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#### § 660.0 Background

The revised uniform system of accounts (USOA) is an historical financial accounting system which reports the results of operational and financial events in a manner which enables both management and regulators to assess these results within a specified accounting period. The USOA also provides the financial community and others with financial performance results. In order for an accounting system to fulfill these purposes, it must exhibit consistency and stability in financial reporting (including the results published for regulatory purposes). Accordingly, the USOA has been designed to reflect stable, recurring financial data based, to the extent regulatory considerations permit, upon the consistency of the well established body of accounting theories and principles commonly referred to as generally accepted accounting principles.

#### § 660.1 Basis of the accounts

(a) The financial accounts of a company are used to record, in monetary terms, the basic transactions which occur. Certain natural groupings of these transactions are called (in different contexts) transaction cycles, business processes, functions or activities. The concept, however, is the same in each case; i.e., the natural groupings represent what happens within the company on a consistent and continuing basis. This repetitive nature of the natural groupings, over long periods of time, lends an element of stability to the financial account structure.

(b) Within the telecommunications industry companies, certain recurring functions (natural groupings) do take place in the course of providing products and services to customers. These accounts reflect, to the extent feasible, those functions. For example, the primary bases of the accounts containing the investment in telecommunications plant are the functions performed by the assets. In addition, because of the anticipated effects of future innovations, the telecommunications plant accounts are intended to permit technological distinctions. Similarly, the primary bases of plant operations, customer operations and corporate operations expense accounts are the functions performed by individuals. The revenue accounts, on the other hand, reflect a market perspective of natural groupings based primarily upon the products and services purchased by customers.

(c) In the course of developing the bases for this account structure, several other alternatives were explored. It was, for example, determined that, because of the variety and continual changing of various cost allocation mechanisms, the financial accounts of a company should not reflect an a priori allocation of revenues, investments or expenses to products or services, jurisdictions or organizational structures. (Note also section 661.4 (c) of this Title.) It was also determined that costs (in the case of assets) should not be recorded based solely upon physical attributes such as location, description or size.

(d) Care has been taken in this account structure to avoid confusing a function with an organizational responsibility, particularly as it relates to the expense accounts. Whereas in the past, specific organizations may have performed specific functions, the future environment with its increasing mechanization and other changes will result in entirely new or re-structured organizations. Thus, any relationships drawn between organizations and accounts would become increasingly meaningless with the passage of time.

(e) These accounts, then, are intended to reflect a functional and technological view of the telecommunications industry. This view will provide a stable and consistent foundation for the recording of financial data.

(f) The financial data contained in the accounts, together with the detailed information contained in the underlying financial and other subsidiary records required by this commission, will provide the information necessary to support separations, cost of service and management reporting requirements. The basic account structure has been designed to remain stable as reporting requirements change.

§ 660.2 Order authorizing uniform system of accounts

(a) The attached uniform system of accounts for telephone corporations is hereby prescribed for every telephone corporation (as that term is defined in the Public Service Law) subject to the jurisdiction of this commission and every such telephone corporation is hereby required to keep its records and accounts in conformity therewith.

(b) Each telephone corporation for which this uniform system of accounts is prescribed shall classify, set forth, and carry all assets, liabilities, capital stock, and retained earnings (or noncorporate proprietorship) existing as of the effective date of this uniform system of accounts, as prescribed in such system of accounts.

(c) In prescribing this system of accounts, the commission does not commit itself to the approval or acceptance of any item set out in any account, for the purpose of fixing rates or in determining other matters before the commission. The prescribed system of accounts is designed to set out the facts in connection with the capitalization, construction, income, expenditures, etc., and therefrom the commission will determine, in connection with such matters as may be under advisement from time to time, just what consideration shall be given to the various items in the several accounts.

(d) The system of accounts prescribed by this Part shall become effective as ordered and shall be put into effect by each telephone company affected thereby on January 1, 1988.

§ 660.3 Abstracts from law

(a) *Authority for uniform system of accounts.* This uniform system of accounts for telephone corporations is established and issued by the Public Service Commission under the following provision of the Public Service Law (chapter 48 of the Consolidated Laws):

Section 95, subdivision 2. "The commission may establish a system of accounts to be used by telegraph corporations and telephone corporations, which are subject to its jurisdiction, and are required to make annual reports to it or classify the said corporations, and prescribe a system of accounts for each class and may prescribe the manner in which such accounts shall be kept. It may also, in its discretion prescribe the form of records to be kept by such corporation. Notice of alterations by the commission in the required method or form of keeping accounts shall be given to such corporations by the commission at least six months before the same are to take effect."

(b) *Telephone corporation and telephone line defined.* (1) The Public Service Law defines *telephone corporation* and *telephone line* as follows:

Section 2, subdivision 17. "The term 'telephone corporation', when used in this chapter, includes every corporation, company, association, joint-stock association, partnership and person, their lessees, trustees or receivers appointed by any court whatsoever, owning, operating or managing any telephone line or part of telephone line used in the conduct of the business of affording telephonic communication for hire; excepting, however, any corporation, company, association, joint-stock association, partnership or person, their lessees, trustees or receivers, who or which do not operate the business of affording telephonic communication for profit."

Section 2, subdivision 18. "The term 'telephone line', when used in this chapter, includes conduits, ducts, poles, wires, cables, cross-arms, receivers, transmitters, instruments, machines, appliances and all devices, real estate, easements, apparatus, property and routes used, operated or owned by any telephone corporation to facilitate the business of affording telephonic communication."

Section 5-b. "Corporations formed to acquire property or to transact business which would be subject to the provisions of this chapter, and corporations possessing franchises for any of the purposes contemplated by this chapter, shall be deemed to be subject to the provisions of this chapter although no property may have been acquired, business transacted or franchises exercised."

(2) Whenever the terms telephone corporation and telephone line are used in this system of accounts they shall be understood to have the inclusive meaning given them by the definitions quoted above. The term telephone company or telecommunication company is used in the same sense as telephone corporation.

(c) Attention is directed to the following extract from the Public Service Law:

Section 25. "Penalties. 1. Every public utility company, corporation or person and the officers, agents and employees thereof shall obey and comply with every provision of this chapter and every order or regulation adopted under authority of this chapter so long as the same shall be in force.

2. Any public utility company, corporation or person and the officers, agents and employees thereof that knowingly fails or neglects to obey or comply with a provision of this chapter or any order adopted under authority of this chapter so long as the same shall be in force, shall forfeit to the people of the state of New York a sum not exceeding ten thousand dollars for each and every offense and in the case of a continuing violation, each day shall be deemed a separate and distinct offense.

3. Notwithstanding the provisions of subdivision two of this section, any such public utility company, corporation or person and the officers, agents and employees thereof that knowingly fails or neglects to obey or comply with a provision of this chapter, or an order or regulation adopted under the authority of this chapter, adopted specifically for the protection of human safety, including but not limited to the commission's code of gas safety regulations shall, if it is determined by the commission that such safety violation caused or constituted a contributing factor in bringing about a death or personal injury, forfeit to the state of New York a sum not to exceed the greater of:

(a) twenty-five thousand dollars for each separate and distinct offense; provided, however, that for purposes of this paragraph each day of a continuing violation shall not be deemed a separate and distinct offense. The total period of a continuing violation as well as every distinct violation, shall be similarly treated as a separate and distinct offense for purposes of this paragraph; or

(b) the maximum forfeiture determined in accordance with subdivision two of this section.

4. Not Applicable

5. Penalties provided for pursuant to this section shall be recovered in an action as provided in section twenty-four of this article.

6. Any payment made by a public utility company, corporation or person and the officers, agents and employees thereof as a result of an action as provided in section twenty-four of this article and the cost of litigation and investigation related to any such action shall not be included by the commission in revenue requirements used to establish rates and charges.

7. In construing and enforcing the provisions of this chapter relating to forfeitures and penalties, the act of any director, officer, agent or employee of a public utility company, corporation or person acting within the scope of his or her official duties or employment shall be deemed to be the act of such public utility company, corporation or person."