UTILITIES DIVISION[199]

Regulatory Analysis

Notice of Intended Action to be published: Iowa Administrative Code 199—Chapter 16
"Accounting"

Iowa Code section(s) or chapter(s) authorizing rulemaking: 546.7
State or federal law(s) implemented by the rulemaking: Iowa Code sections 476.1, 476.2, 476.8, 476.9, 476.18 and 546.7

Public Hearing

A public hearing at which persons may present their views orally or in writing will be held as follows:

March 19, 2024 9 a.m.	Board Hearing Room 1375 East Court Avenue Des Moines, Iowa

Public Comment

Any interested person may submit written or oral comments concerning this Regulatory Analysis. Written or oral comments in response to this Regulatory Analysis must be received by the Iowa Utilities Board no later than 4:30 p.m. on the date of the public hearing. Comments should be directed to:

IT Support
Iowa Utilities Board
Phone: 515.725.7300
Email: ITSupport@iub.iowa.gov

Purpose and Summary

The purpose of Chapter 16 is to inform utilities within the state of Iowa how to apply the Uniform Systems of Accounts and the National Association of Regulatory Utility Commissioners Uniform Systems of Accounts with modifications, and the effects of the relevant rules.

Analysis of Impact

1. Persons affected by the proposed rulemaking:

- Classes of persons that will bear the costs of the proposed rulemaking:

Utilities that offer service within the state of Iowa will bear the costs.

- Classes of persons that will benefit from the proposed rulemaking:

Customers of Iowa utilities will benefit.

2. Impact of the proposed rulemaking, economic or otherwise, including the nature and amount of all the different kinds of costs that would be incurred:

- Quantitative description of impact:

The provisions of the proposed chapter are part of the everyday work of the Board, so there is no additional impact to the Board, economic or otherwise. The utilities may have costs due to the filing requirements, but the rules are similar to federal rules and are not expected to add significant costs, economic or otherwise.

- Qualitative description of impact:

This proposed chapter ensures utilities are accurately recording expenses and revenues.

3. Costs to the State:

- Implementation and enforcement costs borne by the agency or any other agency:

There are no additional costs to any agency other than the normal everyday costs of operation of the Board.

- Anticipated effect on state revenues:

There is no anticipated effect on state revenues.

4. Comparison of the costs and benefits of the proposed rulemaking to the costs and benefits of inaction:

There is a huge benefit in ensuring the utilities' costs and revenues are recorded accurately and consistently. There are minimal costs involved with administering the rules. Inaction could lead to utilities filing inconsistent information if not specifically directed by federal guidelines.

5. Determination whether less costly methods or less intrusive methods exist for achieving the purpose of the proposed rulemaking:

The Board does not believe there are any less costly methods of addressing the purpose of this chapter because the chapter is largely based on federal guidelines.

6. Alternative methods considered by the agency:

- Description of any alternative methods that were seriously considered by the agency:

Strict compliance with federal guidelines was considered.

- Reasons why alternative methods were rejected in favor of the proposed rulemaking:

The Board believes it is important to have certain distinctions, where necessary, to handle certain types of expenses.

Small Business Impact

If the rulemaking will have a substantial impact on small business, include a discussion of whether it would be feasible and practicable to do any of the following to reduce the impact of the rulemaking on small business:

- Establish less stringent compliance or reporting requirements in the rulemaking for small business.
- Establish less stringent schedules or deadlines in the rulemaking for compliance or reporting requirements for small business.
- Consolidate or simplify the rulemaking's compliance or reporting requirements for small business.
- Establish performance standards to replace design or operational standards in the rulemaking for small business.
- Exempt small business from any or all requirements of the rulemaking.

If legal and feasible, how does the rulemaking use a method discussed above to reduce the substantial impact on small business?

There is not a substantial impact on small business.

Text of Proposed Rulemaking

ITEM 1. Rescind 199—Chapter 16 and adopt the following **new** chapter in lieu thereof:

CHAPTER 16
ACCOUNTING

199—16.1(476) Accounting—general information.

16.1(1) *Application of rules.* These rules shall apply to any utility operating within the state of Iowa under the jurisdiction of the board pursuant to Iowa Code chapter 476.

16.1(2) *Effect of rules.* In prescribing uniform systems of accounts for public utilities, the board does not commit itself to the approval or acceptance of any item set out in any account for the purpose of fixing rates or in determining other matters before the board. The prescribed systems of accounts are designed to set out the facts in connection with all sources of funds, including incomes and amounts due and receivable from each source, and the amount expended and due for each purpose distinguishing clearly all payments for operating expenses from those of new construction, extensions and additions to property; and to provide for balance sheets showing various assets and liabilities and various forms of proprietary interest under uniform classifications; and, therefrom, the board will determine, in connection with such matters as may be under advisement from time to time, what consideration will be given to the various items in the several accounts.

199—16.2(476) Uniform systems of accounts—electric. The uniform systems of accounts for public utilities and licensees subject to the provisions of the Federal Power Act, 18 CFR Part 101 published in the Federal Energy Regulatory Commission's (FERC's) rules and regulations, in effect on November 27, 2013, and the May 27, 2008, uniform systems of accounts for rural electric cooperatives prescribed for electric borrowers of the Rural Utilities Service (RUS), as applicable, are adopted with the following modifications:

16.2(1) Definition 7 published in 18 CFR Part 101 is changed to read: "Commission" means the board except where reference is made to the licensing authority of the FERC (as in definitions 22 and 27), where Commission means FERC. This change does not apply to definitions found in RUS uniform systems of accounts for rural electric cooperatives.

16.2(2) Definition 29 published in 18 CFR Part 101 is changed to read: "Public utility" means any natural or legal person, or other entity, defined as a public utility and made subject to the authority of the board by Iowa Code section 476.1. This change does not apply to definitions found in RUS uniform systems of accounts for rural electric cooperatives.

16.2(3) General instruction 1-B of the uniform systems of accounts for electric utilities is modified by adding the following sentence: "Utilities subject to rate regulation by the board shall keep all the accounts of these systems of accounts that are applicable to their affairs, and utilities not subject to rate regulation shall keep the accounts of these systems of accounts for operating revenues only."

16.2(4) General instruction 1-D of the uniform systems of accounts for electric utilities is modified by adding the following sentence: "It is recommended but not required that electric utilities not subject to rate regulation, other than electric cooperatives, keep all applicable accounts in accordance with the Federal Energy Regulatory Commission uniform systems of accounts, 18 CFR Part 101." Rural electric cooperatives not subject to rate regulation may choose to keep all applicable accounts in accordance with the RUS uniform systems of accounts.

16.2(5) General instruction 2-D of the uniform systems of accounts for electric utilities is modified by adding the following sentence: "The electric utilities may use additional accounts as they are required or permitted to keep for their reporting to other regulatory authorities or to their stockholders providing the board is notified of the nature, amount, and purpose of such accounts in the annual report to the board and at such other times as may be requested by the board."

16.2(6) The definitions for the uniform systems of accounts for electric utilities, when used in accounts 909, Informational and Institutional Advertising Expenses; 913, Advertising Expenses; and 930.1, General Advertising Expenses, are modified to include the following definitions:

"Affiliate" means any person doing business in this state who directly or indirectly controls or is controlled by or is under common control with a public utility.

"Appliance" or *"equipment"* means any device, including a fixture, that consumes electric energy and any ancillary device required for its operation.

"Consideration" means any cash, donation, gift, allowance, rebate, bonds, merchandise (new or used), property (tangible or intangible), labor, service conveyance, commitment, right, or other thing of value.

"Financing" includes acquisition of equity or debt interests, loans, guarantee of loans, advances, sale and repurchase agreements, sale and lease-back agreements, sales on open account, conditional or installment sales contracts, or other investment or extensions of credit.

"Person" includes an individual, group, firm, partnership, corporation, cooperative, association, or other organization, but does not include state or local political subdivisions or municipal corporations.

"Promotional practices" means any consideration offered or granted by a public utility or its affiliate to any person for the purpose, express or implied, of inducing such person to select or use the service or additional service of such utility, or to select or install any appliance or equipment designed to use such utility service; provided that the words "promotional practices" do not include the following activities:

1. Providing repairs and service to appliances or equipment of customers of a public utility in an emergency or to restore service or to prevent hazardous conditions or service interruptions.
2. Inspection and adjustment of appliances or equipment by a public utility.
3. Repairs and other maintenance to appliances or equipment by a public utility that could be performed by an independent appliance dealer or service shop if charges are at cost or above.
4. Providing service, wiring, piping, appliances, or equipment in accordance with tariffs, rules, or regulations of a public utility on file with and approved by the board.
5. Providing appliances, equipment, or instructional services to an educational institution for the purpose of instructing students in the use or repair of such appliances or equipment.
6. Providing discounts or financing to employees of a public utility to encourage their use of the utility's service.
7. Merchandising and related inventorying of appliances or equipment for sale at retail and making and fulfilling reasonable warranties against defects in material and workmanship in appliances or equipment existing at the time of delivery; the elimination of hazardous conditions that due to a grandfather provision would not be corrected by the customer and yet would require correction to protect the public and minimize company liability.
8. The replacement of or alterations to a customer's obsolete or inefficient system.

9. Technical, informational, or educational assistance offered to persons on the use of energy furnished by a public utility or on the use of maintenance of appliances or equipment.

10. Lunches, gifts, door prizes, etc., presented for attendance at informational meetings, conferences, etc., valued at $10 or less are not considered to be a promotional practice.

11. Providing appliances or equipment incidental to exhibitions, demonstrations, tests, or experiments of reasonable duration.

12. Any promotional practice, or program that includes a promotional practice, designed to develop or implement programs that promote energy efficiency and are part of the utility's energy efficiency plan developed pursuant to 199—Chapter 35.

"Public utility" or *"utility"* includes persons defined to be public utilities in Iowa Code section 476.1.

16.2(7) The uniform systems of accounts for electric utilities are modified as follows:

a. 424 Promotional Practices. This account includes the cost of labor, materials used, and expenses or losses incurred by the utility or an affiliate (where such costs are charged back to the company) on promotional practices. Promotional practices, or programs that include promotional practices, and the labor, materials, and expenses related to promotional practices that are exempted by subrule 16.5(2) need not be included in this account. The account includes, but is not limited to, the following items:

(1) The financing of land or the construction of any building when the same is not owned or otherwise possessed by the utility or its affiliate, without board written approval.

(2) The furnishing of consideration to any person for work done or to be done on property not owned or otherwise possessed by the utility or its affiliate, except for the following: studies to determine comparative capital or operating costs and expenses or to show the desirability and feasibility of selecting one form of energy over another, contributions for research and development of new energy sources, etc.

(3) The acquisition from any person of any tangible or intangible property or service for a consideration in excess of the value thereof or the furnishing to any person of any tangible property or service for a consideration of less than the value thereof. "Value" in this instance is defined as the fair market price of the property or service under competitive market conditions and under arm's length conditions.

(4) The furnishing of consideration to any person for the sale, installation, or use of appliances or equipment of one form of energy over another. Employees who are paid a commission in lieu of salary for the initial sale of appliances are exempted.

(5) The provision of free, or at less than cost or value, wiring, piping, appliances, or equipment to any person; provided that a utility, engaged in an appliance merchandising sales program, will not be precluded from conducting legitimate closeouts of appliances, clearance sales, or sales of damaged or returned appliances. All items required by service rules of this board are exempted.

(6) The provision of free, or at less than cost or value, installation, operation, repair, modification, or maintenance of appliances, equipment, wiring or piping to any person. This would not include services provided for the convenience and safety of customers such as gas leak testing, lighting of furnaces, etc.

(7) The granting of a trade-in allowance on the purchase of any appliance or equipment in excess of the reasonable value of the trade-in based on the past experience of a company or the granting of a trade-in allowance for such appliance or equipment when such allowance varies by the type of energy consumed in the trade-in.

(8) The financing of the acquisition of any appliance or equipment at a rate of interest or on terms significantly more favorable than those generally applicable to sales by nonutility dealers in such appliances or equipment.

(9) The furnishing of consideration to any person for any advertising or publicity purpose, except where appropriately classified to another account.

(10) The guaranteeing of the maximum cost of electric utility service, except under published tariffs.

(11) Labor items related to promotional practices:

1. Salary of employees engaged directly or indirectly in promotional practices.
2. Clerical and stenographic work performed in relation to promotional practices.
3. Fees paid to consultants, agents, attorneys, etc., on related promotional practices.

(12) Materials and expenses related to promotional practices:

1. Amounts spent on postage, office supplies, displays, posters, exhibits, etc.
2. Films, movies, photographs prepared for promotional activities.
3. Expenses paid such as lodging, food, entertainment expenses.

4. Transportation by company auto or plane and public transportation of any mode.

b. 426 Miscellaneous Income Deductions. Immediately following the current text and item list, add the following:

(1) 426.7 Promotional Advertising Expenses.

(2) 426.8 Institutional or Goodwill Advertising Expenses.

(3) 426.9 Rate Justification Advertising Expenses.

c. 426.4 Expenditures for Certain Civic, Political, and Related Activities.

(1) This account includes the cost of labor, materials used, and expenses incurred in advertising, whether on a national, regional, or local basis, that is designed to influence public opinion with respect to the election or appointment of public officials or the adoption, repeal, revocation, or modification of referenda, legislation, or ordinances. The account also includes expenditures for influencing the decisions of public officials, but not expenditures as are directly related to appearances before regulatory or other governmental bodies in connection with the utility's existing or proposed operations.

(2) Entries relating to political advertising included in this account contain or refer to supporting documents that identify the specific advertising message. If references are used, copies or scripts of the advertising message shall be readily available to staff, consumer advocate, or any party involved in a discovery proceeding.

(3) Where political advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expenses for such advertising charged to any member or subsidiary that is an Iowa electric utility and included in this account is determined in accordance with the text of this account as set forth in paragraph 16.2(7)*"b."*

(4) Labor items related to political advertising:

1. Preparing material for newspapers, periodicals, billboards, etc., and preparing and conducting motion pictures, radio, and television programs.
2. Preparing booklets, bulletins, etc., used in direct mail.
3. Preparing window and other displays.
4. Clerical and stenographic work.
5. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.
6. Direct supervision of advertising activities.

(5) Material and expenses related to political advertising:

1. Advertising in newspapers, periodicals, billboards, radio, etc.
2. Advertising matters such as posters, bulletins, booklets, and related items.
3. Fees and expenses of advertising agencies and commercial artists.
4. Novelties for general distribution.
5. Postage on direct-mail advertising.
6. Printing of booklets, dodgers, bulletins, etc.
7. Supplies and expenses in preparing advertising materials.
8. Office supplies and expenses.

NOTE: Franchise advertising and related expenses shall be charged to account 913.5. More information can be found in paragraph 16.2(7)*"h"* or FERC account 302, Franchises and Consents.

d. 426.7 Promotional Advertising Expenses.

(1) This account includes the cost of labor, materials used, and expenses incurred in advertising designed to promote or retain the use of utility service, except advertising the sale of merchandise, load factor advertising, or advertising that is part of a promotional practice, or a program that includes a promotional practice, designed to develop or implement programs that promote energy efficiency and are part of the utility's energy efficiency plan developed pursuant to 199—Chapter 35.

(2) Entries relating to promotional advertising included in this account contain or refer to supporting documents that identify the specific advertising message. If references are used, copies or scripts of the advertising message will be readily available to staff, consumer advocate, or any party involved in a discovery proceeding.

(3) Where promotional advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expenses for such advertising charged to any member or subsidiary that is an Iowa electric utility and included in this account will be determined in accordance with the text of this account as set forth in paragraph 16.2(7)*"d."*

(4) Labor items related to promotional advertising include items in numbered paragraphs 16.2(7)*"c"*(4)"1" through "6."

(5) Materials and expenses related to promotional advertising include:

1. Items in numbered paragraphs 16.2(7)*"c"*(5)"1" through "8."

2. Premiums distributed generally, such as recipe books, etc., when not offered as inducement to purchase appliances.

NOTE A: Advertisements that set forth the value or advantages of utility service (without reference to specific appliances or if reference is made to appliances from dealers or refers to appliances not carried for sale by the utility) will be considered sales promotion advertising, and the cost will be charged to this account. However, advertisements that are limited to specific makes of appliances sold by the utility and prices, terms, etc., thereof, without referring to the value or advantages of utility service, will be considered as merchandise advertising, and the cost shall be charged to FERC account 416, Costs and Expenses of Merchandising, Jobbing, and Contract Work.

NOTE B: Advertisements that substantially mention or refer to the value or advantages of utility service, together with specific reference to makes or appliances sold by the utility and the price, terms, etc., thereof, and designed for the joint purpose of increasing the use of utility service and the sales of appliances, will be considered as a combination advertisement, and the costs shall be distributed between this account and FERC account 416, Costs and Expenses of Merchandising, Jobbing, and Contract Work, on the basis of space, time, or other proportional factors.

e. 426.8 Institutional or Goodwill Advertising Expenses.

(1) This account includes the cost of labor, materials used, and expenses incurred in advertising that is designed to create, enhance, or sustain the utility's image or goodwill to the general public or its customers.

(2) Entries relating to institutional or goodwill advertising included in this account contain or refer to supporting documents that identify the specific advertising message. If references are used, copies or scripts of the advertising message will be readily available to staff, consumer advocate, or any party involved in a discovery proceeding.

(3) Where institutional or goodwill advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expense for such advertising charged to any member or subsidiary that is an Iowa electric utility and included in this account will be determined in accordance with the text of this account as set forth in paragraph 16.2(7)*"e."*

(4) Labor items related to institutional or goodwill advertising include items in numbered paragraphs 16.2(7)*"c"*(4)"1" through "6."

(5) Materials and expenses related to institutional or goodwill advertising include items in numbered paragraphs 16.2(7)*"c"*(5)"1" through "8."

Below are examples of the advertising to be included in this account:

1. Pronouncements primarily lauding the utility or the area or community the utility serves.

2. Advertising activities to inform the ratepayers of the social and economic advantages or status of the area or community the utility serves.

3. Advertising activities to inform the public of the utility's participation in programs to improve the economic condition of the area or community the utility serves.

4. Advertising activities to inform the public of the utility's role of good citizenship.

5. Information and routine data supplied by the utility to local governments, planning agencies, civic groups, businesses, and the general public that is not included in account 909, Informational and Instructional Advertisement Expenses. More information can be found in paragraph 16.2(7)*"g."*

6. Advertising activities to inform the public of the utility's consciousness of, or involvement in, health, safety, conservation, or environmental programs, except as included in account 909, Informational and Instructional Advertisement Expenses.

f. 426.9 Rate Justification Advertising Expenses.

(1) This account includes the cost of labor, materials used, and expenses incurred in advertising, whether on a regional or local basis, that is designed to promote public acceptance of utility rate increases or the utility's filed rates. The account also includes all costs incurred by the utility for advertising in opposition to the decision of the regulatory agency. However, the expenses associated with simply informing customers that new rates have been requested will be recorded in FERC account 928, Regulatory Commission Expenses.

(2) Entries relating to rate justification advertising included in this account contain or refer to supporting documents that identify the specific advertising message. If references are used, copies or scripts of the advertising message will be readily available to staff, consumer advocate, or any party involved in a discovery proceeding.

(3) Where advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expense for such advertising charged to any member or subsidiary that is an Iowa electric

utility and included in this account will be determined in accordance with the text of this account as set forth in paragraph 16.2(7)*"f."*

(4) Labor items related to rate justification advertising include items in numbered paragraphs 16.2(7)*"c"*(4)"1" through "6."

(5) Materials and expenses related to rate justification advertising include items in numbered paragraphs 16.2(7)*"c"*(5)"1" through "8."

g. 909 Informational and Instructional Advertising Expenses.

(1) This account is amended to include the cost of labor, materials used, and expenses incurred in advertising activities relating to informing customers of the reasons for and methods whereby energy may be conserved and energy consumption reduced by the consumer; informing the public of the methods by which customers can participate with the utility in preserving and improving the environment; and information as to what the utility urges or suggests customers should do in utilizing electric service to protect their health and safety, and to utilize their electric equipment safely and economically.

1. Included in this account will be advertising activity relating to the electric utility that is related directly to the company's provision of service to the customer during energy, fuel, and related shortages.

2. Advertising that is primarily designed to laud the utility's achievements or projects purporting to preserve or enhance the environment will be recorded in account 426.8. More information can be found in paragraph 16.2(7)*"e."*

(2) Immediately following the current text and items list, "Load Factor Advertising Expenses" is added.

1. This incorporates into the account the cost of labor, materials used, and expenses incurred in advertising activities designed to improve load factor so that plant and equipment already installed can be operated more efficiently and to a greater degree of capability, thereby resulting in lower overall costs to the consumer.

2. This also includes advertising expenditures that are designed to further industrial and commercial development of the company's service area.

(3) Entries relating to conservation, environmental, informational, and load factor advertising included in this account will contain or refer to supporting documents that identify the specific advertising message. If references are used, copies or scripts of the advertising message will be readily available to staff, consumer advocate, or any party involved in a discovery proceeding.

(4) Where conservation, environmental, informational, and load factor advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expense for such advertising charged to any member or subsidiary that is an Iowa electric utility and included in this account will be determined in accordance with the text of this account as set forth in paragraph 16.2(7)*"g."*

(5) Labor items related to conservation advertising include items in numbered paragraphs 16.2(7)*"c"*(4)"1" through "6."

(6) Materials and expenses related to conservation advertising include items in numbered paragraphs 16.2(7)*"c"*(5)"1" through "8."

Below are examples of the advertising to be included in this account:

1. Instructions in the proper use of equipment owned by the utility or the customer that will result in less consumption of energy.

2. Advertising designed to convince consumers to turn down thermostats, turn off lights when not in use, and turn off appliances, television sets, etc., when not in use.

3. Instructions in the proper use of equipment owned by the utility or the customer that makes use of the utility's service.

4. Information as to new rates, billing practices, new inspection, or meter-reading schedules.

5. Notification of emergency conditions and procedures to be followed during the emergency.

6. Advice concerning hazards associated with the utility's electric service.

7. Encouragement for manufacturers to go to night operations.

(7) Excluded from this account and charged to FERC account 930.2, Miscellaneous General Expenses, is the cost of publication of stockholder reports, dividend notices, bond redemption notices, financial statements, and other notices of a general corporate character. Also excluded are all expenses of promotional, institutional or goodwill, and political advertising. More information can be found in paragraphs 16.2(7)*"b,"* 16.2(7)*"d,"* and 16.2(7)*"e,"* which refer to accounts 426.4, Expenditures for Certain Civic, Political and Related Activities; 426.7, Promotional Advertising Expenses; and 426.8, Institutional or Goodwill Advertising Expenses, respectively.

1. Advertising expenses directly related to obtaining a franchise or renewing an old franchise will be charged to FERC account 302, Franchises and Consents. Such amounts shall be maintained in a separate subaccount for ready identification.

2. Advertising expenses directly related to securing of new debt financing will be charged to FERC account 181, Unamortized Debt Expense. Such amounts shall be maintained in a separate subaccount for ready identification.

3. Advertising expenses directly related to securing of new equity financing shall be charged to FERC account 214, Capital Stock Expense. Such amounts shall be maintained in a separate subaccount for ready identification.

h. 913 Advertising Expenses. The entire current text of FERC account 913, Major Expenses (Major Only), is to be deleted, and subaccount 913.5, Franchise Advertising Expenses, is to be added.

(1) This account includes only reasonable advertising expenditures for the purpose of obtaining approval, modification, or revocation of franchises.

(2) Entries relating to reasonable franchise advertising included in this account contain or refer to supporting documents that identify the specific advertising message. If references are used, copies or scripts of the advertising matter will be readily available to staff, consumer advocate, or any party involved in a discovery proceeding.

(3) Labor items related to franchise advertising include items in numbered paragraphs 16.2(7)*"c"*(4)"1" through "6."

(4) Materials and expenses related to franchise advertising include items in numbered paragraphs 16.2(7)*"c"*(5)"1" through "8."

16.2(8) FERC account 421.1, Gain on Disposition of Property, or 421.2, Loss on Disposition of Property, as they are defined and exist in the uniform systems of accounts, will be used to account for the gain or loss on the sale, conveyance, exchange, or transfer of utility or other property, including land and land rights, unless otherwise authorized or required by the board for good cause shown.

16.2(9) FERC account 105, Electric Plant Held for Future Use, of the uniform systems of accounts in 18 CFR Part 101 is modified in subparagraph "D" by deleting the following language: "in account 411.6 or 411.7, as appropriate, except when determined to be significant by the commission. Upon such a determination, the amounts will 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," and substituting in lieu thereof: "in account 421.1, Gain on Disposition of Property, or 421.2, Loss on Disposition of Property, as appropriate unless otherwise authorized or required by the board for good cause shown."

199—16.3(476) Uniform systems of accounts—gas. The uniform systems of accounts for natural gas companies subject to the provisions of the Natural Gas Act, 18 CFR Part 201 published in FERC's rules and regulations, in effect on December 1, 2003, is adopted with the following modifications:

16.3(1) Definition 7 is changed to read: "Commission" means the board except where reference is made to the authority of FERC under the Natural Gas Act and where the board does not have the same or similar authority under Iowa Code chapter 476, where "Commission" means FERC.

16.3(2) Definition 22 is changed to read: "Natural gas company" means a person furnishing gas by piped distribution system to the public for compensation.

16.3(3) General instruction 1-B of the uniform systems of accounts for gas utilities is modified to add the following sentence: "Gas utilities subject to rate regulation by the board shall keep all the accounts of these systems of accounts that are applicable to their affairs, and gas utilities not subject to rate regulation shall keep the accounts of these systems of accounts for operating revenues only."

16.3(4) General instruction 1-D of the uniform systems of accounts for gas utilities is modified by adding the following sentence: "It is recommended but not required that gas utilities not subject to rate regulation keep all applicable accounts in accordance with the FERC uniform systems of accounts 18 CFR Part 201."

16.3(5) General instruction 2-D of the uniform systems of accounts for gas utilities is modified by adding the following sentence: "The gas utilities may use additional accounts as they are required or permitted to keep for their reporting to other regulatory authorities or to their stockholders, providing the board is notified of the nature, amount and purpose of such accounts in the annual report to the board and at such other times as may be requested."

16.3(6) The definitions for the uniform systems of accounts for gas utilities, when used in account 424, Promotional Practices, are modified to include the following definitions:

"Affiliate" means any person doing business in this state who directly or indirectly controls or is controlled by or is under common control with a public utility.

"Appliance" or *"equipment"* means any device, including a fixture, that consumes electric energy and any ancillary device required for its operation.

"Consideration" means any cash, donation, gift, allowance, rebate, bonds, merchandise (new or used), property (tangible or intangible), labor, service conveyance, commitment, right, or other thing of value.

"Financing" includes acquisition of equity or debt interests, loans, guarantee of loans, advances, sale and repurchase agreements, sale and lease-back agreements, sales on open account, conditional or installment sales contracts, or other investment or extensions of credit.

"Person" includes any individual, group, firm, partnership, corporation, cooperative, association, or other organization, but does not include state or local political subdivisions or municipal corporations.

"Promotional practices" means any consideration offered or granted by a public utility or its affiliate to any person for the purpose, express or implied, of inducing such person to select or use the service or additional service of such utility, or to select or install any appliance or equipment designed to use such utility service; provided that "promotional practices" does not include the following activities:

1. Providing repairs and service to appliances or equipment of customers of a public utility in an emergency or to restore service or to prevent hazardous conditions or service interruptions.
2. Inspection and adjustment of appliances or equipment by a public utility.
3. Repairs and other maintenance to appliances or equipment by a public utility that could be performed by an independent appliance dealer or service shop if charges are at cost or above.
4. Providing service, wiring, piping, appliances, or equipment in accordance with tariffs, rules, or regulations of a public utility on file with and approved by the board.
5. Providing appliances, equipment, or instructional services to an educational institution for the purpose of instructing students in the use or repair of such appliances or equipment.
6. Providing discounts or financing to employees of a public utility to encourage their use of the utility's service.
7. Merchandising and related inventory of appliances or equipment for sale at retail and making and fulfilling reasonable warranties against defects in material and workmanship in appliances or equipment existing at the time of delivery; the elimination of hazardous conditions that due to a grandfather provision would not be corrected by the customer and yet would require correction to protect the public and minimize company liability.
8. The replacement of or alterations to a customer's obsolete or inefficient system.
9. Technical, informational, or educational assistance offered to persons on the use of energy furnished by a public utility or on the use of maintenance of appliances or equipment.
10. Lunches, gifts, door prizes, etc., presented for attendance at informational meetings, conferences, etc., valued at $10 or less will not be considered to be a promotional practice.
11. Providing appliances or equipment incidental to exhibitions, demonstrations, tests, or experiments of reasonable duration.
12. Any promotional practice, or program that includes a promotional practice, designed to develop or implement programs that promote energy efficiency.

"Public utility" or *"utility"* includes persons defined to be public utilities in Iowa Code section 476.1.

16.3(7) The uniform systems of accounts for gas utilities are modified to include the following:

a. 424 Promotional Practices. This account includes the cost of labor, materials used, and expenses or losses incurred by the utility or an affiliate (where such costs are charged back to the company) on promotional practices. Promotional practices, or programs that include promotional practices, and the labor, materials, and expenses related to promotional practices that are exempted by subrule 16.5(2) need not be included in this account. The account includes, but is not limited to, the following items:

(1) The financing of land or the construction of any building when the same is not owned or otherwise possessed by the utility or its affiliate without board written approval.

(2) The furnishing of consideration to any person for work done or to be done on property not owned or otherwise possessed by the utility or its affiliate, except for the following: studies to determine comparative capital or operating costs and expenses or to show the desirability and feasibility of selecting one form of energy over another, contributions for research and development of new energy sources, etc.

(3) The acquisition from any person of any tangible or intangible property or service for a consideration in excess of the value thereof or the furnishing to any person of any tangible property or service for a consideration of less than the value thereof. "Value" in this instance is defined as the fair market price of the property or service under competitive market conditions and under arm's length conditions.

(4) The furnishing of consideration to any person for the sale, installation, or use of appliances or equipment of one form of energy over another. Employees who are paid a commission in lieu of salary for the initial sale of appliances are exempted.

(5) The provision of free, or at less than cost or value, wiring, piping, appliances, or equipment to any person; provided that a utility engaged in an appliance merchandising sales program will not be precluded from conducting legitimate closeouts of appliances, clearance sales, or sales of damaged or returned appliances. All items required by service rules of this board are exempted.

(6) The provision of free, or at less than cost or value, installation, operation, repair, modification, or maintenance of appliances, equipment, wiring or piping to any person. This would not include services provided for the convenience and safety of customers such as gas leak testing, lighting of furnaces, etc.

(7) The granting of a trade-in allowance on the purchase of any appliance or equipment in excess of the reasonable value of the trade-in based on the past experience of a company or the granting of a trade-in allowance for such appliance or equipment when such allowance varies by the type of energy consumed in the trade-in.

(8) The financing of the acquisition of any appliance or equipment at a rate of interest or on terms significantly more favorable than those generally applicable to sales by nonutility dealers in such appliances or equipment.

(9) The furnishing of consideration to any person for any advertising or publicity purpose, except where appropriately classified to another account.

(10) The guaranteeing of the maximum cost of gas utility service, except under published tariffs.

(11) Labor items related to promotional practices include:

1. Salary of employees engaged directly or indirectly in promotional practices.
2. Clerical and stenographic work performed in relation to promotional practices.
3. Fees paid to consultants, agents, attorneys, etc., on related promotional practices.

(12) Materials and expenses related to promotional practices include:

1. Amounts spent on postage, office supplies, displays, posters, exhibits, etc.
2. Films, movies, photographs prepared for promotional activities.
3. Expenses paid such as lodging, food, entertainment expenses.
4. Transportation by company auto or plane and public transportation of any mode.

b. 426 Miscellaneous Income Deductions. Immediately following the current text and item list, add the following:

(1) 426.7 Promotional Advertising Expenses.

(2) 426.8 Institutional or Goodwill Advertising Expenses.

(3) 426.9 Rate Justification Advertising Expenses.

c. 426.4 Expenditures for Certain Civic, Political and Related Activities.

(1) Account 426.4 pertains to items in numbered paragraph 16.3(7)*"a"*(12)"1" and paragraph 16.3(7)*"b."* This account will include the cost of labor, materials used, and expenses incurred in advertising, whether on a national, regional, or local basis, that is designed to influence public opinion with respect to the election or appointment of public officials or the adoption, repeal, revocation, or modification of referenda, legislation, or ordinances. The account will also include expenditures for influencing the decisions of public officials not including such expenditures that are directly related to appearances before regulatory or other governmental bodies in connection with the utility's existing or proposed operations.

(2) Entries relating to political advertising included in this account will contain or refer to supporting documents that identify the specific advertising message. If references are used, copies or scripts of the advertising message will be readily available to staff, consumer advocate, or any party involved in a discovery proceeding.

(3) Where political advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expenses for such advertising charged to any member or subsidiary that is an Iowa gas utility and included in this account will be determined in accordance with the text of this account as set forth in paragraph 16.3(7)*"c."*

(4) Labor items related to political advertising:

1. Preparing material for newspapers, periodicals, billboards, etc., and preparing and conducting promotional motion pictures, radio, and television programs.
2. Preparing booklets, bulletins, etc., used in direct mail.
3. Preparing window and other displays.
4. Clerical and stenographic work.

5. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.

6. Direct supervision of advertising activities.

(5) Materials and expenses related to political advertising:

1. Advertising in newspapers, periodicals, billboards, radio, etc.
2. Advertising matters such as posters, bulletins, booklets, and related items.
3. Fees and expenses of advertising agencies and commercial artists.
4. Novelties for general distribution.
5. Postage on direct-mail advertising.
6. Printing of booklets, dodgers, bulletins, etc.
7. Supplies and expenses in preparing advertising materials.
8. Office supplies and expenses.

NOTE: Franchise advertising and related expenses shall be charged to account 913.5 shown in paragraph 16.3(7)*"h"* or FERC account 302, Franchises and Consents.

d. 426.7 Promotional Advertising Expenses.

(1) This account shall include the cost of labor, materials used, and expenses incurred in advertising designed to promote or retain the use of utility service, except advertising the sale of merchandise, load factor advertising, or advertising that is part of a promotional practice, or a program that includes a promotional practice, designed to develop or implement programs that promote energy efficiency and are part of the utility's energy efficiency plan developed pursuant to 199—Chapter 35.

(2) Entries relating to promotional advertising included in this account contain or refer to supporting documents that identify the specific advertising message. If references are used, copies or scripts of the advertising message shall be readily available to staff, consumer advocate, or any party involved in a discovery proceeding.

(3) Where promotional advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expenses for such advertising charged to any member or subsidiary that is an Iowa gas utility and included in this account will be determined in accordance with the text of this account as set forth in paragraph 16.3(7)*"d."*

(4) Labor items related to promotional advertising include items in numbered paragraphs 16.3(7)*"c"*(4)"1" through "6."

(5) Materials and expenses related to promotional advertising include:

1. Items in numbered paragraphs 16.3(7)*"c"*(5)"1" through "8."
2. Premiums distributed generally, such as recipe books, etc., when not offered as inducement to purchase appliances.

NOTE A: Advertisements that set forth the value or advantages of utility service (without reference to specific appliances or if reference is made to appliances from dealers or refers to appliances not carried for sale by the utility) will be considered sales promotion advertising, and the cost will be charged to this account. However, advertisements that are limited to specific makes of appliances sold by the utility and prices, terms, etc., thereof, without referring to the value or advantages of utility service, will be considered as merchandise advertising, and the cost shall be charged to account 416, Costs and Expenses of Merchandising, Jobbing, and Contract Work.

NOTE B: Advertisements that substantially mention or refer to the value or advantages of utility service, together with specific reference to makes or appliances sold by the utility and the price, terms, etc., thereof, and designed for the joint purpose of increasing the use of utility service and the sales of appliances, will be considered as a combination advertisement, and the costs shall be distributed between this account and account 416, Costs and Expenses of Merchandising, Jobbing, and Contract Work, on the basis of space, time, or other proportional factors.

e. 426.8 Institutional or Goodwill Advertising Expenses.

(1) This account shall include the cost of labor, materials used, and expenses incurred in advertising that is designed to create, enhance, or sustain the utility's image or goodwill to the general public or its customers.

(2) Entries relating to institutional or goodwill advertising included in this account contain or refer to supporting documents that identify the specific advertising message. If references are used, copies or scripts of the advertising message shall be readily available to staff, consumer advocate, or any party involved in a discovery proceeding.

(3) Where institutional or goodwill advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expense for such advertising charged to any member or subsidiary that is an Iowa gas utility and included in this account will be determined in accordance with the text of this account as set forth in paragraph 16.3(7)*"e."*

(4) Labor items related to institutional or goodwill advertising include items in numbered paragraphs 16.3(7)*"c"*(4)"1" through "6."

(5) Materials and expenses related to institutional or goodwill advertising include items in numbered paragraphs 16.3(7)*"c"*(5)"1" through "8."

Below are examples of the advertising to be included in this account:

1. Pronouncements primarily lauding the utility or the area or community the utility serves.

2. Advertising activities to inform the ratepayers of the social and economic advantages or status of the area or community the utility serves.

3. Advertising activities to inform the public of the utility's participation in programs to improve the economic condition of the area or community the utility serves.

4. Advertising activities to inform the public of the utility's role of good citizenship.

5. Information and routine data supplied by the utility to local governments, planning agencies, civic groups, businesses, and the general public that are not inclusive in account 909, Informational and Instructional Advertising Expenses. More information can be found in paragraph 16.3(7)*"i."*

6. Advertising activities to inform the public of the utility's consciousness of, or involvement in, health, safety, conservation, or environmental programs, except as included in account 909, Informational and Instructional Advertising Expenses. More information can be found in paragraph 16.3(7)*"g."*

f. 426.9 Rate Justification Advertising Expenses.

(1) This account includes the cost of labor, materials used, and expenses incurred in advertising, whether on a regional or local basis, that is designed to promote public acceptance of utility rate increases or the utility's filed rates. The account also includes all costs incurred by the utility for advertising in opposition to the decision of the regulatory agency. However, the expenses associated with simply informing customers that new rates have been requested are to be recorded in FERC account 928, Regulatory Commission Expenses.

(2) Entries relating to rate justification advertising included in this account contain or refer to supporting documents that identify the specific advertising message. If references are used, copies or scripts of the advertising message will be readily available to staff, consumer advocate, or any party involved in a discovery proceeding.

(3) Where advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expense for such advertising charged to any member or subsidiary that is an Iowa gas utility and included in this account will be determined in accordance with the text of this account as set forth in paragraph 16.3(7)*"f."*

(4) Labor items related to rate justification advertising include items in numbered paragraphs 16.3(7)*"c"*(4)"1" through "6."

(5) Materials and expenses related to rate justification advertising include items in numbered paragraphs 16.3(7)*"c"*(5)"1" through "8."

g. 909 Informational and Instructional Advertising Expenses.

(1) This account is amended to include the cost of labor, materials used, and expenses incurred in advertising activities relating to the following: informing customers of the reasons for and methods whereby energy may be conserved and energy consumption reduced by the consumer; informing the public of the methods by which customers can participate with the utility in preserving and improving the environment; and information as to what the utility urges or suggests customers should do in utilizing gas service to protect their health and safety, and to utilize their gas equipment safely and economically.

1. Included in this account is advertising activity relating to the gas utility that is related directly to the company's provision of service to the customer during energy, fuel, and related shortages.

2. Advertising that is primarily designed to laud the utility's achievements or projects purporting to preserve or enhance the environment will be recorded in account 426.8. More information can be found in paragraph 16.3(7)*"e."*

(2) Entries relating to conservation, environmental, informational, and load factor advertising included in this account will contain or refer to supporting documents that identify the specific advertising message. If references are used, copies or scripts of the advertising message will be readily available to staff, consumer advocate, or any party involved in a discovery proceeding.

(3) Where conservation, environmental, informational, and load factor advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expense for such advertising charged to any member or subsidiary that is an Iowa gas utility and included in this account will be determined in accordance with the text of this account as set forth in paragraph 16.3(7)*"g."*

(4) Labor items related to conservation advertising include items in numbered paragraphs 16.3(7)*"c"*(4)"1" through "6."

(5) Materials and expenses related to conservation advertising include items in numbered paragraphs 16.3(7)*"c"*(5)"1" through "8."

Below are examples of the advertising to be included in this account:

1. Instructions in the proper use of equipment owned by the utility or the customer that will result in less consumption of energy.
2. Advertising designed to convince consumers to turn down thermostats; turn off lights when not in use; and turn off appliances, television sets, etc., when not in use.
3. Instructions in the proper use of equipment owned by the utility or the customer that makes use of the utility's service.
4. Information as to new rates, billing practices, new inspection, or meter-reading schedules.
5. Notification of emergency conditions and procedures to be followed during the emergency.
6. Advice concerning hazards associated with the utility's gas service.

(6) Excluded from this account and charged to FERC account 930.2, Miscellaneous General Expenses, is the cost of publication of stockholder reports, dividend notices, bond redemption notices, financial statements, and other notices of a general corporate character. Also excluded are all expenses of promotional, institutional or goodwill, and political advertising. More information can be found in paragraphs 16.3(7)*"c,"* 16.3(7)*"d,"* and 16.3(7)*"e,"* which refer to accounts 426.4, Expenditures for Certain Civic, Political and Related Activities; 426.7, Promotional Advertising Expenses; and 426.8, Institutional or Goodwill Advertising Expenses, respectively.

1. Advertising expenses directly related to obtaining a franchise or renewing an old franchise will be charged to FERC account 302, Franchises and Consents. Such amounts shall be maintained in a separate subaccount for ready identification.
2. Advertising expenses directly related to securing of new debt financing will be charged to FERC account 181, Unamortized Debt Expense. Such amounts shall be maintained in a separate subaccount for ready identification.
3. Advertising expenses directly related to securing of new equity financing shall be charged to FERC account 214, Capital Stock Expense. Such amounts shall be maintained in a separate subaccount for ready identification.

h. 913.5 Franchise Advertising Expenses.

(1) This account includes only reasonable advertising expenditures for the purpose of obtaining approval, modification, or revocation of franchises.

(2) Entries relating to reasonable franchise advertising included in this account contain or refer to supporting documents that identify the specific advertising message. If references are used, copies or scripts of the advertising matter are to be readily available to staff, consumer advocate, or any party involved in a discovery proceeding.

(3) Labor items related to franchise advertising include items in numbered paragraphs 16.3(7)*"c"*(4)"1" through "6."

(4) Materials and expenses related to franchise advertising include items in numbered paragraphs 16.3(7)*"c"*(5)"1" through "8."

16.3(8) FERC accounts 421.1, Gain on Disposition of Property, and 421.2, Loss on Disposition of Property, as they are defined and exist in the uniform systems of accounts, are to be used to account for the gain or loss on the sale, conveyance, exchange, or transfer of utility or other property, including land and land rights, unless otherwise authorized or required by the board for good cause shown.

16.3(9) FERC accounts 105, Electric Plant Held for Future Use, and 105.1, Production Properties Held for Future Use, of the uniform systems of accounts in 18 CFR Part 201 are modified in subparagraph "D" by deleting the following language: "in accounts 411.6 or 411.7, as appropriate, except when determined to be significant by the Commission. Upon such 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," and substituting in lieu thereof: "in FERC accounts 421.1, Gain on Disposition of Property, or 421.2, Loss on Disposition of Property, as appropriate, unless otherwise authorized or required by the board for good cause shown."

199—16.4(476) Uniform systems of accounts—water. The 1996 uniform systems of accounts for Class A, B, and C water utilities published by the National Association of Regulatory Utility Commissioners (NARUC) uniform systems of accounts are adopted.

199—16.5(476) Filing of promotional practices.

16.5(1) Each public utility subject to rate regulation shall file with the board written documentation describing any proposed new promotional practice as defined in the board's uniform system of accounts no less than 30 days prior to the practice's expected implementation. All practices for which the costs are to be charged to account 424 (electric and gas) will be set forth. The accounts currently being charged with these practices will be listed. The company is to show the following data for each promotional practice:

a. The name, number, or letter designation of each such promotional practice.

b. The class of persons to which such promotional practice is being offered or granted.

c. Whether such promotional practice is being uniformly offered or granted to the persons within such class.

d. A description of such promotional practice, which includes a statement of the terms and conditions governing the same.

e. A description of the advertising or publicity employed with respect to such promotional practice.

f. If such promotional practice is offered or granted, in whole or in part, by an affiliate or other person, the identity of such affiliate or person and the nature of such party's participation.

g. The expiration date of the practice, if known, or an estimated date.

h. Other information relevant to a complete understanding of such promotional practice.

i. The date or estimated date of the beginning of such promotional practices.

16.5(2) Any promotional practice, or program that includes a promotional practice, designed to develop or implement programs that promote energy efficiency and are part of the utility's energy efficiency plan developed pursuant to 199—Chapter 35 will be deemed not to be a promotional practice for purposes of this rule and will be exempt from the requirements of this rule.

199—16.6(476) Compiling advertisements and expenses.

16.6(1) The burden of compiling and classifying advertisements and promotional expenses consistent with this chapter will be borne by public utility companies. In this connection the burden of proof as to the accuracy of such classifications and expenses, as with other cost items, will reside with the utility.

16.6(2) Where a given advertisement or group of advertisements may fall within more than one of the categories defined by the accounts in the Uniform Systems of Accounts—Electric, Gas, Telephone, and Water, as revised by this chapter, the utilities are to apportion the expenses of such advertisements between the categories.

16.6(3) Every advertisement published, broadcast, or otherwise displayed or disseminated to the public by a public utility that is to be paid for by the utility's customers and is not required by the board or other state or federal regulation is to include the following statement: "The cost of this ad will be paid for by the customers of (Company Name)." This requirement will not apply to advertisements for products or services that are or become subject to competition as determined by the board or are treated and accounted for as part of a utility's unregulated operations. When a public utility determines that the costs of an ad are to be charged in part to the customers and in part to the public utility, the public utility displays the following notice: "x% of the cost of this ad will be paid for by the customers of (Company Name)." Any statement included in advertisements under this rule will not affect the ability of the board to determine the proper ratemaking treatment of the cost of the advertisement.

These rules are intended to implement Iowa Code sections 476.1, 476.2, 476.8, 476.9, 476.18, and 546.7.