

A meeting of the Public Service Commission was held on this day; present: Chairman Beckham, Commissioners Cammack and McGregor.

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IN THE MATTER OF A CLASSIFICATION OF)
ACCOUNTS FOR PRIVATE ELECTRIC UTILITIES)

ADMINISTRATIVE ORDER NO. 18

OPINION AND ORDER

By the Commission:

This proceeding was instituted February 2, 1937, on the Commission's own motion for the purpose of considering a new classification of accounts for major electric utilities operating in Kentucky under the Commission's jurisdiction. It appears that the Federal Power Commission has adopted a Uniform System of Accounts for Public Utilities, subject to its regulation, which became effective January 1, 1937. This new classification is different in certain respects from the classification heretofore prescribed by this Commission for the same companies. Since this Commission has joint jurisdiction with the Federal Power Commission over most of the major electric companies operating in the State, it is apparent that such companies will be required to maintain two complete sets of books and records if required to follow the two distinct accounting classifications presently required by Federal and State authorities.

While this Commission has jurisdiction over the utilities involved in this matter to require a satisfactory accounting classification and this jurisdiction is not questioned in this proceeding, the Commission desires to impose no unnecessary accounting upon companies subject to both State and Federal regulation. Accordingly, the Commission requested its accountants to survey the possibility of bringing the Kentucky accounting classification into closer accord with the new Federal system. After thorough study, the accountants recommended that the Commission adopt as its own classification, for all privately-owned electric utilities with over \$250,000 gross annual revenues, a system similar to that of the Federal Power Commission, with minor modifications.

A hearing was held at Frankfort, Kentucky, on February 25, 1937, to determine the views of the companies involved in this matter. At this hearing members of the Commission's staff explained the advantages of the proposed change, provided that for a year or two the utilities would maintain such subdivision of accounts as would permit reporting to this Commission on the annual report forms presently in use. This would provide a basis for comparison of results for periods preceding and following the proposed change and would facilitate the work of the Commission.

The utilities represented expressed unanimous approval of the proposal to adopt a new accounting system similar to that of the Federal Power Commission, but contended that reporting on the Commission's present report forms in a manner comparable with prior years would be difficult without maintaining a large number of additional accounts. The companies were also concerned that this requirement might result in confusion among field accounting forces and thereby cause errors in accounting records. The companies

emphasized the burden of accounting work under the more stringent requirements of the new accounting system and pleaded that the Commission impose no additional demands.

Mr. C. W. Smith, Chief of the Bureau of Finance and Accounts, Federal Power Commission, appeared at the hearing on request of the Kentucky Commission. Mr. Smith discussed certain phases of the new Federal Power Commission accounting classification and explained that the Federal Commission is preparing, with the cooperation of the State commissions, a standard annual report form which could be used generally throughout the country. The advantages of a standard form appeared to be appreciated by all companies represented and this Commission also favors adoption of a standard report form provided that special requirements of each State can be satisfactorily handled.

The Commission has withheld final decision in this matter pending review of the proposed standard report form which was recently submitted to the Commission in tentative draft. From present indications, it appears that the standard report form as finally revised, will satisfy the requirements of this Commission. Continuation of reporting on the present report forms would facilitate the work of the Commission, but in consideration of the cost to the utilities and the advantages of the new standard report form, the Commission has decided not to require maintenance of the additional accounts necessary to reporting on the old forms. It is to be understood, however, that the companies will maintain such statistical information as will permit reasonable comparison of operations under the new accounting system with the accounting records of prior years.

The Commission has considered the record in this proceeding and finds that with the minor modifications hereinafter ordered, the system of accounts prescribed by the Federal Power Commission for electric utilities should be prescribed by this Commission for all electric utilities with over \$250,000 gross annual operating revenues and subject to the jurisdiction of this Commission. In prescribing this system of accounts, the Commission does not bind itself to approve any item set out in any account, either as to amount or character, for rate-making purposes or when considering an application for issue of securities.

IT IS THEREFORE ORDERED:

1. That the Uniform System of Accounts prescribed by the Federal Power Commission for Public Utilities and Licensees, adopted June 16, 1936, to be effective January 1, 1937, except as hereinafter modified, be, and it hereby is, adopted and prescribed by the Public Service Commission of Kentucky for all electric companies having annual operating revenues of \$250,000 or more, operating in Kentucky under its jurisdiction, and that said companies be and they are hereby, directed and required on and after January 1, 1938, to keep their accounts and accounting records in conformity with said Uniform System of Accounts as hereinafter modified.

2. That said Electric companies may, during the calendar year 1937 follow the new accounting system hereby adopted and prescribed to be effective January 1, 1938, provided that written notice is given to the Commission on or before August 1, 1937, to this effect.

3. That said electric companies electing to follow the new system of accounts for the calendar year 1937 need not keep the accounts provided in the Uniform System of Accounts now in effect, but the Commission, may, if in its opinion the need thereof arises, require said companies, or any of them, to prepare statements comparing results of operation under the new system of accounts with the results which would have obtained under the system of accounts now in effect.

4. That said electric companies maintain a subdivision of Revenue Account 602 - Commercial and Industrial Sales, to show separately the following:

602.1 Lighting.

A. This account shall include all revenues received for electric service supplied to commercial and industrial customers and billed under commercial lighting rates.

B. Revenues from service billed under lighting rates which permit a limited use of power shall be included in this account.

602.2 Combination Lighting and Power.

This account shall include all revenues received for electric service supplied to commercial and industrial customers and billed under combination lighting and power rates which do not limit the amount of either type of use.

602.3 Power.

A. This account shall include all revenues received for electric service supplied to commercial and industrial customers and billed under power rates.

B. Where feasible, i. e. where a company's rates for various classes of power customers are uniform throughout substantial parts of its territory, this account shall be kept so as to show the revenue received under each rate schedule. Where the company's rates for power service vary in different localities to such an extent as

to make such detail unreasonably burdensome, this account shall be separated as between General Power (account 602.31) and Large Power (account 602.32).

602.31 General Power.

A. This account shall include all revenues received for electric service supplied to commercial and industrial customers and billed under power rates not limited to large installations.

B. Revenues for service billed under such power rates which permit a limited use of lighting shall be included in this account.

602.32 Large Power.

A. This account shall include all revenues received for electric service supplied to commercial and industrial customers under power rates with an availability clause which limits the rate to large customers by requiring a minimum load of 25 kilowatts or more or by establishing a minimum charge based upon such a load, excepting revenues received for electric service furnished for mining operations.

B. Revenues for service billed under such power rates which permit a limited use of lighting shall be included in this account.

602.33 Mine Power.

This account shall include all revenues received for electric power service including incidental lighting furnished for mining purposes.

5. That said electric companies maintain a subdivision of Account - 605 - Sales to Other Electric Utilities, and Account 606 - Sales to Railroads and Railways, to show separately sales to affiliated companies and sales to non-affiliated electric utilities and non-affiliated railroads and railways.

6. That said electric companies shall maintain a subdivision of Account 709.1 - Maintenance of Prime Movers and

Generators - Steam Power Generation, and Account 722.1 - Maintenance of Prime Movers and Generators - Hydraulic Power Generation, to show separately maintenance associated with prime movers and maintenance associated with generators.

7. That from and after January 1, 1938, electric companies having annual operating revenues of \$250,000 or more be, and they hereby are relieved, so far as the Commission has jurisdiction, from keeping their accounts and records in accordance with the Uniform System of Accounts now in effect as adopted by this Commission in its order of September 10, 1936, and that electric companies desiring to follow the new accounting system for the calendar year 1937 be, and they hereby are relieved, from keeping their accounts and records in accordance with said present Uniform System of Accounts.

8. That jurisdiction in this matter is hereby retained to amend this order, if amendment appears reasonable and necessary to the Commission in the light of future developments.

Dated at Frankfort, Kentucky, this 12th day of July, 1937.

PUBLIC SERVICE COMMISSION OF KENTUCKY

By J. W. Beckham
Chairman

James W. Cannon

John B. McHenry
Commissioners.

Attest:

Chas White
Secretary