

Federal Energy Regulatory Commission

§ 367.54

(21) *Asset retirement costs.* The costs recognized as a result of asset retirement obligations incurred during the construction and testing of service company property must constitute a component of construction costs.

(b) [Reserved]

§ 367.52 Overhead construction costs.

(a) All overhead construction costs, such as engineering, supervision, general office salaries and expenses, construction engineering and supervision by others than the service company, law expenses, insurance, injuries and damages, relief and pensions, taxes and interest, must be charged to particular jobs or units on the basis of the amounts of the reasonably applicable overheads.

(b) As far as practicable, the determination of payroll charges includible in construction overheads must be based on the related time card distributions. Where this procedure is impractical, special studies must be made periodically of the time of supervisory employees devoted to construction activities to the end that only the overhead costs that have a definite relation to construction must be capitalized.

(c) The records supporting the entries for overhead construction costs must be kept so as to show the total amount of each overhead for each year, the nature and amount of each overhead expenditure charged to each construction project and to each property account, and the bases of distribution of such costs.

§ 367.53 Service company property purchased or sold.

(a) When service company property is acquired by purchase, merger, consolidation, liquidation, or otherwise, after the effective date of this system of accounts, the costs of acquisition, including related incidental expenses, must be charged to the appropriate service company property accounts and account 107. Construction work in progress (§ 367.1070), as appropriate.

(b) If property acquired is in a physical condition so that it is necessary to rehabilitate it substantially in order to bring the property up to the standards of the service company, the cost of the work, except replacements, must be ac-

counted for as a part of the purchase price of the property.

(c) Unless otherwise authorized by the Commission, all service company property acquired from an affiliate company must be recorded at its book value. Additionally, if property is acquired that is in excess of \$10 million and has been previously devoted to public service at a price above book value, the service company must file with the Commission the proposed journal entries associated with the acquisition within six months from the date of acquisition of the property.

(d) When service company property is sold, conveyed, or transferred to another by sale, merger, consolidation, or otherwise, the book cost of the property sold or transferred to another must be credited to the appropriate service company property accounts. The amounts (estimated, if not known) carried with respect to the accounts for accumulated provision for depreciation and amortization must be charged to those accounts. The difference, if any, between the net amount of debits and credits and the consideration received for the property (less commissions and other expenses of making the sale) must be included in account 421.1. Gain on disposition of property (§ 367.4211), or account 421.2. Loss on disposition of property (§ 367.4212).

(e) In connection with the acquisition of service company property previously devoted to service company operations or acquired from an associate company, the service company must procure, if possible, all existing records relating to the property acquired or related certified copies, and must preserve the records in conformity with regulations or practices governing the preservation of records of its own construction.

§ 367.54 Expenditures on leased property.

(a) The cost of substantial initial improvements (including repairs, rearrangements, additions, and betterments) made to prepare service company property leased to be used for a period of more than one year, and the cost of subsequent substantial additions, replacements, or betterments to the property, must be charged to the

service company property account appropriate for the class of property leased. If the service life of the improvements is terminable by action of the lease, the cost, less net salvage, of the improvements must be spread over the life of the lease by charges to account 404, Amortization of limited-term service property (§ 367.4040). However, if the service life is not terminated by action of the lease but by depreciation proper, the cost of the improvements, less net salvage, must be accounted for as depreciable property. The provisions of this paragraph are applicable to property leased under either capital leases or operating leases.

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

§ 367.55 Land and land rights.

(a) The accounts for land and land rights must include the cost of land owned in fee by the service company and rights. Interests, and privileges held by the service company in land owned by others, such as leaseholds, easements, water and water power rights, diversion rights, submersion rights, rights-of-way, and other like interests in land. Do not include in the accounts for land and land rights and rights-of-way costs incurred in connection with first clearing and grading of land and rights-of-way and the damage costs associated with the construction and installation of property. The costs must be included in the appropriate property accounts directly benefited.

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

(c) The net profit from the sale of timber, cord wood, sand, gravel, other resources or other property acquired with the rights-of-way or other lands must be credited to the appropriate property account to which it is related. Where land is held for a considerable period of time and timber and other natural resources on the land at the time of purchase increases in value, the net profit (after giving effect to the cost of the natural resources) from the sales of timber or its products or other natural resources must be credited to the appropriate operating income account when the land has been recorded in account 101, Service company property (§ 367.1010), otherwise to account 421, Miscellaneous income or loss (§ 367.4210).

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

(e) Any difference between the amount received from the sale of land or land rights, less agents' commissions and other costs incident to the sale, and the book cost of such land or rights, must be included in account 421.1, Gain on disposition of property (§ 367.4211), or account 421.2, Loss on disposition of property (§ 367.4212), when the property has been recorded in account 101, Service company property (§ 367.1010). Appropriate adjustments of the accounts must be made with respect to any structures or improvements located on the land sold.

(f) The cost of buildings and other improvements (other than public improvements) must not be included in