

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADOPTION OF A NEW UNIFORM )  
SYSTEM OF ACCOUNTS FOR )  
KENTUCKY WATER UTILITIES )  
ADMINISTRATIVE  
CASE NO. 314

INTERIM ORDER

On August 27, 1987, the Commission initiated this proceeding to review and possibly adopt a new Uniform System of Accounts ("USoA") for water utilities under its jurisdiction. The proposed system was developed from the 1984 USoA adopted by the National Association of Regulatory Utility Commissioners.

In its Order of August 27, 1987, the Commission requested any interested party or utility under its jurisdiction to file comments regarding the proposed USoA. On December 1, 1987, a hearing was held to investigate all concerns pertaining to the proposed USoA. Those in attendance at the hearing were as follows:

K. Gail Leeco for the Attorney General's Division of Utility Rate Intervention

James M. Honaker for DeWitt and Kenton County Water Districts  
Spencer Coates, CPA, and Charles English for Warren County Water District and the Kentucky Rural Water Association

Gary Larimore for the Kentucky Rural Water Association  
Joe Liles for Simpson County, Grayson County, Butler County and Warren County Water Districts

At the hearing virtually all parties in attendance expressed the same concerns and reservations regarding the proposed USoA. The major concerns expressed at the hearing were as follows:

1. The proposed USoA was designed for privately-owned water utilities and, therefore, does not specifically address the needs of the publicly-owned water utilities.
2. The detailed accounts would be too burdensome for the small utilities to implement and maintain.
3. The proposed accounting treatment of the amortization of contributions in aid of construction would be inconsistent with the Kentucky Supreme Court's decision in the case of Public Service Commission of Kentucky v. Dewitt Water District, Ky., 720 S.W.2d 725 (1986).
4. The proposed matrix system would have no material benefit to the utilities.

The staff, after reviewing the concerns expressed at the hearing and the briefs submitted by the parties of record, held an informal conference on December 22, 1987, in order to seek a compromise with the parties of record. The attendees at the informal conference were the same as those in attendance at the hearing.

The following is a summary of the agreements reached by the staff and the parties of record in attendance at the informal conference:

1. There will be separate USoAs for private and public utilities.

2. There will be a separate Class C USoA (for private and public utilities) with no matrix included.

3. Class A utilities will be those with gross operating revenues greater than \$750,000; Class C utilities will be those with gross operating revenues of less than \$200,000 or with 400 or fewer customers; and Class B will include utilities which are neither A nor C.

4. Class A and B utilities will use similar systems of accounts as originally proposed by the Commission in its Order initiating this proceeding.

5. Contributions in aid of construction for publicly-owned utilities will not be amortized and depreciation expense will not be shown net of depreciation on contributions in aid of construction on the income statement.

6. The adoption of the new USoA should be postponed until 1989.

7. Proposed Annual Report forms will accompany the revised systems.

The Commission, upon careful review and investigation of agreements reached by the staff and the parties of record, is of the opinion that they are fair, just and reasonable to all parties involved and finds that they should be accepted.

IT IS THEREFORE ORDERED that:

1. The agreements reached by the staff and the parties of record be and they hereby are accepted.

2. The staff shall prepare revised USoAs and report forms, as addressed herein, to be issued on or before March 31, 1988.

Done at Frankfort, Kentucky, this 6th day of January, 1988.

PUBLIC SERVICE COMMISSION

Ruel D. Isham Jr.  
Chairman

Robert M. Davis  
Vice Chairman

Susan Williams  
Commissioner

ATTEST:

Executive Director