

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADOPTION OF A NEW UNIFORM SYSTEM OF )  
ACCOUNTS FOR KENTUCKY TELEPHONE ) ADMINISTRATIVE  
COMPANIES ) CASE NO. 310

O R D E R

On March 4, 1987, this proceeding was established in order to gather information on the New Uniform System of Accounts ("USoA") for telephone companies as established by the Federal Communications Commission ("FCC"). The new USoA, entitled Part 32 of the FCC's Rules and Regulations, USoA for Telephone Companies ("Part 32"), is a two-tiered system for Class A and Class B carriers and will be implemented on a flash-cut basis beginning January 1, 1988.

The purpose of this proceeding, as stated in the Order of March 4, 1987, is to investigate the impact of Part 32 on the telephone companies subject to the Commission's jurisdiction and determine the need for any modification to Part 32 for purposes of intrastate reporting. On August 3, 1987, the Commission issued an Order which generated additional information and comment from the parties of record.

The parties of record in this proceeding are as follows: ALLTEL Kentucky, Inc.; Ballard Rural Telephone Cooperative Corporation, Inc.; Brandenburg Telephone Company, Inc.; Cincinnati Bell Telephone Company; Continental Telephone Company of Kentucky;

Duo County Telephone Cooperative Corporation, Inc.; Foothills Rural Telephone Cooperative Corporation, Inc.; General Telephone Company of the South; Harold Telephone Company, Inc.; Highland Telephone Cooperative, Inc.; Leslie County Telephone Company, Inc.; Lewisport Telephone Company, Inc.; Logan Telephone Cooperative, Inc.; Mountain Rural Telephone Cooperative Corporation, Inc.; North Central Telephone Cooperative, Inc.; Peoples Rural Telephone Cooperative Corporation, Inc.; Salem Telephone Company; South Central Bell Telephone Company; South Central Rural Telephone Cooperative Corporation, Inc.; Thacker-Grigsby Telephone Company, Inc.; West Kentucky Rural Telephone Cooperative Corporation, Inc.; AT&T Communications of the South Central States, Inc.; and the Attorney General of the Commonwealth of Kentucky.

#### GENERAL DISCUSSION

After a review of the record, consisting of the parties' comments and responses, the Commission is of the opinion that a hearing in this matter is unnecessary at this time. The data presently available consist of estimates and projections of the impact of implementing Part 32. A hearing at this time, at best, could only generate refinements to these estimates and projections. While no hearing is scheduled, the Order imposes requirements for monitoring purposes and evaluation.

The respondents have urged the Commission to adopt Part 32 without modification effective January 1, 1988, citing massive administrative problems and substantial costs if modification or

delay is required. While the Commission does not wish to impose any undue burdens on the carriers subject to Part 32, it does have some concerns regarding the implementation of Part 32 and the subsequent impact on revenue requirements. Therefore, the Commission will adopt Part 32 for intrastate reporting purposes but will impose various reporting requirements as detailed elsewhere in this Order.

### ISSUES

#### Class A and Class B Systems

The Class B carriers<sup>1</sup> indicated their intent to use the Part 32, Class A, USOA or a derivation thereof which excluded those accounts that were not required for their particular circumstances. The Class B carriers agreed with the Commission's opinion, as stated in the Order of August 3, 1987, that the basic Class B system would not provide adequate detail for their purposes or for the purposes of the Commission.

The respondents misunderstood the statement in the Order of August 3, 1987, that the Commission would, "on a case-by-case basis, consider deviations for Class B carriers showing need for specific modifications." That statement referred to deviating from use of a Class A system and using only a Class B system if a Class B carrier could, in this proceeding, demonstrate a persuasive need to do so. None of the parties responding to the August 3 Order indicated a need to use a Class B-Part 32 USOA.

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<sup>1</sup> Carriers reporting annual revenues less than \$100 million.

The Commission remains of the opinion that a Class B system would be inadequate to meet its needs as well as the needs of Kentucky's Class B carriers. While requiring that all carriers use a Class A system, the Commission recognizes that many Class B carriers will have no need to use all the Part 32-Class A accounts and has no intention of requiring the use of all Class A accounts by Class B carriers. Each carrier should be cognizant of its needs and be able to implement a modified Class A system that is suitable.

The Commission, in order to monitor the implementation of the full and modified Class A systems, will require all carriers to file their charts of accounts for their Part 32 accounting systems. These filings should be made, under the designation of this docket, by December 15, 1987.

#### Capital to Expense Shifts

One point of interest in this proceeding involves the projections of capital to expense shifts that will occur under the Part 32 USOA. In general, the respondents projected minimal shifts from capital to expense with little or no impact on revenue requirements. Such projections are encouraging from the Commission's and ratepayers' perspective; however, these are only projections and are not as useful as actual data which will become available in the coming years.

For purposes of monitoring the capital to expense shifts and related impact of the Part 32 USOA the Commission will impose certain reporting requirements on all carriers. The first requirement will be the filing of basic financial statements - a

balance sheet and income statement - for calendar year 1987 under both the existing Part 31 USOA and the new Part 32 USOA.<sup>2</sup> The Commission will also require the filing of detailed plant and reserve subsidiary records, which support the balance sheet accounts, under both Part 31 and Part 32. These filings will be primarily for informational purposes but will give the Commission an indication of the impact of Part 32 for the most recent historical period available. The due date for filing will be March 31, 1988, the due date for the 1987 Form M annual reports.

#### Changing Revenue Requirements

The Commission is extremely interested in projections of the impact on revenue requirements due to the implementation of Part 32. The approval herein of the Part 32 USOA for intrastate reporting is for accounting purposes only. The Commission has not ruled on any rate-making applications for Part 32 and will reserve any ruling on this issue until future proceedings. All carriers are advised to prepare some means of addressing this issue in their next rate case.

#### Transactions With Affiliates

After review of the record, the Commission believes it is unnecessary, at present, to require modification of Part 32 for recording transactions with affiliates. Part 32 does prescribe

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<sup>2</sup> The Commission recognizes this may involve some estimates for the Part 32 statements; estimates are acceptable so long as they are adequately documented. In the Part 32 income statement revenues and expenses may be summarized as allowed in the Part 32 instructions.

separate reporting for affiliate and nonaffiliate transactions by its requirement that subsidiary record categories be maintained to ensure separate reporting of amounts related to affiliates and nonaffiliates. However, the accounting for transactions with affiliates will be monitored and remains subject to possible modification at some future date.<sup>3</sup>

#### SUMMARY

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

1. The Part 32 USOA should be adopted for intrastate reporting purposes for all Kentucky carriers without modification, effective January 1, 1988.

2. All carriers should adopt the Class A system of accounts. Class B carriers may modify the system of accounts to exclude any unused accounts.

3. The charts of accounts, effective as of January 1, 1988, for all carriers should be filed by December 15, 1987.

4. All carriers should file Part 31 and Part 32 balance sheets and income statements for 1987 by March 31, 1988.

5. All carriers should file detailed plant and reserve records as of December 31, 1987, under both Part 31 and Part 32 by March 31, 1988.

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<sup>3</sup> Charts of accounts should include subsidiary record categories/subaccounts in enough detail to ensure separate reporting of affiliate transactions.

6. Any ruling by this Commission regarding rate recognition of the revenue requirements impact of Part 32 will be reserved until future rate proceedings.

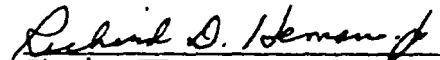
IT IS THEREFORE ORDERED that:

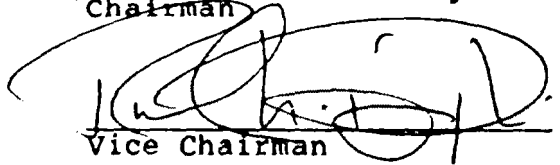
1. The Part 32 USOA shall be adopted and implemented effective January 1, 1988, as set forth in Findings 1 and 2 herein.

2. All affected carriers shall comply with the reporting requirements set forth in Findings 3 through 5.

Done at Frankfort, Kentucky, this 27th day of October, 1987.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Executive Director