

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 December 2, 1987, the Commission granted rehearing in this matter to Cincinnati Bell Telephone Company ("Cincinnati Bell"), General Telephone Company of the South ("General"), and Continental Telephone Company of Kentucky ("Contel") for purposes of reviewing the reporting requirements imposed in the Commission's Order of October 27, 1987. On December 18, 1987, Contel withdrew its application for rehearing while requesting that the Commission provide some flexibility as regards the March 31, 1988, filing deadline established in the October 27, 1987, Order.

COMMENTARY

Filing Requirements

The Commission has indicated its concerns regarding the implementation of the new Part 32 Uniform System of Accounts ("Part 32" or "USoA") and the subsequent impact on the revenue requirements of the affected carriers. Due to these concerns the Commission imposed the reporting requirements set forth in its October 27, 1987, Order. The Commission did not intend to overly burden the carriers and believed that the reporting requirements would greatly assist in evaluating the effects of the new USoA.

As part of the reporting requirements, the Commission ordered the filing of a year-end 1987 balance sheet under Part 32 along with the detailed plant and reserve subsidiary records which support the balance sheet's plant and depreciation reserve accounts. The 1987 year-end balance sheet would become the January 1, 1988, balance sheet and thereby provide the Commission with a starting point for monitoring the new accounting system in its first year of operation. The required subsidiary records would give the Commission an indication of the prospective depreciation changes caused by the implementation of Part 32, thereby allowing the Commission to monitor one of the carriers' most significant expenses under the new USOA. Both Cincinnati and General indicated there would be no problem complying with these requirements by the required filing date of March 31, 1988.

During this proceeding the Commission requested and received estimates of the financial impact of implementing the new USOA. These estimates were based on the carriers' projected operating results for calendar years 1987 and/or 1988. The Commission's intent, by its requirement that a Part 32 income statement be filed, was to update these estimates based on actual, historical operating results for calendar year 1987. At no point, in the October 27, 1987, Order did the Commission require detailed mapping of accounts from the old Part 31 USOA to the new Part 32 or restatement of 1987 operating results on an account-by-account basis.

Despite the Commission's intent and its belief that such detailed work is not required, both General and Cincinnati Bell state that such detail is required in order to prepare a meaningfully accurate 1987 income statement under Part 32. Both General and Cincinnati Bell also contend that such detail would be unduly burdensome and expensive and would not result in any material improvement over their previously filed estimates.

Notwithstanding these contentions the Commission will require that the impact of the change to Part 32 be reported for the carriers' annual operating results based on calendar year 1987's operations. The impact of the change to Part 32 may be presented on an aggregate basis as long as the carriers provide explanations and calculations in support of the estimated impact of the change. The estimates of the impact of the change to Part 32 and all supporting data should be filed with the Commission no later than June 1, 1988. This information will update the estimates previously filed and provide the Commission with a more current indication of Part 32's impact on earnings and revenue requirements.

Affiliate Transactions

General also requested clarification of the Commission's concerns regarding affiliate transactions. The Commission will evaluate the ability to track affiliate transactions under Part 32 through the use of subsidiary record categories required for the payable and receivable accounts. The concern is to maintain the ability to readily identify not only the payables and/or receivables but the ultimate accounting of the revenues and

expenses. If not satisfied with this tracking ability, the Commission may initiate some modification to Part 32 to ensure reliable tracking of costs from affiliate transactions.

SUMMARY

The Commission, based on the evidence of record and being advised is of the opinion and finds that:

1. Finding No. 4 of the Order of October 27, 1987, should be amended to read as follows, "All carriers should file Part 31 and Part 32 year-end balance sheets for 1987 by March 31, 1988."

2. Finding No. 7 should be added to read as follows, "All carriers should file Part 31 income statements for 1987 and estimates of the impact of changing to Part 32 based on actual 1987 operating results by June 1, 1988. Necessary explanations and supporting calculations should be submitted for all estimates."

3. All other findings and orders from the Commission's Order of October 27, 1987, should remain in full force and effect.

IT IS THEREFORE ORDERED that the reporting requirements set forth in the Commission's Order of October 27, 1987, shall be amended in accordance with Findings 1 and 2 herein.

Done at Frankfort, Kentucky, this 25th day of January, 1988.

PUBLIC SERVICE COMMISSION

Richard D. Newman, Jr.
Chairman

Robert M. Davis
Vice Chairman

James W. Wilson, Jr.
Commissioner

ATTEST:

Executive Director