

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE ADOPTION OF A CELLULAR UNIFORM )  
SYSTEM OF ACCOUNTS AND ANNUAL ) ADM. CASE NO. 301  
REPORT FORM )

O R D E R

On January 15, 1986, the Commission issued an Order establishing this case to adopt a standardized Cellular Uniform System of Accounts ("USoA") and Annual Report form for the cellular companies operating in the Commonwealth. In that Order the Commission requested comments on the National Association of Regulatory Utility Commissioners ("NARUC") Cellular USoA and Annual Report form. The Commission was informed that NARUC had issued a revised Annual Report form and, therefore, on February 6, 1986, the Commission issued an Order requesting comments on the revised form.

The following were initially made parties to this case: the Attorney General's Consumer Protection Division ("AG"), BellSouth Mobility, Inc., ("BellSouth"), Louisville CGSA, Inc., Ameritech Mobile Communications ("Cincinnati SMSA"), Louisville Cellular Telephone Company ("Louisville Cellular"), Southern Ohio Telephone Company ("Southern Ohio"), GTE Mobilnet, Inc., Cincinnati Bell Telephone Company, South Central Bell Telephone Company and Continental Telephone Company of Kentucky. The only motion to intervene was filed by Contel Cellular, Inc.

Comments were filed by Cincinnati SMSA, Southern Ohio, GTE Mobilnet and jointly by BellSouth and Louisville CGSA. A public hearing was conducted at the Commission's offices in Frankfort, Kentucky, on April 22, 1986.

The only participants in attendance at the hearing were the AG, BellSouth and Cincinnati SMSA. Witnesses appearing at the hearing were as follows:

Cincinnati SMSA:

Tim Reedy, Manger of Corporate Accounting  
in the Finance Organization.

John Cusack, Director of External Affairs.

BellSouth:

James Woody, Comptroller.

GENERAL DISCUSSION

The cellular companies that filed written comments argued that they had implemented accounting systems based upon Generally Accepted Accounting Principals ("GAAP") and switching to the NARUC's USoA would be too costly and burdensome. They further argued that the GAAP systems allowed for better financial management and control of their respective companies. When asked how he perceived the differences between the GAAP system used by Cincinnati SMSA and NARUC's USoA, Tim Reedy testified that the two systems are basically the same with the minor differences being in how some expense items are recorded.<sup>1</sup> One example given was

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<sup>1</sup> Transcript of Evidence ("T.E."), April 22, 1986, page 8.

under NARUC's USoA advertising employees salaries would be included in the advertising expense while under the GAAP system it would be included in general salaries.<sup>2</sup> James Woody, when asked the same question, testified that there are basically three differences between NARUC's USoA and BellSouth's GAAP system and they are as follows:

1. Under GAAP, antennas are grouped in with buildings while under NARUC's USoA they are broken out separately.

2. More detail in some expense accounts under GAAP.

3. Different account descriptions.<sup>3</sup>

The Commission concurs with the cellular companies that the GAAP system may allow for better financial management; however, for the Commission's purposes a system is needed with the appropriate cost data to allow for better regulatory review and assessment of the cellular companies' overall operations. NARUC's USoA was designed for regulatory cost review and unlike GAAP, it was designed especially for the cellular industry for regulatory purposes. Further, NARUC's USoA allows for comparability of operation between cellular companies which would not be possible if each cellular company adopts its own system.

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<sup>2</sup> Ibid.

<sup>3</sup> T.E., pages 46-47.

The Commission refers the existing cellular companies to the following General Instructions:

The number prefixed to account titles are solely for convenience of reference, but are not part of the titles. Each licensee may in addition adopt such plan of account numbers as it deems appropriate; provided, however, that it shall keep readily available a list of the account numbers and subdivisions of accounts which it uses and a reconciliation of such numbers and subdivisions with the account numbers and titles provided herein. Further, the records must be so kept as to permit classification or summarization for each accounting period according to the prescribed accounts.<sup>4</sup>

Tim Reedy after being informed of instruction 1.H. testified as follows: "That is what we had hoped for because we can very easily do a translation because our accounts are basically the same".<sup>5</sup> He later stated that converting SMSA's present system to NARUC's system would have a minimal cost.<sup>6</sup> James Woody testified that it would cost BellSouth approximately \$10,000 to reconcile the two systems but that it would be less damaging than a complete switch.<sup>7</sup>

The Commission is of the opinion that the cellular companies presently in operation can maintain their present set of accounts as long as they can provide the Commission a reconciliation and file Annual Reports in conformance with the NARUC USoA. The

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<sup>4</sup> NARUC Cellular USoA, General Instruction 1.H., page 23.

<sup>5</sup> T.E., page 10.

<sup>6</sup> T.E., page 43.

<sup>7</sup> T.E., page 46.

Commission suggests cellular companies not presently in operation should adopt NARUC's USoA in order to avoid the problems of reconciling the accounts for reporting to the Commission.

Another argument was that other state commissions had not imposed a USoA or annual reporting requirement upon the cellular companies. The Commission believes that this is explained by the fact that the cellular industry is in its infancy and, therefore, many of the other commissions are either in the midst of a rule-making process or are planning to implement one in the future as evidenced by the NARUC adoption of a USoA.

The Commission is of the opinion that a review of other commissions' actions is important; however, it is not the only basis for this Commission's actions. The Commission is further of the opinion that it is appropriate to require a unified Cellular USoA and annual reporting and that the Commission is not bound by actions of other state commissions.

The two Northern Kentucky cellular companies argued that since such a small portion of their customer base is actually within the Commission's jurisdiction that it would be burdensome to require them to adopt NARUC's USoA. Presently, the relative portion of customers in Kentucky is smaller than Ohio. However, the number of Kentucky customers should increase as the service grows. Ohio at this time has not exercised jurisdictional control over the cellular companies; however, Kentucky has exercised jurisdiction and it is the Commission's obligation under KRS 278.040 to regulate cellular companies operating in the Commonwealth. Since monitoring and oversight of the cellular companies'

operations is an important function of the Commission's regulatory responsibilities, the Commission is of the opinion that it is important to require that the NARUC USoA be adopted by all cellular companies in the state. While strict GAAP may be adequate for the assessment of a cellular company's earnings, the NARUC USoA provides the Commission with more explicit cost information to assess and monitor the full scope of the cellular company's operations.

GTE Mobilnet, Inc., proposed the addition of several partnership definitions to NARUC's USoA, clarification of specific accounting issues and revisions to NARUC's Annual Report form consisting of 1) changing Account No. 617's title and 2) changing the recording of employee related expenses. The Commission notes that the proposed partnership definitions are the generally accepted definitions and that it would serve no useful purpose to include them in NARUC's USoA. The Commission believes that employee related expenses under NARUC's USoA enables the Commission to better perform regulatory cost analyses and the proposed title change serves no substantial purpose. Therefore, the Commission is of the opinion that GTE Mobilnet did not provide sufficient evidence to persuade the Commission to deviate from NARUC's USoA and Annual Report form, to issue its own revised version. Upon adoption of NARUC'S USoA and Annual Report form, GTE Mobilnet or any of the other cellular companies can request either Commission assistance on specific issues and/or deviation.

The Commission, having considered the evidence of record, finds that:

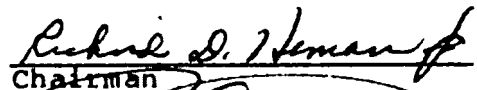
1. NARUC'S USoA and Annual Report form is appropriate in that it will provide for financial consistency between the cellular companies' reports, will provide better regulatory financial review and will enable the Commission to better monitor the cellular industry.

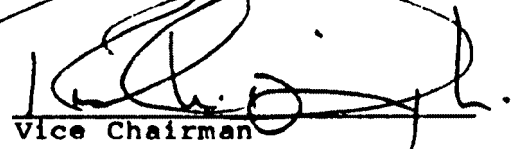
2. The Commission should adopt both NARUC's USoA and Annual Report form.

IT IS THEREFORE ORDERED that each company providing Cellular Radio Telecommunications Service on the wholesale level within the Commonwealth of Kentucky shall maintain its accounting records in accordance with NARUC's Cellular USoA and shall file an annual report form using the form prescribed by NARUC, as adopted by the Commission.

Done at Frankfort, Kentucky, this 26th day of June, 1986.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Secretary