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# ATTORNEY GENERAL OF WASHINGTON

Utilities and Transportation Division

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June 8, 1993

Paul Curl, Secretary  
Washington Utilities and  
Transportation Commission  
1300 S. Evergreen Park Drive S.W.  
Olympia, WA 98504

RE: WUTC v. Washington Natural Gas Company  
Docket No. UG-920840

Dear Mr. Curl:

Enclosed please find the original and 19 copies of the staff's response to Bench Request No. 5. Please accept the same for filing.

Very truly yours,

ROBERT D. CEDARBAUM  
Assistant Attorney General

RDC:rz  
Enclosures  
cc/enc: Parties of Record

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COMMISSION

**WUTC v. Washington Natural Gas Company**  
**Docket No. UG-920840**

**Response of the Commission Staff to Bench Request No. 5**  
**June 8, 1993**

**Bench Request No. 5:** Is it appropriate, under the Uniform System of Accounts (USOA), to write off to the accumulated depreciation reserve the costs of plant which was never used and useful or placed in service?

**Response:** Based upon the attached section of the USOA (Page 259) regarding account 380, Services, it appears that the two year write off rule applies only to services which were once but are no longer used, and not to stubs or services which have never been placed in service. As applied to Ms. Thomas' testimony concerning the Company's installation of services and stubs at the time of the initial main extension which are not placed in service, there may be some ambiguity in this rule due to the inclusion of "Stub services" under subpart B, while subpart C only refers to "Services," without specific reference to stubs. Stubs are also not included in the definition of mains under account 376. Thus, it appears that stubs must be included in account 380 Services, but it is not clear that they need be written off under subpart C of the rule. Instead, under the rule, it appears that they can be depreciated as if they are services in use.

As to whether it is appropriate to write off to the accumulated depreciation reserve those items of plant which have never been placed in service, in general, it may be appropriate to refer to the rules regarding account 105, Gas Plant Held for Future Use, which is also attached (Pages 208-09). Plant included in that category, such as land or leased plant or purchased gas plant, is not generally depreciated, but the rule does allow depreciation under special circumstances -- which could be interpreted to allow for depreciation where it is apparent that deterioration may be taking place. The expense of such depreciation under the USOA rules is charged to account 421, miscellaneous non-operating income and the credit reflected in account 108, accumulated provision for gas utility plant (see attached, Pages 210-11). Under subpart D regarding account 105, losses from the disposition of such property previously recorded in the account and not placed in utility service shall be recorded in accounts 411.6, Gains from Disposition of Utility Plant, or 411.7, Losses from Disposition of Utility Plant, as appropriate, except when determined to be significant by the Commission. Upon such a determination, the amounts shall be transferred to account 256, Deferred Gains from Disposition of Utility Plant, or account 187, Deferred Losses from Utility Plant, and amortized to accounts 411.6 or 411.7, as appropriate.

**Witness:** Kathryn Thomas

alled subsequent to construction, the  
ng shall be in accordance with gas  
struction 10, paragraph (C) 1.

p lines and pots.

etrolysis tests, in connection with  
struction.

avation, including shoring, bracing,  
p, pumping, backfill, and disposal of  
excavated material.

ding, unloading, and stringing pipe,  
pumping and watching new construc-

pack gas.

municipal inspection.

ovement disturbed, including cutting  
replacing pavement, pavement base,  
walks.

permits.

pipe coating.

pipe and fittings.

pipe laying.

pipe supports.

protection of street openings.

locating city storm and sanitary  
catch basins, etc., or protecting same  
connection with new construction.

placement of municipal drains and  
in connection with new construc-

adway boxes.

ifting excavated material due to  
conditions in connection with new  
struction.

vees and couplings.

cial crossovers, bridges and founda-  
or special construction.

urveying and staking lines.

ves not associated with pumping or  
ng equipment.

eding.

ood blocking.

ompressor station equipment.

account shall include the cost  
of compressor station equip-  
and associated appliances used  
nection with distribution system  
ons.

#### ITEMS

er plant, coal handling and ash han-  
equipment for steam powered com-  
station.

ressed air system equipment.

mpressor equipment and driving  
including auxiliaries, foundations,  
ols and enclosures, etc.

tric system equipment, including  
ng equipment and driving units  
wiring, transformers, regulators, bat-  
equipment, switchboard, etc.

ighting equipment.

lines and equipment, including fuel  
lines, cooling tower and pond and as-  
equipment, dehydrators, fuel gas

## Federal Energy Regulatory Commission

mixers, special pipe bends and connections,  
and associated scrubbers, separators, tanks,  
gauges and instruments.

7. Laboratory and testing equipment.

8. Lubricating oil system, including centri-  
fuge, filter, tanks, purifier, and lubricating  
oil piping, etc.

9. Office furniture and fixtures and gener-  
al equipment such as steel lockers, first-aid  
equipment, gasoline dispensing equipment,  
lawn mowers, incinerators, etc.

10. Shop tools and equipment.

11. Water supply and circulation system,  
including water well, tank water piping,  
cooling tower, spray fence and water treat-  
ment equipment, etc., but not including  
water system equipment solely for domestic  
and general use.

### 378 Measuring and regulating station equipment—General.

This account shall include the cost  
installed of meters, gauges and other  
equipment used in measuring and reg-  
ulating gas in connection with distri-  
bution system operations other than  
the measurement of gas deliveries to  
customers.

#### ITEMS

1. Automatic control equipment.
2. Foundations.
3. Gauges and instruments.
4. Governors or regulators.
5. Meters.
6. Odorizing equipment.
7. Oil fogging equipment.
8. Piping.
9. Pressure relief equipment.
10. Vaults or pits, including valves con-  
tained therein.

NOTE: By-passes outside governor pits are  
includible in account 376, Mains.

### 379 Measuring and regulating station equipment—City gate check stations.

This account shall include the cost  
installed of meters, gauges, and other  
equipment used in measuring and reg-  
ulating the receipt of gas at entry  
points to distribution systems.

NOTE: Pipeline companies, including com-  
panies who measure deliveries of gas to  
their own distribution system, shall include  
in the transmission function classification  
city gate and main line industrial measuring  
and regulating stations.

#### ITEMS

(See account 378 for items.)

### 380 Services.

A. This account shall include the  
cost installed of service pipes and ac-  
cessories leading to the customers'  
premises.

B. A complete service begins with  
the connection on the main and ex-  
tends to but does not include the con-  
nection with the customer's meter. A  
stub service extends from the main to  
the property line, or the curb stop.

C. Services which have been used  
but have become inactive shall be re-  
tired from utility plant in service im-  
mediately if there is no prospect for  
reuse, and, in any event, shall be re-  
tired by the end of the second year  
following that during which the serv-  
ice became inactive unless reused in  
the interim.

#### ITEMS

1. Curb valves and curb boxes.
2. Excavation, including shoring, bracing,  
bridging, pumping, backfill, and disposal of  
excess excavated material.
3. Landscaping, including lawns, and  
shrubbery.
4. Municipal inspection.
5. Pavement disturbed, including cutting  
and replacing pavement, pavement base,  
and sidewalks.
6. Permits.
7. Pipe and fittings, including saddle, T, or  
other fitting on street main.
8. Pipe coating.
9. Pipe laying.
10. Protection of street openings.
11. Service drips.
12. Service valves, at head of service, when  
installed or furnished by the utility.

### 381 Meters.

A. This account shall include the  
cost installed of meters or devices and  
appurtenances thereto, for use in  
measuring gas delivered to users,  
whether actually in service or held in  
reserve.

B. When a meter is permanently re-  
tired from service, the installed cost  
included herein shall be credited to  
this account.

C. The records of meters shall be so  
kept that the utility can furnish infor-  
mation as to the number of meters of  
each type and capacity in service and  
in reserve as well as the location of  
each meter.

D. Records shall be maintained with respect to each unit of experiment so that full details may be obtained as to the cost, depreciation, and the experimental status.

E. Should it be determined that experimental plants recorded in this account will fail to satisfactorily perform its function, the costs thereof shall be accounted for as directed or authorized by the Commission.

**103.1 Gas plant in process of reclassification (Nonmajor only).**

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

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

**104 Gas plant leased to others.**

A. This account shall include the original cost of gas plant owned by the utility but leased to others as operating units or systems, where the lessee has exclusive possession.

B. The property included in this account shall be classified according to the detailed accounts (301 to 399) prescribed for gas plant in service and this account shall be maintained in such detail as though the property were used by the owner in its utility operations.

**105 Gas plant held for future use.**

A. This account shall include the original cost of gas plant (except land and land rights) owned and held for future use in gas service under a definite plan for such use, to include: (1) Property acquired (except land and land rights) but never used by the util-

ity in gas service, but held for such service in the future under a definite plan, and (2) property (except land and land rights) previously used by the utility in gas service, but retired from such service and held pending its reuse in the future, under a definite plan, in gas service. This includes production properties relating to leases acquired on or before October 7, 1969.

B. This account shall also include the original cost of land and land rights owned and held for future use in gas service relating to leases acquired on or before October 7, 1969, under a plan for such use, to include land and land rights: (1) Acquired but never used by the utility in gas service, but held for such service in the future under a plan, and (2) previously held by the utility in gas service, but retired from such service and held pending its reuse in the future under a plan, in gas service. (See Gas Plant Instruction 7.)

C. In the event that property recorded in this account shall no longer be needed or appropriate for future utility operations, the company shall request Commission approval of journal entries to remove such property from this account when the gain realized from the sale or other disposition of the property is \$100,000 or more, prior to their being recorded. Such filings shall include the description and original cost of individual properties removed from this account, the accounts charged upon removal, and any associated gains realized upon disposition of such property.

D. Gains or losses from the sale of land and land rights or other disposition of such property previously recorded in this account and not placed in utility service shall be recorded directly in accounts 411.6 or 411.7, as appropriate, except when determined to be significant by the Commission. Upon such a determination, the amounts shall be transferred to account 256, Deferred Gains from Disposition of Utility Plant, or account 187, Deferred Losses from Disposition of Utility Plant, and amortized to accounts 411.6, Gains from Disposition of Utility Plant, or 411.7, Losses from Disposition of Utility Plant, as appropriate.

service, but held for such the future under a definite (2) property (except land rights) previously used by in gas service, but retired service and held pending its the future, under a definite as service. This includes properties relating to leases on or before October 7, 1969. account shall also include original cost of land and land held and held for future use service relating to leases ac- or before October 7, 1969, plan for such use, to include land rights: (1) Acquired but by the utility in gas service, for such service in the future plan, and (2) previously held utility in gas service, but re- such service and held pend- use in the future under a as service. (See Gas Plant In- 7.)

In the event that property record- account shall no longer be appropriate for future utili- tions, the company shall re- mission approval of journal remove such property from account when the gain realized sale or other disposition of is \$100,000 or more, prior ng recorded. Such filings e the description and origi- of individual properties re- from this account, the accounts upon removal, and any associ- as realized upon disposition of erty. ns or losses from the sale of land rights or other disposi- such property previously re- this account and not placed service shall be recorded di- accounts 411.6 or 411.7, as ap- e, except when determined to nificant by the Commission. such a determination, the s shall be transferred to ac- 56, Deferred Gains from Dispo- Utility Plant, or account 187, d Losses from Disposition of Plant, and amortized to ac- 411.6, Gains from Disposition ty Plant, or 411.7, Losses from tion of Utility Plant, as appro-

E. The property included in this ac- count shall be classified according to the detail accounts (301 to 399) pre- scribed for gas plant in service and the account shall be maintained in such detail as though the property were in service.

NOTE A: Materials and supplies, meters and house regulators held in reserve, and normal spare capacity of plant in service shall not be included in this account.

NOTE B: Include in this account natural gas wells shut in after construction which have not been connected with the line; also, natural gas wells which have been connected with the line but which are shut in for any reason except seasonal excess capacity or governmental proration requirements or for repairs, provided that the related production leases were acquired on or before October 7, 1969.

NOTE C (NONMAJOR ONLY): The loss on abandonment of natural gas leases acquired after October 7, 1969, shall be charged to Account 338, Unsuccessful Exploration and Development Costs.

#### 105.1 Production properties held for future use (Major only).

A. This account shall include the cost of production properties (except land and land rights) relating to leases acquired on or after October 8, 1969, held under a definite plan for future use to insure a future supply of natural gas for use in pipeline operations, to include: (1) Production property (except land and land rights) acquired but never used by the utility in gas service, but held for such service in the future under a definite plan, and (2) production property (except land and land rights) previously used by the utility in gas service, but retired from such service and held pending its reuse in the future, under a definite plan, in gas service.

B. This account shall also include the original cost of land and land rights held under a plan for future use to insure a future supply of natural gas for use in pipeline operations, relating to leases acquired on or after October 8, 1969, to include land and land rights: (1) Acquired but never used by the utility in gas service, but held for service in the future under a plan, and (2) previously used by the utility in gas service, but retired from such service and held pending its reuse

in the future under a plan, in gas serv- ice. (See Gas Plant Instruction 7.)

C. In the event that property record- ed in this account shall no longer be needed or appropriate for future utili- ty operations, the company shall re- quest Commission approval of journal entries to remove such property from this account when the gain realized from the sale or other disposition of the property is \$100,000 or more, prior to their being recorded. Such filings shall include the description and origi- nal cost of individual properties re- moved from this account, the accounts charged upon removal, and any associ- ated gains realized upon disposition of such property.

D. Gains or losses from the sale of land and land rights or other disposi- tion of such property previously re- corded in this account and not placed in utility service shall be recorded di- rectly in accounts 411.6 or 411.7, as ap- propriate, except when determined to be significant by the Commission. Upon such determination, the amounts shall be transferred to ac- count 256, Deferred Gains from Sale of Utility Plant, or account 187, De- ferred Losses from Sale of Utility Plant, and amortized to accounts 411.6, Gains from Disposition of Utili- ty Plant or 411.7, Losses from Dispo- sition of Utility Plant, as appropriate.

E. The property included in this ac- count shall be classified according to the detailed accounts prescribed for natural gas production and gathering plant in service and such classification shall be maintained in the same detail as though the property were in serv- ice.

NOTE: Unsuccessful exploration and devel- opment costs incurred on leases acquired after October 7, 1969, shall be charged to ac- count 338, Unsuccessful Exploration and Development Costs.

#### 106 Completed construction not classi- fied—Gas (Major only).

At the end of the year or such other date as a balance sheet may be re- quired by the Commission, this ac- count shall include the total of the balances of work orders for gas plant which have been completed and placed in service but which work orders have

not been classified for transfer to the detailed gas plant accounts.

NOTE: For the purpose of reporting to the Commission the classification of gas plant in service by accounts is required, the utility shall also report the balance in this account tentatively classified as accurately as practicable according to prescribed account classifications. The purpose of this provision is to avoid any significant omissions in reported amounts of gas plant in service.

107 Construction work in progress—Gas.

A. This account shall include the total of the balances of work orders for gas plant in process of construction.

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

C. Expenditures on research, development, and demonstration projects for construction of utility facilities are to be included in a separate subdivision in this account. Records must be maintained to show separately each project along with complete detail of the nature and purpose of the research, development, and demonstration project together with the related costs.

NOTE A: This account shall include certificate application fees paid to the Federal Energy Regulatory Commission as provided for in gas plant instruction 15.

NOTE B: Unsuccessful exploration and development costs incurred on leases acquired after October 7, 1969, shall be transferred to account 338, Unsuccessful Exploration and Development Costs.

108 Accumulated provision for depreciation of gas utility plant (Major only).

A. This account shall be credited with the following:

(1) Amounts charged to account 403, Depreciation Expense, or to clearing accounts for current depreciation expense for gas plant in service.

(2) Amounts charged to account 421, Miscellaneous Nonoperating Income, for depreciation expense on property included in account 105, Gas Plant Held for Future Use, or 105.1, Production Properties Held for Future Use. Include also, the balance of accumulated provision for depreciation on property when transferred to account 105 or 105.1, from other property accounts. Normally, account 108 will not be used for current depreciation provisions because, as provided herein, the service life during which depreciation is computed commences with the date property is includible in gas plant in service; however, if special circumstances indicate the propriety of current accruals for depreciation, such charges shall be made to account 421, Miscellaneous Nonoperating Income.

(3) Amounts charged to account 413, Expenses of Gas Plant Leased to Others, for gas plant included in account 104, Gas Plant Leased to Others.

(4) Amounts charged to account 416, Costs and Expenses of Merchandising, Jobbing and Contract Work, or to clearing accounts for current depreciation expense.

(5) Amounts of depreciation applicable to gas properties acquired as operating units or systems. (See gas plant instruction 5.)

(6) Amounts charged to account 182.1, Extraordinary Property Losses, when authorized by the Commission.

(7) Amounts of depreciation applicable to gas plant donated to the utility.

(The utility shall maintain separate subaccounts for depreciation applicable to gas plant in service, gas plant leased to others and gas plant held for future use.)

B. At the time of retirement of depreciable gas utility plant, this account shall be charged with the book cost of the property retired and the cost of removal and shall be credited with the salvage value and any other amounts recovered, such as insurance. When retirements, cost of removal and salvage are entered originally in retire-

ment work such work a separate sub completion proper dist this account in the follow

C. For go sheet purpo regarded and posite provi purposes of utility sha records in w gating accor tional classifi

(1) Produc (2) productio gas, (3) pro gas, (4) und other storag minaling a transmission general. The reflect the c to this acco show separa tional classifi provision fo book cost of of removal, items, includ ance.

D. When t from one gas or from or t ment, or fro ty accounts, lated accumu ciation shall plant instruc

E. The uti of the provi the purposes not transfer count to re any other use zation by the

109 [Reserved]

110 Accumulation, depletion, utility plant

A. This ac with the foll

(1) Amount Depreciation to account 40

nts charged to account 403, on Expense, or to clearing or current depreciation ex- gas plant in service.

nts charged to account 421, ous Nonoperating Income, ation expense on property n account 105, Gas Plant ture Use, or 105.1, Produc- erties Held for Future Use. so, the balance of accumu- sion for depreciation on hen transferred to account 5.1, from other property ac- ormally, account 108 will not r current depreciation provi- se, as provided herein, the e during which depreciation ed commences with the date is includible in gas plant in owever, if special circum- dicate the propriety of cur- als for depreciation, such all be made to account 421, ous Nonoperating Income.

nts charged to account 413, of Gas Plant Leased to r gas plant included in ac- Gas Plant Leased to

charged to account 416, enses of Merchandising, Contract Work, or to accounts for current deprecia- se.

nts of depreciation applica- roperties acquired as oper- r systems. (See gas plant 5.)

nts charged to account raordinary Property Losses, uthorized by the Commission.

nts of depreciation applica- plant donated to the utility.

ity shall maintain separate nts for depreciation applica- s plant in service, gas plant others and gas plant held for e.)

he time of retirement of de- gas utility plant, this ac- all be charged with the book e property retired and the emoval and shall be credited salvage value and any other recovered, such as insurance. irements, cost of removal and e entered originally in retire-

ment work orders, the net total of such work orders may be included in a separate subaccount hereunder. Upon completion of the work order, the proper distribution to subdivision of this account shall be made as provided in the following paragraph.

C. For general ledger and balance sheet purposes, this account shall be regarded and treated as a single composite provision for depreciation. For purposes of analysis, however, each utility shall maintain subsidiary records in which this account is segregating according to the following functional classification for gas plant:

(1) Production—manufactured gas, (2) production and gathering—natural gas, (3) products extraction—natural gas, (4) underground gas storage, (5) other storage, (6) base load LNG terminaling and processing plant, (7) transmission, (8) distribution, and (9) general. These subsidiary records shall reflect the current credits and debits to this account in sufficient detail to show separately for each such functional classification (a) the amount of provision for depreciation, (b) the book cost of property retired, (c) cost of removal, (d) salvage, and (e) other items, including recoveries from insurance.

D. When transfers of plant are made from one gas plant account to another, or from or to another utility department, or from or to nonutility property accounts, the accounting for the related accumulated provision for depreciation shall be as provided in gas plant instruction 12.

E. The utility is restricted in its use of the provision for depreciation to the purposes set forth above. It shall not transfer any portion of this account to retained earnings or make any other use thereof without authorization by the Commission.

109 [Reserved]

110 Accumulated provision for depreciation, depletion and amortization of gas utility plant (Nonmajor only).

A. This account shall be credited with the following:

(1) Amounts charged to account 403, Depreciation and Depletion Expense, to account 404, Amortization of Limit-

ed-Term Gas Plant, to account 405, Amortization of Other Gas Plant, to account 413, Expenses of Gas Plant Leased to Others, to account 416, Costs and Expenses of Merchandising, Jobbing and Contract Work, or to clearing accounts for currently accruing depreciation, depletion, and amortization.

(2) Amounts of depreciation, depletion or amortization applicable to gas properties acquired as operating units or systems. (See gas plant instruction 4.)

(3) Amounts chargeable to account 182.1, Extraordinary Property Losses, when authorized by the Commission.

(4) Amounts of depreciation applicable to gas plant donated to the utility.

B. At the time of retirement of gas plant, this account shall be charged with the book cost of the property retired and the cost of removal, and shall be credited with the salvage value and any other amounts recovered, such as insurance. When retirements, cost of removal and salvage are entered originally in retirement work orders, the net total of such work orders may be included in a separate subaccount hereunder. Upon completion of the work order, the property distribution to subdivisions of this account shall be made as provided in the following paragraph.

C. For general ledger and balance sheet purposes, this account shall be regarded and treated as a single composite provision for depreciation. The account shall be subdivided to show the amount, applicable to Gas Plant in Service, Gas Plant Leased to Others, and Gas Plant Held for Future Use. These subsidiary records shall show the current credits and debits to this account in sufficient detail to show separately for each subdivision, (1) the amount of accrual for depreciation or amortization, (2) the book cost of property retired, (3) cost of removal, (4) salvage and (5) other items, including recoveries from insurance. The utility also shall maintain subsidiary records in accordance with these provisions for accumulated depletion and amortization provisions for natural gas land and land rights in service.

D. When transfers of plant made from one gas plant account to another,