State of Florida

Commissioners:
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DIVISION OF APPEALS
DAVID E. SMITH
DIRECTOR
(904) 488-7464

ORIGINAL FILE COPY

Public Service Commission

June 12, 1992

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:

Enclosed are the following materials concerning the above referenced proposed rule:

ACK ____
AFA ____
APP ____
CAF ____
CMU ____
CTR ____
EAG ____
LEG ____
LIN ____
OPC ____
RCH ____
SEC 1
WAS ____
OTH ____

1. A copy of the rules.
2. A copy of the F.A.W. notice.
3. A statement of facts and circumstances justifying the proposed rules.
4. A federal comparison statement.
5. A statement of the impact of the rules on small business.
6. An economic impact statement.

If there are any questions with respect to these rules, please do not hesitate to call on me.

Sincerely,

Richard C. Bellak

Richard C. Bellak
Associate General Counsel

920296PU.CC
Enclosures
cc: Steve Tribble, Director,
Division of Records & Reporting

DOCUMENT NUMBER-DATE
06132 JUN 12 1992
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.

CODING: Wordsunderlined are additions; words in ~~struck through~~ type are deletions from existing law.

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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FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 920296-PU

RULE TITLE:	RULE NOS.:
UNIFORM SYSTEM AND CLASSIFICATION OF ACCOUNTS	25-4.017
RECORDS AND REPORTS IN GENERAL	

PURPOSE AND EFFECT: The purpose and effect of the proposed rule amendment is to provide notice of non-reliance or reliance on certain Statement of Financial Accounting Standards.

SUMMARY: The proposed amendment requires either a statement of non-reliance on Statement of Financial Accounting Standards (SFAS) No. 71, 90, 92 or 101 or, if relied on, disclosure of the account and amount along with the relied - upon statute, rule, order or document for each entry or adjustment. In addition, 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.

RULEMAKING AUTHORITY: 350.127(2), F.S.

LAW IMPLEMENTED: 350.115, 364.17, F.S.

SUMMARY OF THE ESTIMATE OF ECONOMIC IMPACT OF THESE RULES:

There are not expected to be direct impacts on the Commission, small business, additional employment or competition. There would be impact on the local exchange companies. Four responding companies indicated only minimal such impact.

Of the four companies responding in detail, Southern Bell estimated that one person requiring 8 to 10 weeks startup time would require 6 to 10 hours monthly to comply at a cost of $15,000 startup and $400 monthly. Determination of SFAS reliance within the Florida jurisdiction by Southern Bell would require additional time and expenses.

Quincy Telephone Company estimated that compliance would entail additional time and expense.

Centel questioned whether the rule would provide any new information to the Commission since SFAS 71 reliance would be the direct result of a Commission order. Indiantown Telephone System estimated that compliance would cost $500 for the annual disclosure report, $125 for quarterly disclosure and $1000 for the FPSC final order disclosure report.

WRITTEN COMMENTS OR SUGGESTIONS ON THE PROPOSED RULE MAY BE SUBMITTED TO THE FPSC, DIVISION OF RECORDS AND REPORTING, WITHIN 21 DAYS OF THE DATE OF THIS NOTICE FOR INCLUSION IN THE RECORD OF THE PROCEEDING. IF REQUESTED WITHIN 21 DAYS OF THE DATE OF THIS NOTICE, A HEARING WILL BE HELD AT THE DATE AND PLACE SHOWN BELOW:

TIME AND DATE: 9:30 A.M., JULY 17, 1992.

PLACE: Room 122, 101 East Gaines Street, Tallahassee, Florida.

THE PERSON TO BE CONTACTED REGARDING THESE RULES AND THE ECONOMIC IMPACT STATEMENT IS: Director of Appeals, Florida Public Service Commission, 101 East Gaines Street, Tallahassee, Florida 32399.

THE FULL TEXT OF THE THESE RULES IS:

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 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 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.

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______________.

NAME OF PERSON ORIGINATING PROPOSED RULES: DALE MAILHOT

NAME OF SU'ERVISOR OR PERSON(S) WHO APPROVED THE PROPOSED RULES: Florida Public Service Commission.

DATE PROPOSED RULES APPROVED: June 2, 1992

If any person decides to appeal any decision of the Commission with respect to any matter considered at the rulemaking hearing, if held, a record of the hearing is necessary. The appellant must ensure that a verbatim record, including testimony and evidence forming the basis of the appeal is made. The Commission usually makes a verbatim record of rulemaking hearings.

RULES 25-4.017
DOCKET NO. 920296-PU

STATEMENT OF FACTS AND CIRCUMSTANCES JUSTIFYING RULE

The rule amendment will supply needed information to the Division of Auditing and Financial Analysis, thereby increasing efficiency and possibly reducing auditing time.

STATEMENT ON FEDERAL STANDARDS

No conflict with federal standards or impact thereon has been identified.

STATEMENT OF IMPACT ON SMALL BUSINESS

No impact on small business is anticipated.

ATTACHMENT 2

MEMORANDUM

May 21, 1992

TO: DIVISION OF APPEALS (BELLAK)

FROM: DIVISION OF RESEARCH AND REGULATORY REVIEW (HEWITT) PMH

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 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