State of Florida

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DIVISION OF APPEALS
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Public Service Commission

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July 20, 1992

ORIGINAL
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Mr. Carroll Webb
Joint Administrative Procedures
Committee
120 Holland Building
Tallahassee, Florida 32399

Re: DOCKET NO. 920296-PU, RULE 25-4.017, F.A.C.

Dear Mr. Webb:

The Commission has approved the adoption of Rule 25-4.017, F.A.C. without changes.

The rule does not have an impact on small business.

Sincerely,

Richard C. Bellak

Richard C. Bellak
Associate General Counsel

920296II.CC
Enclosure
cc: Steve Tribble, Director,
Div. Records & Reporting

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FPSC-RECORDS/REPORTING

25-4.017 Uniform System ~~and Classification~~ of Accounts.

(1) Each telecommunications company shall maintain its accounts and records in conformity with the Uniform System and Classification of Accounts (USOA) as prescribed by the Federal Communications Commission in Title 47, Code of Federal Regulations, Part 32 Class A as adopted on December 2, 1986, and revised as of October 1, 1991, and as modified below. Inquiries relating to interpretation of the USOA shall be submitted in writing to the Division of Auditing and Financial Analysis.

(2) Each company shall establish separate depreciation reserve subaccounts for each corresponding subaccount established in the USOA or by rules of this Commission.

(3) Account 1181, Telecommunications Accounts Receivable - Allowance, shall be maintained on the allowance (reserve) method for uncollectible accounts with concurrent charges being made to Account 5301, Uncollectible Revenue - Telecommunications. This provision shall apply only to the regulated operations of the utility.

(4) A telecommunications company may use a different account numbering system but shall use the same account descriptions as prescribed in the Uniform System and Classification of Accounts or by this Commission. If a different account numbering system is used, a cross reference of the company's system to the Commission's numbering system shall be shown in the company's chart of accounts.

(5) Tax side records shall be maintained for the purpose of

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identifying deferred taxes, and deferred investment tax credits and related recapture, for each plant subaccount identified in the USOA. Deferred taxes shall be separated between major timing differences such as accelerated depreciation, normal spread items and intercompany profit.

(6) Cost allocation side records shall be maintained for the purpose of facilitating cost of service studies and shall include cost allocations of income taxes, other taxes, general and administrative expenses, and other allocated expenses for each expense account and subaccount identified in the USOA or Commission rules.

(7) Each telecommunications company shall notify the Division of Auditing and Financial Analysis in writing of all communications written to or received from the Federal Communications Commission, the Financial Accounting Standards Board, or the Internal Revenue Service, that pertain to accounting procedures, separations procedures, or the USOA. Notification shall be provided by the company as an attachment to the Telephone Earnings Surveillance Report and shall include notice of communications that were sent or received by the company during the calendar month or quarter, whichever is the earnings surveillance reporting period for the company, in which the company's previous surveillance report was filed. If no reportable communications have taken place during the month or quarter, the attachment should state "None". "Communication" includes writings sent or received by the company

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directly or on its behalf by a parent company or representative. Upon request of the Division of Auditing and Financial Analysis, the company shall provide a copy of the written communication to the Division.

(8) Each telecommunications company with more than 100,000 access lines shall notify the Division of Auditing and Financial Analysis, in writing within 45 days of implementation, of each change in accounting methodology, accounting estimates, or underlying assumptions, when the change will alter the company's annual revenue requirements by 25 or more basis points on equity. Notification is not required for changes approved by order of the Commission.

(9) The Annual Report and the Rate of Return Report shall include either a statement that the underlying accounting records and the report were not prepared with reliance upon the Statement of Financial Accounting Standards (SFAS) No. 71, 90 92 or 101; or, where reliance exists on SFAS 71, 90, 92, 101, the utility shall disclose the account and the amount along with a reference to the relied upon statute, rule, order or document for each entry or adjustment.

(10) Each utility shall file, within 60 days of a final order involving accounting matters, a description of all resultant entries and adjustments to the accounting records.

Specific Authority: 350.127(2), F.S.

Law Implemented: 350.115, 364.17, F.S.

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History: Revised 12/1/68, Amended 3/31/76, 8/21/79, 1/2/80, 12/13/82, 12/13/83, 9/30/85, formerly 25-4.17, Amended 11/30/86, 4/25/88, 2/10/92. Amended_____________.

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M E M O R A N D U M

May 21, 1992

TO: DIVISION OF APPEALS (BELLAK)

FROM: DIVISION OF RESEARCH AND REGULATORY REVIEW (HEWITT) *PWH*

SUBJECT: REVISED ECONOMIC IMPACT STATEMENT FOR DOCKET NO. 920296-PU; PROPOSED AMENDMENT TO RULE 25-4.017, FAC, UNIFORM SYSTEM AND CLASSIFICATION OF ACCOUNTS (TELEPHONE)

SUMMARY OF THE RULE

The current rule requires that each telecommunications company maintain its accounts and records in conformity with the Uniform System and Classification of Accounts (USOA) as prescribed by the Federal Communications Commission.

The proposed amendments to the rule would add two requirements. First that the Annual Report and the Rate of Return Report contain either a statement that the underlying accounting records and the report were not prepared with reliance upon the Statement of Financial Accounting Standards (SFAS) No. 71, 90, 92 or 101. Or, where reliance does rest on SFAS 71, 90, 92 or 101, the account and the amount must be disclosed along with a reference to the relied-upon statute, rule, order, or document for each entry or adjustment.

In addition, there would be a requirement that each utility must file, within 60 days of a final order involving accounting matters, a description of all resultant entries and adjustments to the accounting records.

DIRECT COSTS TO THE AGENCY

The Commission should not experience any significant additional costs upon implementation of the proposed amendments. The additional statements and descriptions required should not add to staff paperwork or time but should assist auditing staff in performing their duties and thus save time.

COSTS AND BENEFITS TO THOSE PARTIES DIRECTLY AFFECTED BY THE RULE

The local exchange companies would be directly affected by the proposed changes. A data request was sent to all the affected companies to ascertain the expected economic impact of the proposed rule amendments.

Eight companies responded and four indicated there would be minimal or no impact from the proposed rule. Four companies indicated there would be additional time and expense in attempting to comply with the proposed revisions.

Southern Bell is concerned that the rule revisions would present requirements with which it cannot fully comply. Southern Bell stated that it would be very difficult if not impossible to comply since some of the regulatory assets/liabilities and jurisdictional adjustments relate to pre-Part 32 or pre-divestiture time periods; and they involve changes in account structure and classification. Even if there was an attempt to estimate the amounts for capitalized interest and other capitalized amounts associated with such adjustments, the resulting report may be of limited usefulness because of unreliable estimates. Additional time would be spent on identifying the source or document on which the reliance for the adjustment was placed.

In addition, Southern Bell is concerned about the additional items being placed on the surveillance report and whether the value of the additional reporting requirements would be equal to the cost of reporting them.

Since Southern Bell is unsure that it can fully comply with the rule revisions, it was unable to completely estimate the additional costs. However, the major cost would occur in the initial year of implementation and would consist of labor to implement a system that would provide the information requested. The estimated start-up time would be 8 to 10 weeks for 1 person and the monthly processing and compilation time would be from 6 to 10 hours to prepare. This would total approximately $15,000 in initial start-up costs and an additional $400 per month in processing and compilation costs to produce a report based on the necessary parameters. In addition, Southern Bell would have to determine whether any of its Florida-specific jurisdictional adjustments rely on SFAS 71, which would involve added time and expense.

Quincy Telephone Company believes there would be additional ongoing administrative expenses incurred as a result of the proposed rule revisions but such expenses cannot be identified at this time. In addition, Quincy believes there needs to be clarification as to which orders in Section (10) would be applicable and that the time frame of thirty days may not be sufficient to adequately review and make decisions regarding the necessary entries and adjustments.

Centel stated that relating to reliance on SFAS No. 71, 90, 92 or 101