

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of

THE EXPENSING OF STATION CONNECTIONS	)	
RESULTING FROM THE AMENDMENT OF THE	)	CASE NO.
UNIFORM SYSTEM OF ACCOUNTS AS APPLICABLE	)	8354
TO LESLIE COUNTY TELEPHONE COMPANY	)	

O R D E R

On September 17, 1981, the Kentucky Telephone Association ("KTA"), on behalf of 17 telephone companies, filed a request that the Commission establish a generic docket to consider changes resulting from the amendment of Part 31 of the Uniform System of Accounts for telephone companies with respect to the expensing of station connections. Although Leslie County Telephone Company ("Leslie Telco") was not a party to this application, the Commission has determined that a separate docket should be established to consider its application to Leslie Telco.

On October 14, 1979, the Federal Communications Commission ("FCC") released a notice of proposed rulemaking wherein it proposed to amend Part 31 of the Rules and Regulations to modify the accounting treatment afforded station connections. Station connections include the labor, materials (primarily wiring) supplies and other items involved in the installation, disconnection, and reconnection of equipment necessary to connect the customer to the telephone network.

On March 31, 1981, the FCC, in its first report and order in Docket No. 79-105, ordered that inside wiring costs associated

with station connections should no longer be capitalized but expensed. In order to implement this change, the FCC directed that the existing station connection account, Account 232, be divided and maintained in two separate subaccounts entitled "inside wiring" and "other". The FCC further directed that the investment assigned to the inside wiring subaccount be expensed and that portion in subaccount "other" be capitalized.

Prior to this FCC decision, all station connection costs were capitalized in Account 232. This allowed a new customer to enter the system at a price lower than the total cost of installation, with the remaining costs being financed by and recovered from the general subscriber body. As the cost of labor and overhead increased and the population moved more frequently, the balance in this account grew dramatically.

The FCC ordered all carriers subject to its jurisdiction to commence the expensing of all current station connection costs on October 1, 1981. However, being concerned about the burden which would be placed upon such carriers and regulatory agencies as a consequence of immediate implementation, the FCC ordered the carriers to elect between phasing in the expensing over a four-year period or flash cutting the entire cost immediately. However, the FCC order required the carriers to obtain state regulatory agency approval before implementing the flash-cut procedure.

Although the FCC has no ratemaking jurisdiction in the intrastate arena, this Commission has recognized these changes as appropriate. In its decisions in South Central Bell Telephone Company, Case No. 8150, General Telephone Company of Kentucky, Case No. 8045, Cincinnati Bell, Inc., Case No. 8174, and Continental

Telephone Company of Kentucky, Case No. 8182, the Commission adopted the phase-in approach for expensing the current cost of new connections, in order to reduce the immediate impact on the ratepayer and to provide for gradual implementation of this accounting change. The Commission finds no compelling reasons to reconsider its policy in this case.

FINDINGS OF FACT

(1) KTA'S request for a general docket in this matter should be denied, since the Commission has adopted the "phase-in" approach for telephone companies within its jurisdiction;

IT IS THEREFORE ORDERED that the application of The Kentucky Telephone Association for a generic docket in the matter of the expensing of station connections, be and it hereby is denied.

IT IS FURTHER ORDERED that on and after October 1, 1981, Leslie County Telephone Company shall adopt the phase-in approach to the expensing of station connections, and shall maintain its records in Account 232 of the Uniform System of Accounts as directed by the FCC in its Order of March 31, 1981, in Docket No. 79-105.

Done at Frankfort, Kentucky, this 28th day of September, 1981.

PUBLIC SERVICE COMMISSION

Martin M. Vohy  
Chairman

Katherine Randall  
Vice Chairman

L. M. Carrigan  
Commissioner

ATTEST:

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Secretary