 *Furniture and fixtures (10 years)*. Tables, chairs, shelving, file cabinets, and other office equipment used for conducting utility business.
- 105-340 *Computers and software (5 years)*. Expenses for computers and items associated with computers, such as disk drives, monitors, printers, graphics and other cards, keyboards, modems, and software.
- 105-341 *Transportation equipment/vehicles (5 years)*. Original cost of vehicle less trade-in value of old vehicles used for utility business. Includes, for example, automobiles, trucks, bicycles, electrical vehicles, motorcycles, tractors, and trailers.
- 105-342 *Shop tools (5 years)*. Air compressors, anvils, auto repair shop equipment, battery-charging equipment, belts, shafts and counter shafts, drill presses, electric equipment, engines, foundations and settings specially constructed for and not expected to outlast the equipment for which provided, gasoline pumps, oil pumps, gas storage tanks, greasing tools and equipment, hoists, ladders, lathes, machine tools, motors, pipe threading and cutting tools, riveters, vises, welding apparatus, and workbenches. Depending on the size of the utility, tools may be capitalized if material to the rates being requested, or expensed if immaterial. Unless the utility size changes substantially, consistency in capitalization policy must be maintained.
- 105-343 *Laboratory equipment (10 years)*. Autoclaves, barometers, cameras, centrifuge, distilling apparatus, furnaces, microscopes, ovens, pitometers, rain gauges, refrigerators, scales, sterilizers, stopwatches, testing machines, thermometers, and voltmeters.
- 105-344 *Heavy equipment (15 years)*. Backfilling machines, boring machines, bulldozers, cranes, joists, diggers, engines, pile drivers, pipe-cleaning machines, tractors, trenchers, and other generally self-propelled equipment or equipment mounted on movable equipment. Include only the percentage of equipment used and required for providing water service. Percentages used for other businesses or not necessary to providing water service must be included in “Nonutility property” (Account 140).

- 105-349 *Miscellaneous equipment (variable)*. First aid equipment, kitchen equipment, recreation equipment, ice machines, and signs necessary for providing water service.
- 107 **Accumulated depreciation/amortization—Water**. Include credits for amounts charged to “Depreciation and amortization expense—Water” (Account 710) for depreciation and amortization of property necessary to provide utility service, amortization of losses on sales, abandonments, or retirement of property related to water operations, and amounts equal to those concurrently charged to “Accumulated amortization of CIAC” (Account 272).
- 110 **Utility plant in service—Wastewater**. This is the control account for Plant Subaccounts 351 through 385 for wastewater. Include only the original cost of utility plant owned and used by the utility in providing wastewater service.
- 110-351 *Organization (5 years)*. Fees paid to federal or state governments for the privilege of incorporation and expenditures incident to organizing the corporation, partnership, or other enterprise. Examples include:
- cost of certificates authorizing an enterprise to engage in the public utility business
  - fees and expenses for incorporation, consolidations, or mergers
  - office expenses incident to organizing the utility, stock, and minute books
  - corporate seal
- 110-353 *Land and land rights (not applicable)*. Original cost of land, rights-of-way, and easements used in wastewater operations.
- 110-354 *Masonry or metal structures (30 years)*. The cost in place of masonry or metal structures and improvements used in connection with providing sewer service; wastewater pumping, transmission, and treatment; and general plant such as yard paving, storage sheds, grading and clearing, landscaping, sidewalks, paving of roadways, and buildings.
- 110-355 *Wood structures (20 years)*. Same as masonry or metal, except structure is made of wood.
- 110-357 *Plant access road (50 years)*. Cost of original grading, clearing, pavement, and gravel for road used specifically for plant access. Expenditures for occasional maintenance should be included in “Contract services— Wastewater” (Account 612) and “Repairs and maintenance—Wastewater” (Account 641) if recurring; or included in “Prepayments and miscellaneous deferred debits” (Account 186-10) and amortized, if infrequently occurring.
- 110-360 *Collection sewers—Force (50 years)*. The original cost of sewers used to lift sewage from a low elevation to a higher

elevation, including flow from customer's property or curb line. Include pavement disturbed, municipal inspection permits, protection of street openings, and tapping saddles.

- 110-361 *Collection sewers—Gravity (50 years)*. The original cost of all gravity-collecting sewers—interceptor, branch, trunk, lateral—including service wye, manholes, lamp holes, and flow from the customer's property or curb line. Include pavement disturbed, municipal inspection permits, protection of street openings, and tapping saddles.
- 110-363 *Flow-measuring devices (10 years)*. Installation labor, materials, and expenses to install customers' flow-measuring equipment, such as floats, connections, flumes, wires, other flow-measuring devices, recording equipment, and initial testing.
- 110-364 *Receiving wells/manholes (25 years)*. Original cost of constructing wells (at pumping stations or at other junction points along the collection system) used to intercept sewage for clearing and screening, to transfer to a pumping well, or to otherwise further convey it along the collecting system to the treatment plant or final discharge. Include chemical feed apparatus associated with receiving wells, holding basins associated with receiving wells, and labor and materials to install manholes.
- 110-365 *Lift-station pumps 5 hp or less (5 years)*. Original cost of lift-station pumping equipment (5 hp or less), including motors or engines for driving pumps, pumps, settings, gearing, shafting, belting, valves, auxiliary equipment for motors and pumps, oiling systems, cooling systems, condensers, and other foundations, frames, and hoist units, including labor to install.
- 110-366 *Lift-station pumps greater than 5 hp (10 years)*. Original cost of lift station pumping equipment (greater than 5 hp), including motors or engines for driving pumps, pumps, settings, gearing, shafting, belting, valves, auxiliary equipment for motors and pumps, oiling systems, cooling systems, condensers, and other foundations, frames, and hoist units, including labor to install.
- 110-367 *Treatment-process pumps 5 hp or less (5 years)*. Original cost of treatment-process pumps (5 hp or less), including motors or engines for driving pumps, pumps, settings, gearing, shafting, belting, valves, auxiliary equipment for motors and pumps, oiling systems, cooling systems, condensers, and other foundations, frames, and hoist units, including labor to install.
- 110-368 *Treatment-process pumps greater than 5 hp (10 years)*. Original cost of treatment-process pumps (greater than 5 hp), including motors or engines for driving pumps, pumps, settings, gearing, shafting, belting, valves, auxiliary

equipment for motors and pumps, oiling systems, cooling systems, condensers, and other foundations, frames, and hoist units, including labor to install.

- 110-369 *Effluent/outfall pumps (25 years)*. Original cost of pumps used to dispose of treated effluent into discharge areas or streams, including motors, engines, settings, shafting, and valves, etc.
- 110-371 *Treatment and disposal equipment (25 years)*. Original cost of apparatus, equipment, and other facilities used for treatment of sewage and disposal of sewage wastes, such as aeration chambers and trickling filters. Include package treatment plants, oxidation ponds, and sludge treatment facilities such as filtration or dewatering equipment, sedimentation equipment, and septic tanks.
- 110-372 *Chlorination/dechlorination/ammonia equipment (20 years)*. Original cost of apparatus used for chemical chlorine or ammonia treatment and dechlorination of wastewater.
- 110-373 *UV disinfection equipment (5 years)*. Original cost of equipment used for UV disinfection of wastewater.
- 110-374 *Ozone disinfection equipment (5 years)*. Original cost of equipment used for ozone disinfection for wastewater.
- 110-380 *Outfall sewer lines (50 years)*. Original installed cost of lines that carry treated effluent from the treatment plant to the point of discharge.
- 110-389 *Plant sewers (50 years)*. Original installed cost of plant yard piping and appurtenances and facilities required to dispose of treatment plant liquid effluent into the outfall sewer line, unit-to-unit sections of yard piping, valves, vaults, pipe tunnels, or galleries.
- 111 Other plant and miscellaneous equipment—Wastewater.**  
This account is the control account for Plant Subaccounts 390 through 399 for wastewater. Include only the original cost of utility plant used by the utility and necessary for providing wastewater service.
- 111-390 *Furniture and fixtures (10 years)*. Tables, chairs, shelving, file cabinets, and other office furniture used for conducting utility business.
- 111-391 *Computers and software (5 years)*. Expenses associated with computers, such as disk drives, monitors, printers, graphics cards and other cards, keyboards, modems, and software.
- 111-392 *Transportation equipment/vehicles (5 years)*. Original cost of vehicle less trade-in value of old vehicles used for utility business, such as automobiles, trucks, bicycles, electrical vehicles, motorcycles, tractors, and trailers.

- 111-393 *Shop tools (5 years)*. Air compressors, anvils, auto repair shop equipment, battery-charging equipment, belts, shafts, counter shafts, drill presses, electric equipment, engines, foundations and settings specially constructed for and not expected to outlast the equipment for which provided, gasoline pumps, oil pumps, gas storage tanks, greasing tools and equipment, hoists, ladders, lathes, machine tools, motors, pipe threading and cutting tools, riveters, vises, welding apparatus, and workbenches. Depending on the size of the utility, tools may be capitalized if material to the rates being requested, or expensed if immaterial. Unless the utility size changes substantially, consistency in capitalization policy must be maintained.
- 111-394 *Laboratory equipment (10 years)*. Autoclaves, barometers, cameras, centrifuge, distilling apparatus, furnaces, microscopes, ovens, pitometers, rain gauges, refrigerators, scales, sterilizers, stopwatches, testing machines, thermometers, and voltmeters.
- 111-395 *Heavy equipment (15 years)*. Backfilling machines, boring machines, bulldozers, cranes, joists, diggers, engines, pile drivers, pipe-cleaning machines, tractors, trenchers, and other generally self-propelled equipment or equipment mounted on movable equipment. Include only the percentage of equipment used and required for providing water service. Percentages used for other businesses or not necessary to providing water service must be included in “Nonutility property” (Account 140).
- 111-399 *Miscellaneous equipment (various)*. First-aid equipment, kitchen equipment, recreation equipment, ice machines, and signs necessary for providing water service.
- 112      Accumulated depreciation/amortization—Wastewater.** Include credits for amounts charged to “Depreciation and amortization expense—Water” (Account 710) for depreciation and amortization of property necessary to provide utility service, amortization of losses on sales, abandonments, retirement of property related to water operations, and amounts equal to those concurrently charged to “Accumulated amortization of CIAC” (Account 272).
- 125      Construction work in progress—Water.** The total of work-order balances for water utility plant in process of construction but not ready for service at the date of the balance sheet.
- 126      Construction work in progress—Wastewater.** The total of work-order balances for wastewater utility plant in process of construction but not ready for service at the date of the balance sheet.
- 130      Property held for future use.** Include the original cost of property owned and held for future use in utility service

under a definite plan for such use. Include property acquired and never used to provide utility service, but held for such service in future under a definite plan, and property previously used to provide utility service that is retired from such service but held pending its reuse to provide utility service in the future under a definite plan. Keep property included in this account classified according to the subaccounts under “Utility plant in service” (Account 101).

- 131 Accumulated depreciation/amortization—Property held for future use.** Credit this account with amounts charged to “Miscellaneous nonutility expenses” (Account 850) for depreciation on property in Account 130, “Property held for future use.”
- 135 Utility plant acquisition adjustments—Water.** The difference between the cost of water utility assets to the accounting utility of utility plant acquired as an operating unit or system by purchase, merger, consolidation, liquidation, or other means, and the original cost (estimated, if not known) of such property, less the amount or amounts credited by the accounting utility at the time of acquisition to accumulated depreciation, accumulated amortization, and CIAC with respect to such property.
- 136 Accumulated amortization—Acquisition adjustments—Water.** Credit or debit with amounts that are includable in “Amortization of utility plant acquisition adjustments—Water” (Account 836) or “Miscellaneous nonutility expenses” (Account 850) for the purpose of extinguishing amounts in “Utility plant acquisition adjustments—Water” (Account 135).
- 137 Utility plant acquisition adjustments—Wastewater.** The difference between the cost of wastewater utility assets to the accounting utility of utility plant acquired as an operating unit or system by purchase, merger, consolidation, liquidation, or other means, and the original cost (estimated, if not known) of such property, less the amount or amounts credited by the accounting utility at the time of acquisition to accumulated depreciation, accumulated amortization, and CIAC with respect to such property.
- 138 Accumulated amortization—Acquisition adjustments—Wastewater.** Credit or debit with amounts that are includable in “Amortization of utility plant acquisition adjustments—Wastewater” (Account 838) or “Miscellaneous nonutility expenses” (Account 850) for the purpose of extinguishing amounts in “Utility plant acquisition adjustments—Wastewater” (Account 137).

## **Other Property and Investments**

- 140 Nonutility property.** The book cost of land, structures, equipment, or other tangible or intangible property owned by the utility but not used to provide utility service and not properly includable in “Property held for future use” (Account 130). Subdivide this account to show the amount of property used in operations that are nonutility in character but nevertheless constitute a distinct operating activity of the company (such as plant merchandising and repair, where such activity is not classed as utility) and the amount of miscellaneous property not used in operations.
- 141 Accumulated depreciation/amortization—Nonutility plant property.** The accumulated depreciation and amortization applicable to property other than utility plant.
- 150 Utility investments.** Book cost of investments in securities issued or assumed for the purpose of ensuring adequate water service (source of water supply).
- 155 Other investments.** Book cost of investments in securities issued or assumed by nonassociated companies, investment advances to such companies, and any investments not accounted for elsewhere.

## **Current and Accrued Assets**

- 160 Cash.** Cash on hand; petty cash in the bank accessible by withdrawal, checking services, or other means; cash reserves; and temporary cash investments.
- 162 Customer accounts receivable.** All amounts due from customers for utility service. Do not include amounts due from associated companies; instead, use Account 165 for these amounts.
- 163 Allowance for uncollectibles.** Credit this account with amounts provided for losses on accounts receivable that may become uncollectible and also with collections on accounts previously charged hereto. Make concurrent charges to “Bad debt expense” (Account 676-02) for amounts applicable to utility operations.
- 165 Receivables from associated companies.** Receivables from associated companies—such as notes, drafts, acceptance, or other similar evidences of indebtedness—payable on demand or within a time not exceeding one year from date of issue or creation.
- 167 Materials and supplies inventory.** Fuel on hand; materials purchased primarily for use in the utility business for construction, operations, and maintenance; invoice price of materials less discounts; and freight, switching, or other transportation charges when practicable to include as part of the cost of such materials.



- 174**     **Miscellaneous current and accrued assets.** 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 in this account. Examples include accrued interest and dividends receivable, rents receivable, and utility revenues receivable.
- 186**     **Prepayments and miscellaneous deferred debits.**
- 186-01   *Deferred rate case expense.* Include deferred rate case expense (deferred debits associated with the cost of conducting rate cases before the TCEQ commissioners).
- 186-10   *Other deferred debits.* All debits not elsewhere provided for—such as miscellaneous work in progress; deferred losses on sale, abandonment, or retirement of property; net of income taxes; and unusual or extraordinary expenses not included in other accounts—that are in process of amortization and items for which the proper final disposition is uncertain. Include amounts representing prepayments of insurance, rents, interest, and miscellaneous items. As the term expires for which the prepayments are paid, credit this account with the same amount that is debited to the appropriate expense account. Keep documentation supporting the amount associated with each type of expense, including amortization period, amount remaining, annual amortization amount, and any other pertinent calculations and information. Subaccounts may be maintained.
- 190**     **Accumulated deferred income taxes.** Debit this account and credit “Provision for deferred income taxes” (Account 740-02) with an amount equal to the increase in income taxes payable for the year due to the inclusion in income for tax purposes of certain items that will not be fully reflected until subsequent years in the utility’s determination of annual net income for general accounting purposes. Credit this account and debit “Provision for deferred income taxes” (Account 740-02), as appropriate, with the reduction in income taxes payable for the year due to prior payment of taxes as provided in the preceding paragraph because of timing differences for tax purposes of income items or deductions recognized from those recognized for general accounting purposes. These entries represent, in general, 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 is being used. The utility must maintain all records related to entries in this account, including the calculation for each amount debited or credited.

## Equity Capital and Liabilities

### Equity Capital

- 201 Stock.** For each class of capital stock actually issued:
- the par value, if a par stock
  - the stated value, if a nonpar stock with a stated value
  - the cash value of the consideration received, if nonpar stock with a stated value
- Note:** You must use the NARUC system of accounts for your utility if any one of these statements is true:
- The actual cash value of the consideration received differs from the par or stated value of any stock.
  - The utility has common stock subscribed.
  - The utility has any other more complex stock issue, such as preferred stock.
- 211 Other paid-in capital.** Any other capital investment by stockholders. All other credits for paid-in capital that are not properly includable in “Stock” (Account 201).
- 215 Retained earnings.** This account applies to stock corporations only. Include the amount of retained earnings for the utility.
- 218 Proprietary capital.** This account applies to proprietorships and partnerships only. Include the investment of a sole proprietor or partners. Enter yearly net income or loss into this account. Charge or credit to this account any accounting adjustments not properly attributable to operations of the current period.

### Liabilities

#### *Long-Term Debt*

- 224 Notes payable—Noncurrent.** All long-term debt (debt payable more than one year in the future). Include receiver’s certificates, real estate mortgages, assessments for public improvements, notes, and unsecured certificates of indebtedness.

#### *Current and Accrued Liabilities*

- 225 Notes payable—Current.** 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 the date of issue.
- 231 Accounts payable.** Include all amounts payable by the utility within one year that are not provided for in other accounts. Charge this account for collections from customers for regulatory assessment payable to the TNRCC and for payroll taxes payable. The utility may keep subaccounts.

- 233 Payables to associated companies.** Payables to associated companies on notes, drafts, acceptances, or other similar evidences of indebtedness, payable on demand or within a time not exceeding one year from date of issue or creation.
- 235 Customer deposits.** Charge this account for cash collected from customers for security deposits.
- 236 Accrued taxes payable.** Taxes accrued during the current accounting period that correspond to debits made to the appropriate accounts (federal income tax, payroll tax, property tax, or franchise tax) for tax charges. You may use estimates when first making these entries, but, from time to time during the year, you must adjust the amount of the periodic credits to include the taxes applicable to each year as nearly as you can determine them. Show under “Prepayments and other deferred debits” (Account 186) any amount representing a prepayment of taxes applicable to a period subsequent to the date of the balance sheet. Keep records supporting each entry to this account so that it is possible to determine total amounts for each of these categories: each class of taxes, the amount accrued, the basis for the accrual, the accounts charged, and the amount paid.
- 237 Accrued interest.** Accrued but not matured interest on all liabilities of the utility, except interest added to the principal of the debt on which the interest was incurred.
- 271 Contributions in aid of construction (CIAC).** Any amount or item of money, services, or property received by a utility from any person or governmental agency, any portion of which is provided at no cost to the utility, that represents an addition or transfer to the capital of the utility and that is utilized to offset the acquisition, improvement, or construction costs of the utility’s property, facilities, or equipment used to provide utility services to the public. Include compensation received from governmental agencies and others for relocation of water mains or other plants. Keep records supporting the entries to this account so that the purpose of each donation; the conditions, if any, upon which it was made; and the amount of donations from states, municipalities, customers, and others are clear. These records must keep developer-contributed property separate from customer-contributed property.
- 272 Accumulated amortization of CIAC.** The amortization accumulated on Account 271, “Contributions in aid of construction.” Specifically, use changes to this account to amortize balances in Account 271 representing contributions of depreciable plant. Carry out this amortization over a period equal to the estimated service life of the related contributed asset. Record the concurrent credit for the amortization recorded in this account to Account 710, “Depreciation and amortization expense—Water,” and

Account 711, "Depreciation and amortization expense—Wastewater."

- 282      Accumulated deferred income taxes.** Credit this account and debit "Provision for deferred income taxes" (Account 740-02) for the tax effects when 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.

## ***Income Statement Accounts***

### **Utility Operating Income**

#### **Revenues**

- 400      Water service.** Net billings for water supplied for residential, commercial, and industrial purposes. Subaccounts may be maintained as required by the utility management.
- 401      Wastewater service.** Net billings for wastewater service for residential, commercial, and industrial purposes. Subaccounts may be maintained as required by the utility management.
- 405      Surcharge revenues—Water.** Amounts billed and received for any surcharge revenues approved by the TCEQ.
- 406      Surcharge revenues—Wastewater.** Amounts billed and received for any surcharge revenues approved by the TCEQ.
- 408      Tap fees—Water.** All revenues received as water tap fees according to the utility's tariff.
- 409      Tap fees—Wastewater.** All revenues received as wastewater tap fees according to the utility's tariff.
- 410      Other fees.** Late fees, returned check fees, reconnect fees, transfer fees.

#### **Expenses**

- 601      Salaries—Water.** Salaries, bonuses, and other consideration for services paid or accrued to employees of the utility company for work related to water operation and maintenance of that utility. Salary compensation for services rendered for the management of the water utility. Salaries related to the installation of any item eligible to be capitalized should be capitalized along with the item being installed.
- 602      Salaries—Wastewater.** Salaries, bonuses, and other consideration for services paid or accrued to employees of the utility company for work related to wastewater operation and maintenance of that utility. Salary compensation for

services rendered for the management of the wastewater utility. Salaries related to installation of any item eligible to be capitalized should be capitalized along with the item being installed.

- 611 Contract services—Water.** Amounts paid for labor performed for normal plant operations of the water system, including monthly bookkeeping, customer service, billing, operator services, and management services not compensated through salaries. Include repairs and maintenance in Account 640, "Repairs and maintenance—Water."
- 612 Contract services—Wastewater.** Amounts paid for labor performed for normal plant operations of the wastewater system, including monthly bookkeeping, customer service, billing, operator services, and management services not compensated through salaries. Include repairs and maintenance in Account 641, "Repairs and maintenance—Wastewater."
- 621 Employee benefits—Water.** Payments for employee accident, sickness, hospital, and death benefits or insurance covering such events; pension plans; and reasonable and necessary recreational and educational activities.
- 622 Employee benefits—Wastewater.** Payments for employee accident, sickness, hospital, and death benefits or insurance covering such events; pension plans; and reasonable and necessary recreational and educational activities.
- 625 Purchased water.** Cost at the point of delivery of water purchased from another entity for resale.
- 626 Purchased wastewater treatment.** Cost at the point of delivery of wastewater treatment provided by another entity.
- 630 Chemicals—Water.** Cost of all chemicals purchased to improve water quality or for water treatment.
- 631 Chemicals—Wastewater.** Cost of all chemicals purchased for wastewater treatment.
- 635 Utilities—Water.** Cost of all electric power expense incurred by the utility for pumping water, such as electrical expense incurred to operate wells or pumps. Do not include power used to operate the office; put this in Account 657, "Office expense—Water."
- 636 Utilities—Wastewater.** Cost of all electric power expense incurred by the utility for provision of wastewater service, such as electrical expense incurred to operate pumps. Do not include power used to operate the office; put this in Account 658, "Office expense—Wastewater."
- 640 Repairs and maintenance—Water.** The cost of all labor, parts, and supplies used to make normal and routine repairs

to the utility system. Include sales tax. Do not record material items with a service life of more than one year; use the plant accounts for such expenditures. Under normal circumstances, we will follow the guidelines of NARUC as shown in Table 1 to determine whether the item is material.

**Table 1. NARUC Guidelines for Material Items**

If your utility's revenue is in this range:	Then an item is usually not "material" if its cost does not exceed this amount:
Less than \$200,000	\$150
\$200,000–999,999	\$400
\$1,000,000 or more	\$750

Include appropriate repairs contracted to outside companies or persons. Capitalize all contract services provided for installation of any capitalizable item. You may include in this account an expense that does not recur annually if you can show through documented past records that the expense meets these two tests:

- The item does not materially extend the useful life of the plant and equipment.
- Including this item, the total repairs and maintenance expense for this year is typical of normal totals for previous years.

Remember, you should include atypical or infrequently occurring large expenditures under Account 186-10, "Other deferred debits," and amortize these expenses over a reasonable period.

#### **Example of Typical Repairs and Maintenance**

In 1998, Sahara Water Supply Company spent \$300 to repaint a clarifying basin for the first time. Including this item, Sahara spent \$500 on repairs and maintenance in 1998. This expense meets the first test—painting does not materially extend the basin's service life—but does it meet the second?

Sahara's total of \$500 in 1998 compares to these documented annual totals for the previous three years:

**Year:** 1995    1996    1997

**Total:** \$550    \$500    \$650

Based on this analysis, \$500 is typical of Sahara's annual total for repairs and maintenance. Sahara WSC may include this nonrecurring item under this account for 1998.

- 641 Repairs and maintenance—Wastewater.** See definition for Account 640, "Repairs and maintenance—Water."
- 650 Rental of equipment—Water.** Include rentals of large or small equipment used in repairing the system, such as backhoes.

- 651      Rental of equipment—Wastewater.** Include rentals of large or small equipment used in repairing the system, such as backhoes.
- 655      Transportation expenses—Water.** Recurring transportation costs such as gas, oil, and recurring repairs on vehicles. You should capitalize and depreciate the cost of the vehicle and any material repairs or additions that last more than one year or extend the useful life of the vehicle.
- 656      Transportation expenses—Wastewater.** Recurring transportation costs such as gas, oil, and recurring repairs on vehicles. You should capitalize and depreciate the cost of the vehicle and any material repairs or additions that last more than one year or extend the useful life of the vehicle.
- 657      Office expense—Water.**
- 657-01    *Office rent.* Expense of rental for maintaining an office required to provide utility service.
- 657-02    *Telecommunications.* Recurring cost of beepers, mobile phones, telephones, answering services, or other communication devices necessary to provide utility service. Capitalize the initial material investments in equipment.
- 657-03    *Office supplies.* Include expenses associated with running the utility's office, such as postage, copies, billing and computer supplies, and other expenses necessary to provide utility service.
- 657-04    *Office power.* Electric or gas utilities required to run the office necessary to provide utility service.
- 657-10    *Other office expense.* Expenses not includable in another subaccount necessary to provide utility service.
- 658      Office expense—Wastewater.** See definitions of corresponding subaccounts under Account 657, "Office expense—Water."
- 658-01    *Office rent.*
- 658-02    *Telecommunications.*
- 658-03    *Office supplies.*
- 658-04    *Office power.*
- 658-10    *Other office expense.*
- 659      Other professional services—Water.**
- 659-01    *Tax and other accounting.* Amounts paid to outside accounting companies to maintain or audit the books and records of the utility each year. Enter accounting expenses for rate relief filings in Account 666, "Rate case expense—Water," and Account 186-01, "Deferred rate case expense," as appropriate.

- 659-02 *Recurring legal expenses.* Expenses paid to outside legal firms to perform recurring, ongoing legal services required to provide normal water service. Enter legal expenses for rate relief filings in Account 666, "Rate case expense—Water," and Account 186-01, "Deferred rate case expense," as appropriate.
- 659-03 *Recurring engineering expenses.* Expenses paid to outside engineering firms to perform recurring, ongoing engineering services required to provide normal water service. Enter legal expenses for rate relief filings in Account 666, "Rate case expense—Water," and Account 186-01, "Deferred rate case expense," as appropriate.
- 660 Other professional services—Wastewater.**
- 660-01 *Tax and other accounting.* Amounts paid to outside accounting companies to maintain or audit the books and records of the utility each year. Enter accounting expenses for rate relief filings in Account 667, "Rate case expense—Wastewater," and Account 186-01, "Deferred rate case expense," as appropriate.
- 660-02 *Recurring legal expenses.* Expenses paid to outside legal firms to perform recurring, ongoing legal services required to provide normal wastewater service. Enter legal expenses for rate relief filings in Account 667, "Rate case expense—Wastewater," and Account 186-01, "Deferred rate case expense," as appropriate.
- 660-03 *Recurring engineering expenses.* Expenses paid to outside engineering firms to perform recurring, ongoing engineering services required to provide normal wastewater service. Enter legal expenses for rate relief filings in Account 667, "Rate case expense—Wastewater," and Account 186-01, "Deferred rate case expense," as appropriate.
- 663 Insurance expense—Water.** Include in the appropriate subaccount amounts paid for insurance to protect the utility assets from loss and necessary to provide water service.
- 663-01 *Vehicle.* The annual cost of insurance on vehicles used for utility purposes.
- 663-02 *Liability.* The annual cost of liability insurance carried by the utility.
- 663-03 *Plant and equipment loss.* The annual cost of insurance for loss of utility plant, property, and equipment.
- 664 Insurance expense—Wastewater.** Include in the appropriate subaccount amounts paid for insurance to protect the utility assets from loss and necessary to provide wastewater service.
- 664-01 *Vehicle.* The annual cost of insurance on vehicles used for utility purposes.



- 664-02 *Liability.* The annual cost of liability insurance carried by the utility.
- 664-03 *Plant and equipment loss.* The annual cost of insurance for loss of utility plant, property, and equipment.
- 666     Rate case expense—Water.** Include amortization of amounts in Account 186-01, “Deferred rate case expense,” the current year’s accounting, legal, or engineering expenses for rate relief filings. If subject to amortization, these current expenses may be transferred to Account 186-01.
- 667     Rate case expense—Wastewater.** Include amortization of amounts in Account 186-01, “Deferred rate case expense,” the current year’s accounting, legal, or engineering expenses for rate relief filings. If subject to amortization, these current expenses may be transferred to Account 186-01.
- 670     Other regulatory expense—Water.**
  - 670-01 *Testing.* The cost of testing water incurred due to governmental regulation.
  - 670-03 *Inspections.* The cost of inspecting water systems due to governmental regulation.
  - 670-04 *Operator training.* The cost of operator training necessary due to governmental regulation.
  - 670-05 *Licenses/permits.* The recurring cost of licenses and permits due to governmental regulation.
- 671     Other regulatory expense—Wastewater.**
  - 671-01 *Testing.* The cost of testing effluent incurred due to governmental regulation.
  - 671-03 *Inspections.* The cost of inspecting wastewater systems due to governmental regulation.
  - 671-04 *Operator training.* The cost of operator training necessary due to governmental regulation.
  - 671-05 *Licenses/permits.* The recurring cost of licenses and permits due to governmental regulation.
- 675     Miscellaneous expense—Water.**
  - 675-01 *Seminars.* The cost of seminars attended to enhance water service or management functions other than costs includable under Account 670-04, “Other regulatory expense—Operator training—Water.”
  - 675-02 *Bad debt expense.* Amounts providing for losses from uncollectible utility revenues.
  - 675-05 *Other.* Advertising, dues, memberships, publications, and other miscellaneous or immaterial costs associated with providing service.

**676      Miscellaneous expense—Wastewater.**

676-01    *Seminars.* The cost of seminars attended to enhance sewer service or management functions other than costs includable under Account 671-04, “Other regulatory expense—Operator training—Wastewater.”

676-02    *Bad debt expense.* Amounts providing for losses from uncollectible utility revenues.

676-05    *Other.* Advertising, dues, memberships, publications, and other miscellaneous or immaterial costs associated with providing service.

**700      Taxes other than income—Water.**

700-01    *Payroll taxes—Social Security/unemployment.* All types of taxes related to payroll.

700-02    *Franchise taxes.* Franchise taxes related to the corporate organization of the utility.

700-03    *Property taxes.* Ad valorem taxes related to utility property.

**701      Taxes other than income—Wastewater.**

701-01    *Payroll taxes—Social Security/unemployment.* All types of taxes related to payroll.

701-02    *Franchise taxes.* Franchise taxes related to the corporate organization of the utility.

701-03    *Property taxes.* Ad valorem taxes related to utility property.

**710      Depreciation and amortization expense—Water.** Charge this account with depreciation and amortization credited to Accounts 107, 112, 131, 136, and 138, “Accumulated depreciation and amortization,” or debited to Account 272, “Accumulated amortization of CIAC.” Calculate depreciation on a straight-line remaining-life basis. Debit or credit to provide for the extinguishment of the amount in Account 135, “Utility plant acquisition adjustment.” Charge this account with:

- Amortization associated with utility plant and equipment that does not have a definite or terminable life and is not subject to depreciation expense. Keep records so that each item being amortized can be tracked.
- Amounts credited to extraordinary property losses when amortization of such expense is properly includable in operating expenses.
- Amortization of gains or losses on sales, retirements, or abandonments of utility assets as allowed by the TCEQ.

**711      Depreciation and amortization expense—Wastewater.** Charge this account with depreciation and amortization credited to Accounts 107, 112, 131, 136, and 138, “Accumulated depreciation and amortization,” or debited to Account 272, “Accumulated amortization of CIAC.”

Calculate depreciation on a straight-line remaining-life basis. Debit or credit to provide for the extinguishment of the amount in Account 135, "Utility plant acquisition adjustment." Charge this account with:

- Amortization associated with utility plant and equipment that does not have a definite or terminable life and is not subject to depreciation expense. Keep records so that each item being amortized can be tracked.
- Amounts credited to extraordinary property losses when amortization of such expense is properly includable in operating expenses.
- Amortization of gains or losses on sales, retirements, or abandonments of utility assets as allowed by the TCEQ.

**720 Gain/loss on sale/abandonment of utility assets.** Charge this account with gains and losses from the sale, conveyance, exchange, or transfer of utility property. Maintain this account so that the transactions and details underlying each gain or loss will be readily identifiable.

**740 Income tax expense.**

740-01 *Federal income taxes.* Include the amount of income taxes paid or payable for the current year.

740-02 *Provision for deferred income taxes.* Include amounts recorded as income tax expense that are not yet required to be submitted to the appropriate governing agency because of accelerated tax depreciation allowed in excess of regulatory straight-line depreciation. Keep documentation on all calculations to support this account and the associated credit to Account 190, "Accumulated deferred income taxes."

## Other Income and Deductions

**800 Interest income.** Include interest income earned on utility assets.

**836 Amortization of utility plant acquisition adjustments—Water.** Amortization expense related to plant acquisition adjustments.

**838 Amortization of utility plant acquisition adjustments—Wastewater.** Amortization expense related to plant acquisition adjustments.

**850 Miscellaneous nonutility expenses.** Include all expenses that are not reasonable or necessary in providing utility service, or have been disallowed by the TCEQ, or are incurred for operation of plant and equipment not used and useful in providing utility service.

**855 Taxes applicable to other income and deductions.** Include all income and other taxes related to other income and deductions.

- 875**     **Dividends paid.** Include dividends paid to stockholders of the utility.
- 900**     **Interest expense.** Include interest expense incurred by the utility.

## **4. Using These Accounts to Complete a Rate/Tariff Change Application**

The tables on the following pages show how to use this system of accounts to complete a Rate/Tariff Change Application. Each of these tables is a reproduction of one of the schedules from that application. To fill in each blank on your application, use the balance or total balances from the accounts indicated by number in that blank in these tables.

Your Rate/Tariff Change Application package includes the other schedules mentioned in these tables—that is, Schedules A-1 through A-4 and Schedule B-4.

# Schedule A: Income Statement

	12 Months Preceding the Test Period	12-Month Test Period
<b>OPERATING REVENUES:</b>		
From utility service or sales .....a.	400-406	
From fees (tap, reconnect, and other).....b.	408-410	
TOTAL OPERATING REVENUES (a + b) .....c.		
<b>OPERATIONS AND MAINTENANCE (O&amp;M):</b>		
Salaries and wages (Schedule A-1).....d.	601, 602	
Contract labor (Schedule A-1).....e.	611, 612	
Purchased water or sewer service .....f.	625, 626	
Chemicals and treatment .....g.	630, 631	
Utilities (electricity) .....h.	635, 636	
Repairs, maintenance, and supplies (Schedule A-2).....i.	640-656	
Office expenses.....j.	657, 658	
Accounting and legal fees (Schedule A-3) .....k.	659, 660	
Insurance .....l.	663, 664	
Rate case expense.....m.	666, 667	
Misc. expenses (Itemize on Schedule A-4).....n.	621, 622, 670, 671, 675, 676	
SUBTOTAL, O&M (sum of d through n).....o.		
Payroll taxes .....p.	700, 701-01	
Property and other taxes .....q.	700, 701-02, -03	
Depreciation and amortization.....r.	710, 711	
Federal income taxes .....s.	740	
NET OPERATING INCOME OR LOSS (c - o - p - q - r - s) .....t.		
<b>OTHER INCOME (PLEASE SPECIFY):</b> .....u.		
<b>OTHER EXPENSES:</b>		
Interest expense on long- or short-term debt.....v.	900	
Other expenses (non-utility operations) .....w.	720, 800-875	
TOTAL OTHER EXPENSES (v + w) .....x.		
<b>NET INCOME (t + u - x) .....y.</b>		

# Schedule B-1: Balance Sheet— Assets

	Date: _____ (Beginning of Test Year)	Date: _____ (End of Test Year)
<b>FIXED ASSETS</b>		
Utility plant (original cost when placed in service)..... a.	101, 105, 110, 111	
Less: Accumulated depreciation ..... b.	107, 112	
TOTAL UTILITY PLANT ( <i>a - b</i> ) ..... c.		
Non-utility plant/property held for future use ..... d.	130, 140	
Less: Accumulated depreciation ..... e.	131, 141	
TOTAL NON-UTILITY PLANT ( <i>d - e</i> ) ..... f.		
CONSTRUCTION WORK IN PROGRESS..... g.	125, 126	
Plant acquisition adjustment (positive or negative) ..... h.	135, 137	
Less: Accumulated amortization of plant acquisition adjustment ..... i.	136, 138	
NET UNAMORTIZED PLANT ACQUISITION ADJUSTMENT ( <i>h - i</i> )... j.		
<b>CURRENT ASSETS</b>		
Cash in bank..... k.	160	
Petty cash..... l.	160	
Cash reserve account ..... m.	160	
Material and supplies (inventory) ..... n.	167	
Accounts receivable ..... o.	162	
Less: Allowance for uncollectibles..... p.	163	
Other: _____ ..... q.	165, 174	
TOTAL CURRENT ASSETS ( <i>k through q</i> )..... r.	150, 155	
<b>DEFERRED ASSETS</b>		
Prepaid insurance ..... s.	186	
Other: _____ ..... t.	186, 190	
TOTAL DEFERRED ASSETS ( <i>s + t</i> ) ..... u.		
<b>TOTAL ASSETS</b> ( <i>c + f + g + j + r + u</i> ) ..... v.		

# Schedule B-2: Balance Sheet— Liabilities and Capital

	Date: _____ (Beginning of Test Year)	Date: _____ (End of Test Year)
<b>CAPITAL</b>		
Ownership equity		
(sole proprietorships or partnerships only)..... a.	218	
Shareholders investments (Subchapter S) ..... b.	218	
Members investments (Cooperative only)..... c.	218	
Common stock (Corporations only)..... d.	201	
Retained earnings ..... e.	215	
Other: ..... f.	211	
TOTAL CAPITAL ( <i>a through f</i> ) ..... g.		
<b>LONG-TERM LIABILITIES</b>		
Notes payable (Schedule B-4)		
..... h.	224	
..... i.		
TOTAL LONG-TERM LIABILITIES ( <i>h + i</i> ) ..... j.		
<b>CURRENT LIABILITIES</b>		
Accounts payable ..... k.	231	
Notes payable (mature in less than 1 year) ..... l.	225	
(Schedule B-4)		
Customer deposits ..... m.	235	
Taxes payable ..... n.	236	
Other current and accrued liabilities..... o.	237, 233	
TOTAL CURRENT LIABILITIES ( <i>k through o</i> ) ..... p.		
<b>DEFERRED LIABILITIES</b>		
Accumulated deferred income taxes ..... q.	282	
Accumulated deferred investment tax credits ..... r.	283	
Other: ..... s.	290	
TOTAL DEFERRED LIABILITIES ( <i>q through s</i> )..... t.		
CONTRIBUTIONS IN AID OF CONSTRUCTION..... u.	271 minus 272	
TOTAL CAPITAL AND LIABILITIES ( <i>g + j + p + t + u</i> ) ..... v.		
(Should agree with Total Assets from Schedule B-1)		



**TECHNICAL SPECIALTIES**

- Public Utility Plant Depreciation
- Public Utility Plant Original Cost

**PERSONAL INFORMATION**

- M.B.A., York College of Pennsylvania, 1997
- B.S., Industrial Management and Mathematics, Carnegie-Mellon University, 1986
- Member, Society of Depreciation Professionals – President, 2012
- Member, American Gas Association Industry Accounting Committee
- Certified Depreciation Professional

**EXPERIENCE**

Mr. Spanos joined the firm in 1986 and is a Sr. Vice President of the Valuation and Rate Division. He assembles and oversees the basic data required for depreciation studies, conducts statistical analyses of accounting data, estimates service life and net salvage, and calculates annual and accrued depreciation. He performs field inspections for purposes of estimating service lives and verifying property records for original cost and depreciation studies. He also has supervised the updating of continuing property records. Mr. Spanos supports the depreciation studies with expert testimony and continually presents key depreciation issues at industry conferences. Several representative assignments include:

- **Duke Energy Company:** The studies have included the development of annual depreciation rates for electric plant in service for Duke Energy Carolinas and Duke Energy Indiana as well as annual depreciation rates for electric, gas and common plant in service for Duke Energy Ohio and Duke Energy Kentucky. The studies included field inspections of electric and gas facilities, a comprehensive review of the historical data, statistical analyses to determine the service life and net salvage estimates and the development of annual and accrued depreciation using several alternative bases and procedures.
- **PacifiCorp/MidAmerican Energy Company:** The studies included the development of annual depreciation rates for electric and gas plant in service within multiple jurisdictions. The studies included life analyses using actuarial methods as well as semi-actuarial analyses. The net salvage component of depreciation included interim and terminal percentages for all generation facilities. In addition to statistical analyses, field inspections were conducted along with extensive discussions with operational personnel to gain a general understanding of the functionality of all asset classes.

**AT-52**



- **NiSource:**

**Columbia Gas of Pennsylvania**

**Columbia Gas of Massachusetts**

**Columbia Gas of Virginia**

**Columbia Gas of Maryland**

**Columbia Gas of Kentucky**

**Northern Indiana Public Service Company**

Each study was conducted with specific jurisdictional requirements which affect the annual depreciation accrual rates. Each study includes the estimation of service lives, the utilization of the life span technique and net salvage analyses. The depreciation rates were calculated using various depreciation methods and procedures to meet state regulatory policy. Field inspections were conducted and for electric facilities, terminal net salvage values established.

- **Chugach Electric Association:** The elements of the depreciation study included a field inspection of power plants and major substations, data assembly and life analysis for generation and transmission accounts, discussions with management regarding outlook, the estimation of service life and net salvage and the calculation by plant account of annual depreciation rates.
- **Omaha Public Power District:** The study involved supervision of OPPD personnel assembling the basic plant accounting data required for analysis of historical indications of service life and net salvage. The data were analyzed using both the retirement rate method and the simulated plant record method. The net salvage estimates for the power plants were based on a regression analysis of industry cost of retiring data that correlated the cost per kilowatt with each unit's kilowatt capacity. A field review and discussions with management provided an outlook for future service lives compared to historical indications. The calculations of annual and accrued depreciation using several combinations of procedures and bases were performed and presented to management.
- **Penn Fuel Gas, Inc.:** This assignment involved 26 service districts which were organized into seven operating groups for this gas distribution company. Our responsibilities included establishing continuing property records for each district. Some districts had previous work performed and others needed a complete review of accounting records, field inspections and digitization of distribution maps. The original costs and property identification were entered into an in-house created computer data base to facilitate the preparation of a service life study and the establishment of a mechanized property record system.
- **Duquesne Light Company:** The assignment involved performing an independent engineer's certificate report of actual property in service. A random sample of all types of property was selected and verified through a physical inventory. The thorough physical inventory included production, transmission, distribution and general plant. The final results were documented and filed with the Company's mortgage bond trustee.

- **Pennsylvania-American Water Company:** Several studies have been performed for the Company and include the estimation of service lives, unitization of acquired treatment plant facilities and the determination of original costs for acquired water systems. The service life study included data assembly of two predecessor water systems, statistical analyses of service life and calculation of annual depreciation accrual rates for a rate filing with the state commission. The unitization of treatment plant facilities included a field inspection of each acquired plant and identification of property on a retirement unit basis for establishing property records. The determination of the original cost of assets to be acquired from small water systems within Pennsylvania included field reviews of the water systems, verification of plant accounting records, Handy-Whitman indexing of property costs and establishment of original cost less depreciation.
- **Nova Gas Transmission Ltd.:** The study incorporated the use of time-based depreciation for transmission and general accounts and unit of production depreciation method for gathering accounts. The data were assembled by account and statistical analyses of service life and salvage were performed. For the gathering accounts, the property was identified by specific production areas for calculation of depreciation on a unit basis. Field inspections of gas transmission facilities were conducted. Discussions with key personnel regarding management policy compared to several depreciation alternatives were presented for determination of final depreciation rates.

Mr. Spanos' technical education has included formal instructional programs offered by Depreciation Programs, Inc. Courses successfully completed include "Techniques of Life Analysis," "Techniques of Salvage and Depreciation Analysis," "Forecasting Life and Salvage," "Modeling and Life Analysis Using Simulation," and "Managing a Depreciation Study." Mr. Spanos also completed the week long course "Introduction to Public Utility Accounting" conducted by the American Gas Association.

# LIST OF CASES IN WHICH JOHN J. SPANOS SUBMITTED TESTIMONY

	<u>Year</u>	<u>Jurisdiction</u>	<u>Docket No.</u>	<u>Client/Utility</u>	<u>Subject</u>
1.	1998	PA PUC	R-00984375	City of Bethlehem-Bureau of Water	Original Cost and Depreciation
2.	1998	PA PUC	R-00984567	City of Lancaster	Original Cost and Depreciation
3.	1999	PA PUC	R-00994605	The York Water Company	Depreciation
4.	2000	D.T.&E.	DTE 00-105	Massachusetts-American Water Company	Depreciation
5.	2001	PA PUC	R-00016114	City of Lancaster	Original Cost and Depreciation
6.	2001	PA PUC	R-00016236	The York Water Company	Depreciation
7.	2001	PA PUC	R-00016339	Pennsylvania-American Water Company	Depreciation
8.	2001	PUC of Ohio	01-1228-GA-AIR	Cinergy Corp. - Cincinnati Gas and Electric Company	Depreciation
9.	2001	KY PSC	2001-092	Cinergy Corp. - Union Light, Heat and Power Company	Depreciation
10.	2002	PA PUC	R-00016750	Philadelphia Suburban Water Co.	Depreciation
11.	2002	KY PSC	2002-00145	Columbia Gas of Kentucky	Depreciation
12.	2002	NJ BPU	GR02040245	NUI Corporation/Elizabethtown Gas Co.	Depreciation
13.	2002	ID PUC	IPC-E-03-7	Idaho Power Company	Depreciation
14.	2003	PA PUC	R-0027975	The York Water Company	Depreciation
15.	2003	IN URC	Cause 42359	Cinergy Corp. - PSI Energy, Inc.	Depreciation
16.	2003	PA PUC	R-00038304	Pennsylvania-American Water Co.	Depreciation
17.	2003	MO PSC	WR-2003-0500	Missouri-American Water Co.	Depreciation
18.	2003	FERC	ER-03-1274-000	NSTAR - Boston Edison Company	Depreciation
19.	2003	NJ BPU	BPU 03080683	South Jersey Gas Company	Depreciation
20.	2003	NV PUC	Doc. 03-10001	Nevada Power Company	Depreciation
21.	2003	LA PSC	U-27676	CenterPoint Energy - Arkla	Depreciation
22.	2003	PA PUC	R-00038805	Pennsylvania Suburban Water Co.	Depreciation
23.	2004	Alberta Energy & Util. Board	1306821	EPCOR Distribution, Inc.	Depreciation
24.	2004	PA PUC	R-00038168	National Fuel Gas Distribution Corp. (Pa.)	Depreciation
25.	2004	PA PUC	R-00049255	PPL Electric Utilities	Depreciation
26.	2004	PA PUC	R-00049165	The York Water Company	Depreciation
27.	2004	OK. Corp.Cm.	PUD 200400187	CenterPoint Energy - Arkla	Depreciation
28.	2004	OH PUC	04-680-EI-AIR	Cinergy Corp. - Cincinnati Gas and Electric Company	Depreciation

LIST OF CASES IN WHICH JOHN J. SPANOS SUBMITTED TESTIMONY, cont.

	<u>Year</u>	<u>Jurisdiction</u>	<u>Docket No.</u>	<u>Client/Utility</u>	<u>Subject</u>
29.	2004	RR Comm of Tx.	GUD#	CenterPoint Energy – Entex Gas Svcs. Div.	Depreciation
30.	2004	NY PUC	04-G-1047	National Fuel Gas Distribution Corp. (NY)	Depreciation
31.	2004	AR PSC	04-121-U	CenterPoint Energy - Arkla	Depreciation
32.	2005	IL Comm Cm	05-	North Shore Gas Company	Depreciation
33.	2005	IL Comm. Cm.	05-	Peoples Gas Light and Coke Company	Depreciation
34.	2005	KY PSC	2005-00042	Union Light Heat & Power	Depreciation
35.	2005	IL Comm Cm.	05-0308	MidAmerican Energy Company	Depreciation
36.	2005	MO PSC	GR-2005	Laclede Gas Company	Depreciation
37.	2005	KS Corp.Cm.	05-WSEE-981-RTS	Westar Energy	Depreciation
38.	2005	RR Comm of Tx	GUD #	CenterPoint Energy – Entex Gas Svcs. Div.	Depreciation
39.	2005	FERC		Cinergy Corporation	Accounting
40.	2005	OK Corp.Cm.	PUD 200500151	Oklahoma Gas and Electric Co.	Depreciation
41.	2005	MA Dept Telcom & Energy	DTE 05-85	NSTAR	Depreciation
42.	2005	NY PUC	05-E-0934/05-G-0935	Central Hudson Gas & Electric Co.	Depreciation
43.	2005	AK Reg Cm	U-04-102	Chugach Electric Association	Depreciation
44.	2005	CA PUC	A.05-12-002	Pacific Gas & Electric	Depreciation
45.	2006	PA PUC	R-00051030	Aqua Pennsylvania, Inc.	Depreciation
46.	2006	PA PUC	R-00051178	T.W. Phillips Gas and Oil Co.	Depreciation
47.	2006	NC Util Cm.		Pub. Service Co. of North Carolina	Depreciation
48.	2006	PA PUC	R-00051167	City of Lancaster	Depreciation
49.	2006	PA PUC		Duquesne Light Company	Depreciation
50.	2006	PA PUC	R-00061322	The York Water Company	Depreciation
51.	2006	PA PUC	R-00051298	PPL Gas Utilities	Depreciation
52.	2006	PUC of Tx.	32093	CenterPoint Energy - Houston Electric	Depreciation
53.	2006	PSC of SC		Duke Energy Kentucky	Depreciation
				SCANA	Depreciation
54.	2006	AK Reg Cm	U-06-6	Municipal Light and Power	Depreciation
55.	2006	DE PSC		Delmarva Power and Light	Depreciation
56.	2006	IN URC	IURC43081	Indiana American Water Co.	Depreciation
57.	2006	AK Reg Cm	U-06-134	Chugach Electric Association	Depreciation
58.	2006	MO PSC	WR-2007-0216	Missouri American Water Company	Depreciation
59.	2006	FERC	ISO5-82, et.al	TransAlaska Pipeline	Depreciation

LIST OF CASES IN WHICH JOHN J. SPANOS SUBMITTED TESTIMONY, cont.

	<u>Year</u>	<u>Jurisdiction</u>	<u>Docket No.</u>	<u>Client/Utility</u>	<u>Subject</u>
60.	2006	PA PUC	R-00061493	National Fuel Gas Distribution Corp. (PA)	Depreciation
61.	2007	NC Util Cm	E-7	Duke Energy Carolinas, LLC	Depreciation
62.	2007	OH PSC	08-709-EL-AIR	Duke Energy Ohio Gas	Depreciation
63.	2007	PA PUC	R-00072155	PPL Electric Utilities Corp.	Depreciation
64.	2007	KY PSC	2007-00143	Kentucky American Water Company	Depreciation
65.	2007	PA PUC	R-00072229	Pennsylvania American Water Co.	Depreciation
66.	2007	KY PSC	2007-00008	NiSource - Columbia Gas of Kentucky	Depreciation
67.	2007	NY PSC	07-G-0141	National Fuel Gas Distribution Corp. (NY)	Depreciation
68.	2008	AK PSC	U-08-004	Anchorage Water & Wastewater Utility	Depreciation
69.	2008	TN Reg Ath	08-00039	Tennessee American Water Company	Depreciation
70.	2008	DE PSC	08-96	Artesian Water Company	Depreciation
71.	2008	PA PUC	R-2008-2023067	The York Water Company	Depreciation
72.	2008	KS CC	08-WSEE1-RTS	Westar Energy	Depreciation
73.	2008	IN URC	43526	Northern Indiana Public Service Co.	Depreciation
74.	2008	IN URC	43501	Duke Energy Indiana	Depreciation
75.	2008	MD PSC	9159	NiSource - Columbia Gas of Maryland	Depreciation
76.	2008	KY PSC	2008-000251	Kentucky Utilities	Depreciation
77.	2008	KY PSC	2008-000252	Louisville Gas & Electric	Depreciation
78.	2008	PA PUC	2008-2032689	Pennsylvania American Water Co.	Depreciation
79.	2008	NY PSC	08-E887/08-G0888	Central Hudson	Depreciation
80.	2008	WV TC	VE-080416/VG-8080417	Avista Corporation	Depreciation
81.	2009	IL CC	09-	Peoples Gas, Light and Coke Co.	Depreciation
82.	2009	IL CC	09-	North Shore Gas Company	Depreciation
83.	2009	DC PSC	1076	Potomac Electric Power Company	Depreciation
84.	2009	KY PSC	2009-00141	NiSource – Columbia Gas of Kentucky	Depreciation
85.	2009	FERC	ER08-1056-002	Entergy Services	Depreciation
86.	2009	PA PUC	R-2009-2097323	Pennsylvania American Water Co.	Depreciation
87.	2009	NC Util Cm	E-7, Sub 909	Duke Energy Carolinas, LLC	Depreciation
88.	2009	KY PSC	2009-00202	Duke Energy Kentucky	Depreciation
89.	2009	VASt CC	PUE-2009-00059	Aqua Virginia, Inc.	Depreciation
90.	2009	PA PUC	2009-2132019	Aqua Pennsylvania, Inc.	Depreciation

LIST OF CASES IN WHICH JOHN J. SPANOS SUBMITTED TESTIMONY, cont.

	<u>Year</u>	<u>Jurisdiction</u>	<u>Docket No.</u>	<u>Client/Utility</u>	<u>Subject</u>
91.	2009	MS PSC	09-	Entergy Mississippi	Depreciation
92.	2009	AK PSC	09-084-U	Entergy Arkansas	Depreciation
93.	2009	TX PUC	37744	Entergy Texas	Depreciation
94.	2009	TX PUC	37690	El Paso Electric Co.	Depreciation
95.	2009	PA PUC	R-2009-2106908	The Borough of Hanover	Depreciation
96.	2009	KS Corp Cm	10-KCPE-415-RTS	Kansas City Power & Light	Depreciation
97.	2009	PA PUC	R-2009-	United Water Pennsylvania	Depreciation
98.	2009	OH PUC		Aqua Ohio Water Company.	Depreciation
99.	2009	PSC of WI	3270-DU-103	Madison Gas & Electric Co.	Depreciation
100.	2009	MO PSC	WR-2010	Missouri American Water Co.	Depreciation
101.	2009	AK Reg Cm.	U-09-097	Chugach Electric Association	Depreciation
102.	2010	IN URC		Northern Indiana Public Service Co.	Depreciation
103.	2010	PSC of WI	6690-DU-104	Wisconsin Public Service Corp.	Depreciation
104.	2010	PA PUC	R-2010-2161694	PPL Electric Utilities Corp.	Depreciation
105.	2010	KY PSC	2010-00036	Kentucky American Water Co.	Depreciation
106.	2010	PA PUC	R-2009-2149262	Columbia Gas of Pennsylvania	Depreciation
107.	2010	MO PSC	GR-2010-0171	Laclede Gas Company	Depreciation
108.	2010	PSC of SC	2009-489-E	South Carolina Electric & Gas Co.	Depreciation
109.	2010	NJ Bd of PU	ER09080664	Atlantic City Electric	Depreciation
110.	2010	VA St. CC	PUE-2010-00001	Virginia American Water Company	Depreciation
111.	2010	PA PUC	R-2010-2157140	The York Water Company	Depreciation
112.	2010	MO PSC	ER-2010-0356	Greater Missouri Operations Co.	Depreciation
113.	2010	PA PUC	R-2010-2167797	T. W. Phillips Gas and Oil Co.	Depreciation
114.	2010	PSC SC	2009-489-E	SCANA - Electric	Depreciation
115.	2010	PA PUC	R-2010-2201702	Peoples Natural Gas, LLC	Depreciation
116.	2010	AK PSC		Oklahoma Gas and Electric Co.	Depreciation
117.	2010	IN URC		Northern Indiana Public Serv. Co. – NIFL	Depreciation
118.	2010	IN URC		Northern Indiana Public Serv. Co. – Kokomo	Depreciation
119.	2010	PA PUC	R-2010-2166212	Pennsylvania American Water Co. – WW	Depreciation
120.	2010	NC Util Cm.		Aqua North Carolina, Inc.	Depreciation
121.	2011	OH PUC	11-4161-WS-AIR	Ohio American Water Company	Depreciation
122.	2011	MS PSC	EC-123-0082-00	Entergy Mississippi	Depreciation

LIST OF CASES IN WHICH JOHN J. SPANOS SUBMITTED TESTIMONY, cont.

	<u>Year</u>	<u>Jurisdiction</u>	<u>Docket No.</u>	<u>Client/Utility</u>	<u>Subject</u>
123.	2011	CO PUC	11AL-387E	Black Hills Colorado	Depreciation
124.	2011	PA PUC	R-2010-2215623	Columbia Gas of Pennsylvania	Depreciation
125.	2011	IN URC	43114 IGCC 4S	Duke Energy Indiana	Depreciation
126.	2011	FERC	IS11-146-000	Enbridge Pipelines (Southern Lights)	Depreciation
127.	2011	IL CC	11-0217	MidAmerican Energy Corporation	Depreciation
128.	2011	OK CC	201100087	Oklahoma Gas & Electric Co.	Depreciation
129.	2011	PA PUC	2011-2232243	Pennsylvania American Water Company	Depreciation
130.	2011	FERC		Carolina Gas Transmission	Depreciation
131.	2012	WA UTC		Avista Corporation	Depreciation
132.	2012	AK Reg Cm	U-12-009	Chugach Electric Association	Depreciation
133.	2012	MA PUC	DPU 12-25	Columbia Gas of Massachusetts	Depreciation
134.	2012	TX PUC	40094	El Paso Electric Company	Depreciation
135.	2012	ID PUC	IPC-E-12	Idaho Power Company	Depreciation
136.	2012	PA PUC	R-2012-2290597	PPL Electric Utilities	Depreciation
137.	2012	PA PUC	R-2012-2311725	Hanover, Borough of – Bureau of Water	Depreciation
138.	2012	KY PSC	2012-00222	Louisville Gas and Electric Company	Depreciation
139.	2012	KY PSC	2012-00221	Kentucky Utilities Company	Depreciation
140.	2012	PA PUC	R-2012-2285985	Peoples Natural Gas Company	Depreciation
141.	2012	D.C. PSC	Case 1087	Potomac Electric Power Company	Depreciation
142.	2012	OH PSC	12-1682-EL-AIR	Duke Energy Ohio (Electric)	Depreciation
143.	2012	OH PSC	12-1685-GA-AIR	Duke Energy Ohio (Gas)	Depreciation
144.	2012	PA PUC	R-2012-	Lancaster, City of – Bureau of Water	Depreciation
145.	2012	PA PUC	R-2012-2310366	Lancaster, City of – Sewer Fund	Depreciation
146.	2012	PA PUC	R-2012-2321748	Columbia Gas of Pennsylvania	Depreciation
147.	2012	FERC		ITC Holdings	Depreciation
148.	2012	MO PSC	ER-2012-0174	Kansas City Power and Light	Depreciation
149.	2012	MO PSC	ER-2012-0174	KCPL Greater Missouri Operations Co.	Depreciation
150.	2012	MO PSC	GO-2012-0363	Laclede Gas Company	Depreciation
151.	2012	MN PUC	G007,001/D-12-533	Integrays – MN Energy Resource Group	Depreciation
152.	2012	TX PUC		Aqua Texas	Depreciation
153.	2012	PA PUC	2012-2336379	York Water Company	Depreciation
154.	2013	NJ BPU	ER12121071	PHI Service Co.– Atlantic City Electric	Depreciation
155.	2013	KY PSC	2013-00167	Columbia Gas of Kentucky	Depreciation



LIST OF CASES IN WHICH JOHN J. SPANOS SUBMITTED TESTIMONY, cont.

	<u>Year</u>	<u>Jurisdiction</u>	<u>Docket No.</u>	<u>Client/Utility</u>	<u>Subject</u>
156.	2013	VA St CC	2013-00020	Virginia Electric and Power Co.	Depreciation
157.	2013	IA Util Bd	2013-0004	MidAmerican Energy Corporation	Depreciation
158.	2013	PA PUC	2013-2355276	Pennsylvania American Water Co.	Depreciation
159.	2013	PA PUC	2013-2355886	Peoples TWP LLC	Depreciation
160.	2013	ME PUC	2013-168	Central Maine Power Company	Depreciation
161.	2013	DC PSC	Case 1103	PHI Service Co. – PEPCO	Depreciation
162.	2013	WY PSC	2003-ER-13	Cheyenne Light, Fuel and Power Co.	Depreciation
163.	2013	FERC	ER13- -0000	Kentucky Utilities	Depreciation
164.	2013	FERC	ER13- -0000	MidAmerican Energy Company	Depreciation
165.	2013	FERC	ER13- -0000	PPL Utilities	Depreciation
166.	2013	PA PUC	R-2013-2372129	Duquesne Light Company	Depreciation
167.	2013	NJ BPU	ER12111052	Jersey Central Power and Light Co.	Depreciation
168.	2013	PA PUC	R-2013-2390244	Bethlehem, City of – Bureau of Water	Depreciation
169.	2013	OK CC	UM 1679	Oklahoma, Public Service Company of	Depreciation
170.	2013	IL CC		Nicor Gas Company	Depreciation
171.	2013	WY PSC	20000-427-EA-13	PacifiCorp	Depreciation
172.	2013	UT PSC	13-035-02	PacifiCorp	Depreciation
173.	2013	OR PUC		PacifiCorp	Depreciation
174.	2014	IL CC		Peoples Gas Light and Coke Company	Depreciation
175.	2014	IL CC		North Shore Gas Company	Depreciation
176.	2014	FERC		Duquesne Light Company	Depreciation
177.	2014	WY PSC		Black Hills Power Company	Depreciation

**PUC DOCKET NO. 53428**

<b>APPLICATION OF AQUA TEXAS,</b>	<b>§</b>	<b>BEFORE THE PUBLIC UTILITY</b>
<b>INC. FOR SYSTEM IMPROVEMENT</b>	<b>§</b>	
<b>CHARGES PURSUANT TO 16 TAC</b>	<b>§</b>	<b>COMMISSION OF TEXAS</b>
<b>§ 24.76</b>	<b>§</b>	

**AFFIDAVIT OF JOHN J. SPANOS**

**EXHIBIT**

**C**

COMMONWEALTH OF PENNSYLVANIA §  
§  
COUNTY OF CUMBERLAND §

BEFORE ME, the undersigned notary on this day personally appeared John J. Spanos, who is personally known to me and first being duly sworn according to law, upon his oath deposed and said:

My name is John J. Spanos. I am over the age of 18 years and reside in Cumberland County, Pennsylvania. I am of sound mind and fully competent to make this affidavit. I have personal knowledge of the facts stated herein, and they are true and correct.

I am the President of Gannett Fleming Valuation and Rate Consultants, LLC, who has provided services to Aqua Texas, Inc. (“Aqua” or “Applicant”) since at least 2010.

In SOAH Docket No. 582-14-1051; TCEQ Docket No. 2013-2007-UCR and SOAH Docket No. 582-12-6658; TCEQ Docket No. 2012-1058-UCR, Gannett Fleming Valuation and Rate Consultants, LLC (previously the Valuation and Rate Division of Gannett Fleming, Inc.) conducted depreciation studies that were included in those respective rate case applications. In these studies, depreciation rates were calculated based on the standard utility group depreciation methodology.

In SOAH Docket No. 582-14-1051; TCEQ Docket No. 2013-2007-UCR, I filed testimony relating to the conduct of the depreciation studies and responded to discovery requests which provided insight as to the methodology of how depreciation rates were derived. Based on my review, the depreciation studies and the resulting depreciation rates were not contested in the referenced proceedings.

The depreciation studies included Iowa survivor curves and net salvage percentage by account with one rate to be applied to all assets based on the remaining life method. This was consistent with TCEQ guidelines as well as the National Association of Regulatory Utility Commissioners ("NARUC"). I am not aware of any change to these guidelines by the Public Utility Commission of Texas ("PUC").

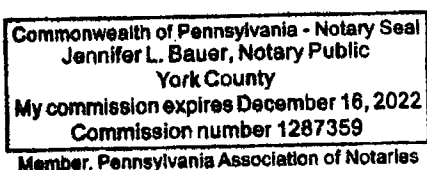
The rates set forth in the Depreciation Studies filed in the aforementioned cases are the most appropriate rates and based on the standard methodology for determining depreciation of water and wastewater utilities. They are proper and adequate for use in Aqua's system improvement charge (SIC) application.

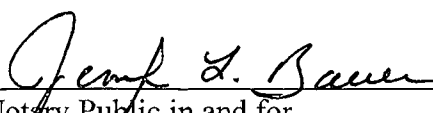
In my experience, settlement agreements are often reached in rate case applications. When this occurs, the utility utilizes the depreciation rates based on the proposal filed in the case. If a party objects to a depreciation study or methodology utilized, that would be identified in the proceeding and discussed in the settlement agreement. If no agreement is reached, the matter may be litigated. Here, based on my experience participating in rate cases, the Depreciation Studies filed in the aforementioned cases were reviewed, subject to discovery, not objected to in the proceeding, and upon my review of the settlement order, were approved as part of the application.

Further Affiant sayeth not.

  
John J. Spanos

SUBSCRIBED AND SWORN TO BEFORE ME on this the 26<sup>th</sup> day of July, 2022, to which witness my hand and official seal.



  
Notary Public in and for  
The Commonwealth of Pennsylvania