

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

<p>IN RE:</p> <p>ACCOUNTING RULES FOR LOCAL EXCHANGE UTILITIES (199 IAC 16.5 and 16.9)</p>	<p>DOCKET NO. RMU-06-3</p>
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**ORDER ADOPTING AMENDMENTS**

(Issued July 26, 2006)

Pursuant to the authority of Iowa Code §§ 17A.4, 476.1D, and 476.2, the Utilities Board (Board) is adopting amendments to 199 IAC 16.5 and 16.9 as described in the "Adopted and Filed" notice attached hereto and incorporated herein by reference. The current rule 199 IAC 16.5 adopts a particular version of the Uniform Systems of Accounts (USOA), with certain modifications, for local exchange telephone utilities that are subject to the Board's jurisdiction. Paragraph 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 16.9 allows regulated utilities, including local exchange utilities, to use accrual accounting for postemployment benefits other than pension if three specified conditions are met.

In this rule making, the Board proposed to remove the current requirements of Iowa-specific accounting rules for local exchange telephone utilities and allow those utilities to use either generally accepted accounting principles (GAAP) or the USOA as adopted by the Federal Communications Commission (FCC). The Board also proposed to remove the requirements in rule 16.9 for local exchange utilities if those utilities account for their postemployment benefits other than pensions in a manner consistent with FCC requirements.

A "Notice of Intended Action" was published in IAB Vol. XXVIII, No. 25 (6/7/06) p. 1795, as ARC 5159B. Comments concerning the proposed amendment were filed by the Consumer Advocate Division of the Department of Justice (Consumer Advocate), Frontier Communications of Iowa, Inc. (Frontier), Qwest Corporation (Qwest), and Iowa Telecommunications Services, Inc., d/b/a Iowa Telecom (Iowa Telecom). No oral presentation was scheduled or requested.

Consumer Advocate stated that it did not object to the proposed amendments. Frontier stated that the accounting rules that were proposed to be amended are no longer needed for ratemaking and no longer serve any purpose. Frontier supported the proposed amendments.

Iowa Telecom stated that it strongly supports the Board's efforts to harmonize accounting rules in Iowa with those of the FCC. Adoption of the proposed amendments will reduce costs and save resources since currently a separate set of books is required for Iowa. Iowa Telecom supported the flexibility the proposed

amendment will allow to keep accounts either by GAAP or USOA. Iowa Telecom also supported bringing the accounts for postemployment benefits other than pensions into conformance with the FCC requirements.

Qwest stated that it agreed with the proposed amendments. Qwest stated further that adoption of the proposed amendments will save resources and costs that are currently associated with keeping separate books for Iowa. Qwest indicated it will no longer be subject to any form of rate regulation in Iowa after July 1, 2008, and Iowa-specific accounts are no longer necessary.

Qwest indicated it has already discontinued jurisdictional specific accounting in North Dakota, South Dakota, Idaho, and Utah and the amendments to rules 16.5 and 16.9 will bring its accounting requirements in Iowa into line with the requirements in those states. In its prayer, Qwest requested that the temporary waivers of rules 16.5 and 16.9 it was granted in Docket No. WRU-05-52-272 be made permanent.

The Board will adopt the amendments as proposed. The comments supported the amendments. The Board cannot grant permanent waivers in this rule making docket and considers the amendments adopted to 16.5 and 16.9 to render the waiver request moot. If Qwest decides there are additional waivers of Board rules that it believes should be waived, it should file a separate pleading with the Board making that request.

**IT IS THEREFORE ORDERED:**

1. The rule making identified as Docket No. RMU-06-3 is adopted.

2. The Executive Secretary is directed to submit for publication in the Iowa Administrative Bulletin an "Adopted and Filed" notice in the form attached to and incorporated by reference in this order.

**UTILITIES BOARD**

/s/ John R. Norris

/s/ Diane Munns

ATTEST:

/s/ Margaret Munson  
Executive Secretary, Deputy

/s/ Curtis W. Stamp

Dated at Des Moines, Iowa, this 26<sup>th</sup> day of July, 2006.

## **UTILITIES DIVISION [199]**

### **Adopted and Filed**

Pursuant to Iowa Code sections 17A.4, 476.1D, and 476.2, the Utilities Board (Board) gives notice that on July 26, 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 Adopting Amendments." The amendment to 199 IAC 16.5(476) removes the current requirements for Iowa-specific accounting rules for local exchange telephone utilities and allows utilities to use either generally accepted accounting principles or the uniform systems of accounts adopted by the Federal Communications Commission. The Board is also amending 199 IAC 16.9(476) so that it no longer applies to local exchange utilities.

A "Notice of Intended Action" with the proposed amendments was published in IAB Vol. XXVIII, No. 25 (6/7/06) p. 1795, as ARC 5159B. Comments concerning the proposed amendment were filed by the Consumer Advocate Division of the Department of Justice, Frontier Communications of Iowa, Inc., Qwest Corporation, and Iowa Telecommunications Services, Inc., d/b/a Iowa Telecom. No oral presentation was scheduled or requested.

The commenters stated they either did not object to the amendments or supported the amendments. The comments indicated the amendments would result in cost savings for local exchange telephone companies. The order containing a

discussion of the comments can be found on the Board's Web site,  
[www.state.ia.us/iub](http://www.state.ia.us/iub).

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

These amendments shall become effective September 20, 2006.

The following amendments are adopted.

Item 1. Rescind rule 199—16.5(476) and adopt the following **new** rule in lieu thereof:

**199 IAC 16.5(476) Uniform systems of accounts—telephone.** Local exchange utilities subject to regulation by the board shall keep accounts consistent with generally 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 2. Amend rule 199—16.9 (476) as follows.

**199—16.9(476) Postemployment benefits other than pensions.**

16.9(1) Accrual accounting for postemployment benefits other than pensions in accordance with Statement of Financial Accounting Standard No. 106 (SFAS 106) will be permitted where:

4 a. The accrued postemployment benefit obligations have been funded in a segregated and restricted account or alternative arrangements have been approved by the board.

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

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

16.9(2) The requirements of this rule do not apply to a local exchange utility regulated by the board if the utility accounts for its postemployment benefits other than pensions in a manner consistent with the regulations of the Federal Communications Commission.

July 26, 2006

/s/ John R. Norris

John R. Norris  
Chairman