

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

F I N A L O R D E R

On August 27, 1987, the Commission issued its Order initiating this proceeding to review and 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.

The new USoA was to be effective in 1988 and contained several major changes as compared with the 1976 version currently in use. Such changes included the following:

- (1) The elimination of a utility class system;
- (2) The use of a matrix to establish several series of subaccounts;
- (3) The treatment of depreciation on contributed property whereby such property will eventually be totally amortized;
- (4) The use of subaccounts and the election of partial or full deferral accounting in the treatment of deferred investment tax credits; and

(5) The development of three categories in which to classify deferred income taxes: accelerated amortization, liberalized depreciation and other.

As a result of this proceeding comments were received from several interested parties and affected utilities. A public hearing was held on December 1, 1987 followed by an informal conference held on December 11, 1987. Those in attendance at these meetings were as follows:

R. 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 District and the Kentucky Rural Water Association;

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

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.

On January 6, 1988, the Commission entered an interim Order which adopted revisions to its proposed USOA and called for revised USOAs and report forms to be issued on or before March 31, 1988.

In its Order of March 25, 1988, the Commission issued copies of the revised USOAs and report forms to all parties of record for their review. No comments requesting additional revisions have been filed. The Commission, after careful review of the revised documents, is of the opinion that they should be accepted and should be effective for accounting purposes January 1, 1989 and for reporting purposes effective with the December 31, 1989 Annual Report.

FINDINGS AND ORDERS

The Commission, after consideration of the evidence of record and being advised, is of the opinion and finds that:

1. The revised USoAs and Annual Report forms should be adopted for reporting purposes by all water utilities under the jurisdiction of the Commission.

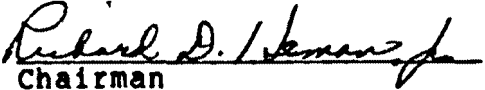
2. The adopted USoAs and Annual Report forms should be effective for accounting purposes January 1, 1989 and for reporting purposes effective with the December 31, 1989 Annual Report.

IT IS THEREFORE ORDERED that:

1. The revised USoAs and Annual Report forms shall be adopted and implemented effective January 1, 1989 for accounting purposes and December 31, 1989 for reporting purposes.

Done at Frankfort, Kentucky, this 13th day of June, 1988.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director