

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: ACCOUNTING RULES FOR LOCAL EXCHANGE UTILITIES (199 IAC 16.5 and 16.9)	DOCKET NO. RMU-06-3
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ORDER COMMENCING RULE MAKING

(Issued May 17, 2006)

Pursuant to the authority of Iowa Code §§ 17A.4, 476.1D and 476.2 the Utilities Board (Board) proposes to amend 199 IAC 16.5 and 16.9 as described in the "Notice of Intended Action" attached hereto and incorporated herein by reference. The current rule 199 IAC 16.5 adopts a particular version of the Uniform System of Accounts (USOA), with certain modifications, for local exchange telephone utilities that are subject to the Board's jurisdiction. Paragraph 199 IAC 16.5(2)"a" currently provides that all rate-regulated local exchange utilities must keep their accounts consistent with the USOA, as modified by subrules 16.5(1) through 16.5(47). Paragraph 16.5(2)"c" requires local exchange utilities that are not rate-regulated to keep their revenue accounts in a manner consistent with the USOA. Rule 199 IAC 16.9 allows regulated utilities, including local exchange utilities, to use accrual accounting for post employment benefits other than pension only if three specified conditions are met.

In Docket No. WRU-05-52-272, Qwest Corporation (Qwest) requested a waiver of these two accounting rules. Qwest stated that the two accounting rules were adopted when Qwest and other local exchange utilities were subject to cost-of-service regulation and rates were established in general rate case proceedings. Qwest stated that it is no longer subject to cost-of-service ratemaking and the Iowa-specific requirements in the two rules are no longer necessary and serve no purpose. Qwest indicated that compliance with the two accounting rules required significant additional costs and resources which its competitors are not required to expend.

Qwest stated that the Iowa-specific requirements in rule 16.5 require Qwest to keep its books for its Iowa operations differently than required under Federal Communications Commission (FCC) regulations and the rule requires Qwest to follow an outdated version of FCC accounting requirements for Iowa only. Qwest pointed out that the modifications to the USOA found in subrules 16.5(1) through 16.5(47) are also different than current FCC regulations.

Qwest stated that rule 16.9 requires it to comply with conditions and funding for post-employment benefits that are different than those imposed by the FCC. Because of the difference between the Board's rules on post-employment benefits, Qwest is required to account for and fund these benefits differently for Iowa regulatory purposes than it does for FCC regulatory purposes. Qwest requested the waiver to allow it to follow one set of accounting rules for both the FCC and Iowa and thus avoid the additional costs of maintaining two sets of accounts.

On May 17, 2006, the Board granted Qwest's request for a waiver of the accounting requirements of 199 IAC 16.5 and 16.9. The waiver is temporary, to allow time for this rule making to consider eliminating these requirements on a permanent basis. Accordingly, the Board is initiating this rule making proceeding.

IT IS THEREFORE ORDERED:

1. A rule making proceeding identified as Docket No. RMU-06-3 is commenced for the purpose of receiving comments on the proposed amendments in the notice attached hereto and incorporated herein by reference.
2. The Executive Secretary is directed to submit for publication in the Iowa Administrative Bulletin a notice in the form attached to and incorporated by reference in this order.

UTILITIES BOARD

/s/ John R. Norris

ATTEST:

/s/ Margaret Munson
Executive Secretary, Deputy

/s/ Curtis W. Stamp

Dated at Des Moines, Iowa, this 17th day of May, 2006.

UTILITIES DIVISION [199]

Notice of Intended Action

Pursuant to Iowa Code sections 17A.4, 476.1D, and 476.2 the Utilities Board (Board) gives notice that on May 17, 2006, the Board issued an order in Docket No. RMU-06-3, In re: Accounting Rules For Local Exchange Utilities (199 IAC 16.5 and 16.9), "Order Commencing Rule Making." The proposed amendment to 199 IAC 16.5 will remove the current requirements for Iowa-specific accounting rules for local exchange telephone utilities and allow utilities to use either generally accepted accounting principles or the uniform system of accounts adopted by the Federal Communications Commission. The Board is also proposing to amend 199 IAC 16.9 so that it no longer applies to local exchange utilities. The order containing the background and explanation for this rule making can be found on the Board's Web site, www.state.ia.us/iub.

Pursuant to Iowa Code sections 17A.4(1)"a" and "b," any interested person may file a written statement of position pertaining to the proposed amendments. The statement must be filed on or before June 27, 2006, by filing an original and ten copies in a form substantially complying with 199 IAC 2.2(2). All written statements should clearly state the author's name and address and should make specific reference to this docket. All communications should be directed to the Executive Secretary, Iowa Utilities Board, 350 Maple Street, Des Moines, Iowa 50319-0069.

No oral presentation is scheduled at this time. Pursuant to Iowa Code section 17A.4(1)"b," an oral presentation may be requested of the Board, on its own motion and after reviewing the statements, may determine that an oral presentation should be scheduled.

The amendment is intended to implement Iowa Code sections 17A.4, 476.1D and 476.2.

The following amendment is proposed.

Item 1. Rescind rule **199—16.5 (476)**.

Item 2. Adopt **new** rule **16.5** as follows:

199 IAC 16.5 (476) Uniform systems of accounts—telephone

Local exchange utilities subject to regulation by the board shall keep accounts consistent with general accepted accounting principles (GAAP) or the accounting regulations adopted by the Federal Communications Commission. Each local exchange utility shall indicate in its annual report which method of accounting it has adopted and the location of the accounting records associated with Iowa operations.

Item 3. Amend rule **199—16.9 (476)** as follows.

199—16.9 (476) Post-employment benefits other than pensions. Accrual accounting for post-employment benefits other than pensions in accordance with Statement of Financial Accounting Standard No. 106 (SFAS 106) will be permitted where:

1. The accrued post-employment benefit obligations have been funded in a segregated and restricted account or alternative arrangements have been approved by the board.

2. The net periodic post-employment benefit cost and accumulated post-employment benefit obligations have been determined by an actuarial study completed in accordance with the specific methods and outline by SFAS 106.

3. The transition obligation is amortized in accordance with SFAS 106.

4. The requirements of this rule do not apply to a local exchange utility regulated by the board if the utility accounts for its post-employment benefits other than pensions in a manner consistent with the regulations of the Federal Communications Commission.

May 17, 2006

/s/ John R. Norris

John R. Norris
Chairman