

FLORIDA PUBLIC SERVICE COMMISSION

Fletcher Building
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Tallahassee, Florida 32399-0850

M E M O R A N D U M

May 21, 1992

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (MAILHOT) DM TSD
DIVISION OF RESEARCH AND REGULATORY REVIEW (HEWITT) JMC
DIVISION OF APPEALS (BELLAK) RCB

RE: DOCKET NO. 920296-PU - PROPOSED AMENDMENT TO RULES
25-4.017, F.A.C., UNIFORM SYSTEM AND CLASSIFICATION OF
ACCOUNTS

AGENDA: 06/02/92

CRITICAL DATES: NONE

CASE BACKGROUND

Staff has proposed amending Rule 25-4.017, F.A.C. with two additional requirements. The first is that the Annual Report and Rate of return Report either contain a statement that the underlying accounting records and the report were not prepared with reliance on SFAS (Statement of Financial Accounting Standards) 71, 90, 92 or 101 or, if relied on, disclosure of the account and amount along with reference to the relied on statute, rule, order, or document for each entry and adjustment.

The amendment also requires that each utility file, within sixty days of a final order involving accounting matters, a description of all resulting entries and adjustments to the accounting records.

The purpose of the above-described requirements is to provide better information to the agency as to how Commission orders are implemented by affected utilities.

CASE DISCUSSION

ISSUE 1: Should the Commission propose the attached amendment to Rule 25-4.017, F.A.C.?

RECOMMENDATION: Yes, the Commission should propose the attached amendment to Rule 25-4.017, F.A.C.

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STAFF ANALYSIS: Staff believes that rule amendment will result in better information to the agency as to implementation of Commission orders by utilities.

ISSUE 2: Should the attached amendment of Rule 25-4.107, F.A.C. be sent to the Secretary of State for adoption if no comments or requests for hearing are received?

RECOMMENDATION: Yes.

RCB:re920296.cc
Attachments

1 **25-4.017 Uniform System and Classification of Accounts.**

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

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

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

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

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

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

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

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

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

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

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

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

24 | **Specific Authority: 350.127(2), F.S.**

25 | **Law Implemented: 350.115, 364.17, F.S.**

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1 | History: Revised 12/1/68, Amended 3/31/76, 8/21/79, 1/2/80,
2 | 12/13/82, 12/13/83, 9/30/85, formerly 25-4.17, Amended 11/30/86,
3 | 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) *BMM*

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

would not provide any new information to the Commission since any reliance on these statements would have come as a direct result of a Commission order. Centel also believes that the filing deadline proposed should be increased to 60 days to allow sufficient time for a company to review and analyze a final order so that all appropriate entries can be determined and receive adequate internal review before being filed. Centel did not give a dollar amount for the additional review, analyses, and reporting. Subsequent to the receipt of responses to the data request, the requirement of filing accounting adjustments related to final commission orders was extended from 30 to 60 days. Therefore the reported impacts associated with these requirements on the companies would be lessened.

Indiantown Telephone System estimated that the additional administrative time resulting from the proposed rule revisions would cost \$500 for preparation of the annual disclosure report, \$125 for preparation of the quarterly disclosure report, and \$1,000 for preparation of the FPSC final order disclosure report.

IMPACT ON SMALL BUSINESSES

No direct impact on small businesses is expected as none of the utilities affected qualify as a small business as defined in Section 288.703(1), Florida Statutes (1991).

IMPACT ON COMPETITION

The estimated additional costs from proposed revisions to the rule should have no impact on competition since the costs were insignificant.

IMPACT ON EMPLOYMENT

There may be some overtime work by some companies to prepare additional reporting requirements but the indicated time should not lead to additional personnel in the telephone industry.

METHODOLOGY

Data requests were sent to the affected telecommunications companies. Discussions were held with knowledgeable Commission staff. The appropriate Florida statutes and Commission rules were reviewed for conformity.

CBH:jdh/e-usoame