

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Petition for Exemption from WAC 480-120-128, Deposit Administration

Docket No. UT-

**QWEST CORPORATION'S
PETITION FOR EXEMPTION**

1 Qwest Corporation (“Qwest”) hereby petitions the Washington Utilities and Transportation Commission (“Commission”) for an exemption from provisions of WAC 480-120-128(2) as that rule pertains to interest on deposits between January 1, 2005 and January 18, 2005.

I. THE RULE

2 WAC 480-120-128 became effective on July 1, 2003.¹ It contains requirements for the administration of customer deposits.

3 As adopted by the Commission on December 12, 2002, WAC 480-120-128 subsection (2) read as follows:

(2) **Interest on deposits.** Companies that collect customer deposits must pay interest on those deposits calculated:

(a) For each calendar year, at the rate for the one year Treasury Constant Maturity calculated by the U.S. Treasury, as published in the Federal Reserve’s Statistical Release H.15 on January 15 of that year. If January

¹ *In the Matter of Amending, Adopting and Repealing Chapter 480-120 WAC Relating to Telephone Companies*, Docket UT-990146, General Order No. R-507, Order Amending, Adopting and Repealing Rules Permanently, filed with the Code Reviser’s Office December 12, 2002.

15 falls on a nonbusiness day, the company will use the rate posted on the next following business day; and

(b) From the date of deposit to the date of refund or when applied directly to the customer's account.

4 WAC 480-120-128 was recently amended by the Commission on January 10, 2005,² with an effective date 31 days following the filing of the Order with the Code Reviser. WAC 480-120 subsection (2) was amended as follows:

(2) **Interest on deposits.** Companies that collect customer deposits must pay interest on those deposits calculated:

a) For each calendar year, at the rate for the one-year Treasury Constant Maturity as of November 15 of the previous year, as calculated by the U.S. Treasury (~~(-as)~~) and published in the Federal Reserve's Statistical Release H.15 (~~(on January 15 of that year. If January 15 falls on a nonbusiness day, the company will use the rate posted on the next following business day)~~); and

(b) From the date of deposit to the date of refund or when applied directly to the customer's account.

II. DISCUSSION

5 WAC 480-120-128(2), as adopted by the Commission on July 1, 2003, requires companies to apply interest to customer deposits based on the one-year Treasury Constant Maturity calculated by the U. S. Treasury on January 15 of each year. Because the new deposit interest rate is not known until January 15th of each calendar year and the new interest rate applies to deposits held during the entire calendar year, Qwest must re-rate deposit interest refunds during the first half of January in each calendar year to be in compliance with the Commission's rule. Because the re-rate is both awkward and costly to administer, Qwest sought and received the amendment to the rule that is discussed above in Docket UT-040015.

Under the newly amended rule, telecommunication companies will use a deposit interest rate

² *In the Matter of Amending, Adopting and Repealing Rules in Chapter 480-120 WAC, Chapter 480-122 WAC, and Chapter 480-80 WAC Relating to Telecommunications*, Docket UT-040015, General Order No. R-516, Order Amending, Adopting and Repealing Rules Permanently, filed with the Code Reviser's Office January 10, 2005.

that is determined as of November 15th of the previous year, effectively eliminating any need Qwest has to re-rate deposit interest refunds the first half of January in the current calendar year. In this Petition, Qwest requests that the Commission grant it a waiver of the previous version of WAC 480-120-128(2) and to allow Qwest's application of the 2004 interest rate on deposit refunds paid between January 1, 2005 and January 18, 2005, to stand.

6 The interest rate that Qwest applied for interest on deposit refunds between January 1, 2005 and January 18, 2005, was 1.18%, the Treasury Constant Maturity rate as of January 15, 2004. The Treasury Constant Maturity rate as calculated by the U.S. Treasury as of January 15, 2005, as required under the previous rule, is 2.90%.³ Applying the difference in the interest rate to the 921 customer accounts where Qwest refunded deposits plus interest during the first 18 days of January results in a remittance liability to Qwest of \$36.17, if Qwest was required to true-up the interest rate and refund the difference. Potential remittance amounts range from \$0.01 to \$1.02 per account, with the average remittance estimated to be approximately \$0.04.

7 Qwest's preliminary estimate of the cost to apply the difference in deposit interest rates to customer refunds issued between January 1, 2005 and January 18, 2005 is approximately \$2,600.00. This cost includes the cost to develop a batch file to issue an additional adjustment to live accounts, plus 74 employee hours to look up each final account to determine whether a balance is still owing and whether a refund check should be issued. This cost does not include any additional action that may be required to locate customers who may have fallen out of the live account batch file, nor does it include the cost to issue an adjustment on a final account, nor the cost to issue a refund check if appropriate, plus postage. These additional actions would significantly increase the cost of providing refunds.

³ January 15, 2005 was a Saturday. Monday, January 17, 2005 was a federal/state holiday. As such, January 18, 2005 was the date used for the one year Treasury Constant Maturity rate for 2005.

In light of the upcoming change in the rule to eliminate precisely this type of uneconomic remittance and the costs associated with remitting very small amounts to the affected customers between January 1, 2005 and January 18, 2005, Qwest believes that the public interest would best be served by granting its Petition.

III. CONCLUSION

8 Qwest seeks a temporary exemption from the requirements of WAC 480-120-128(2) pertaining to the calculation and application of the interest rate on deposits between January 1, 2005 and January 18, 2005, and allow Qwest to let stand its application of the interest rate from 2004. The effect on customers of granting this petition is *de minimus* and it would enable Qwest to avoid costs and administrative activities it would otherwise have to incur through no fault of its own.

DATED this _____ day of February, 2005.

QWEST

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