COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE DETARIFFING OF CUSTOMER PREMISES EQUIPMENT PURCHASED SUBSEQUENT TO JANUARY 1, 1983 SECOND COMPUTER INQUIRY FCC DOCKET 20828	)))))	ADMINISTRATIVE CASE NO. 257

O R D E R

This proceeding was initiated by an Order dated November 24, 1982, requiring tariff and accounting changes by jurisdictional telephone companies. By an Order dated May 13, 1983, the plan for implementing the required changes filed by 13 small telephone companies was approved.[1]

On May 12, 1983, the four remaining telephone companies who had not previously filed their plans were notified by letter to do

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1 Ballard Rural Telephone Cooperative Corporation, Inc.
Duo County Telephone Cooperative Corporation, Inc.
Foothills Rural Telephone Cooperative Corporation, Inc.
Harold Telephone Company, Inc.
Leslie County Telephone Company, Inc.
Lewisport Telephone Company, Inc.
Logan Telephone Cooperative, Inc.
Mountain Rural Telephone Cooperative Corporation, Inc.
Peoples Rural Telephone Cooperative Corporation, Inc.
Salem Telephone Company
South Central Rural Telephone Cooperative Corporation, Inc.
Thacker-Grigsby Telephone Company, Inc.
West Kentucky Rural Telephone Cooperative Corporation, Inc.

so.[2] (Arrangements for dealing with the tariff and accounting issues raised by the detariffing of customer premises equipment purchased after January 1, 1983, for South Central Bell Telephone Company, General Telephone Company of Kentucky, Cincinnati Bell Telephone Company, Allied Telephone Company of Kentucky, Inc., and Continental Telephone Company of Kentucky had previously been determined in other proceedings.)

On May 17, 1983, Brandenburg Telephone Company ("Brandenburg") filed its accounting methodology. On May 25, 1983, North Central Telephone Cooperative, Inc., ("North Central") and Highland Telephone Cooperative, Inc., ("Highland") requested Commission authorization for their companies to utilize the accounting methodology previously approved for the 13 small telephone companies. On June 14, 1983, Century Telephone Enterprises, Inc., ("Century Telephone") filed its accounting methodology.

The accounting methodology requested by North Central and Highland is identical to the plan thc Commission previously authorized for other small telephone companies and will therefore be accepted subject to a review to identify any needed revisions after the calendar 1983 actual operations report is filed by these companies.

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2 Brandenburg Telephone Company
Highland Telephone Cooperative, Inc.
North Central Telephone Cooperative, Inc.
Century Telephone Enterprises, Inc.

Brandenburg's proposal is less specific and does not specify a new chart of accounts. Brandenburg should therefore adopt the same chart of accounts previously approved for other small telephone companies, as well as the allocation methodologies as set out in the Appendix to this Order.

Century Telephone has formed a separate subsidiary to sell non-regulated customer premises equipment, Century Supply, Inc. ("Century Supply"). However, Century Telephone and Century Supply continue to share common costs which are allocated by various means. In general, the method of allocation proposed by Century Telephone is based on direct allocation or time sheets and closely follows the procedures approved for the larger telephone companies in the Commonwealth. Therefore, Century Telephone's proposal will be accepted subject to the same review as that of the other telephone companies.

As required of the utilities adopting the allocation procedures and accounting methodology of the small utilities, the Commission approved these procedures subject to a review of actual results, and if necessary, may modify the procedures. The initial 13 utilities were required to file these results based on the calendar year 1983 by April 1, 1984. In that this date has passed, the above four utilities may file the results for the calendar year 1983 on or before June 1, 1984.

IT IS THEREFORE ORDERED that the accounting methodology and allocation procedures as proposed by North Central and Highland be and they hereby are approved.

IT IS FURTHER ORDERED that Brandenburg's proposal be and it hereby is denied, and the previously authorized chart of accounts, accounting methodology and allocation procedures approved for other small telephone companies shall be implemented by Brandenburg as set out in the Appendix to this Order.

IT IS FURTHER ORDERED that Century Telephone's proposal be and it hereby is approved.

IT IS FURTHER ORDERED that each of the above four telephone utilities shall file with the Commission its actual results, based on these procedures, for calendar year 1983 on or before June 1, 1984.

Done at Frankfort, Kentucky, this 15th day of May, 1984.

PUBLIC SERVICE COMMISSION

Chairman

Vice Chairman

Commissioner

ATTEST:

Secretary

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN ADMINISTRATIVE CASE NO. 257 DATED 5/15/84

ACCOUNTING PROCEDURES

1. Preface to Accounting Methodology for Non-Regulated Customer Premises Equipment

   The following methods and allocation procedures will be utilized to account for the assets, revenue and expenses of the telephone company distinguishing deregulated activities from those included in rate-making purposes. Specific account numbers are not specified in the body of this document, but are listed on a schedule which is attached. All expense accounts of the telephone company have been reviewed for appropriate allocation to non-regulated accounts. The allocation or proration of expenses may differ according to the nature of the expense.

2. Accounting for Newly Acquired Customer Premises Equipment

   All customer premises equipment acquired on or after January 1, 1983, will be placed in a separate inventory account 124 (inventory held for sale or lease).

3. Unregulated Revenues

   All revenues derived from the sale or lease of deregulated customer premises equipment shall be credited to the non-regulated revenue accounts 316.2.

4. Unregulated Expenses

A. Directly Incurred

All expenses directly incurred for the specific purpose of deregulated customer premises equipment shall be charged directly to the appropriate non-regulated expense accounts shown in Schedule 1.

B. Allocation of Indirect Expenses

1. Maintenance Expenses

All relevant maintenance expenses shall be allocated based on a percentage calculated by dividing the number of deregulated leased stations by the total number of company-provided stations (embedded + deregulated). The company may elect to substitute a time study or the direct charging of time to allocate the labor portion of the equipment expense to the non-regulated side.

2. Depreciation Expense

Prorate the depreciation expense of furniture and office equipment (excluding the depreciation of assets in departments not involved in deregulated activity) based on the procedure used in Section 4B-1 above.

3. House Service Expense

The Business Office House Service Expense will be allocated on the basis of the percentage calculated by the division of the square footage utilized for the display, warehousing and sales of deregulated equipment by the total square footage of the business office and warehouse.

4. Commercial Expense

   Commercial Expenses shall be allocated based on a percentage of non-regulated gross revenues to total revenues. A time study method as discussed in Section 4B-1 above may be used for the allocation should the company elect to do so.

5. General Office Salaries & Expenses

   General Office Salaries & Expenses shall be allocated on a percentage of non-regulated gross revenues to total revenues. A time study method as discussed in Section 4B-1 above may be used for the allocation should the company elect to do so.

6. Other Operating Expenses

   All accounts in this area shall be reviewed and those accounts having a relationship to deregulated activities will be prorated using one of the appropriate methods listed above.

Schedule 1

CHARTS OF NEW ACCOUNTS

PLANT

103.31	Leased Apparatus - Telephones Unregulated
103.32	Leased PBX/Key Apparatus - Unregulated
103.33	Leased Other Unregulated

INVENTORY

124.500	Material Held for Sale or Lease - Telephones Unregulated
124.510	Material Held for Sale or Lease - PBX/Key Unregulated
124.520	Material Held for Sale or Lease - Other Unregulated

RECEIVABLES

120.200	Accounts Receivable - Leased Apparatus Unregulated
120.210	Reserve for Uncollectibles - Unregulated

REVENUES

316.210	Sales Revenue
316.212	Lease Revenue
316.214	Service Charge Revenue

COST OF GOODS SOLD

316.220	Cost of Goods Sold - Telephones
316.221	Cost of Goods Sold - PBX & Key
316.222	Cost of Goods Sold - Other

EXPENSES

316.230	Sales & Administrative Expense
316.235	Installation & Removal Expense
316.240	Maintenance Expense
316.250	Supply Expense
316.540	Depreciation Expense - Leased Apparatus
316.550	Property Taxes - Leased Apparatus
326.120	Non-Operating Federal Income Tax
327.220	Non-Operating State Income Tax

DEPRECIATION EXPENSE

171.31	Accumulated Depreciation - Telephones Unregulated
171.32	Accumulated Depreciation - PBX/Key Unregulated
171.33	Accumulated Depreciation - Other Unregulated

Schedule 2

EXAMPLE JOURNAL ENTRIES

		DEBIT	CREDIT
1.	**PURCHASE OF NEW INSTRUMENTS**		
124.500	Material Held for Sale or Lease-Telephones	25.00	
113.100	Cash		25.00
2.	**SALE OF NEW INSTRUMENT**		
113.100	Cash	34.10	
316.210	Sales Revenue		32.45
159.900	Sales Tax Payable		1.65
316.220	Cost of Goods Sold-Telephones	25.00	
124.500	Material Held for Sale or Lease-Telephones		25.00
3.	**RECORD MONTHLY LEASE OF INSTRUMENT**		
120.200	Accounts Receivable - Leased Apparatus	1.58	
316.212	Lease Revenue		1.50
159.900	Sales Tax Payable		.08
4.	**TO CHARGE OUT INSTRUMENT INSTALLED ON LEASE**		
103.310	Leased Apparatus-Telephones	25.00	
124.500	Material Held for Sale or Lease-Telephones		25.00
5.	**TO RECORD BILLING FOR UNREGULATED SERVICE CHARGES**		
120.200	Accounts Receivable-Leased Apparatus	20.00	
316.214	Service Charge Revenue		20.00
6.	**TO RECORD DEPRECIATION OF LEASED INSTRUMENT**		
316.540	Depreciation Expense-Leased Apparatus (20%)	.52	
171.310	Accumulated Depreciation-Telephones		.52

EXAMPLE JOURNAL ENTRIES (Cont'd)

		DEBIT	CREDIT
7.	RECORDING REMOVAL COSTS OF LEASED EQUIPMENT		
316.235	Installation and Removal Expense	18.00	
605.700	Installation and Removal of Unregulated Apparatus (Removal Costs were charged direct to 605 on time sheet, overheads have been applied by clearing account)		18.00
8.	REMOVING THE ASSET FROM PLANT		
171.310	Accumulated Depreciation - Telephones	25.00	
103.310	Leased Apparatus - Telephones		25.00
124.500	Material Held for Lease or Sale-Telephones	4.00	
171.310	Accumulated Depreciation-Telephones (To record Salvage)		4.00

All Expense Account Allocations calculated from existing accounts that should flow to the unregulated side will be transferred to Account No. 316.230 (Sales & Administrative Expense) with the exception of Account No. 605 (Maintenance) which will be allocated below and Account 704 (Supply) which will be allocated to Account No. 316.250 (Supply Expense).

SECTION A

DIVISION OF EXISTING ACCOUNT 605 - REPAIR OF STATION EQUIPMENT

605.1	Single Line Station Repair
605.2	Key System Repair
605.3	PABX Repair Embedded
605.31	PABX Repair Unregulated
605.4	Station Connection Repair
605.5	Underground Drop Repair
605.6	Pay Station Repair
605.7	Installation & Removal of Unregulated Apparatus

(1) After overheads are applied, the following accounts will be transferred in total as follows:

605.31 to 316.240
605.7 to 316.235

(2) After overheads are applied, the following accounts will be prorated per Commission's Ruling and Unregulated Portions will be transferred as follows:

605.1	to	316.240
605.2	to	316.240