

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of)	DOCKET NO. UT-050259
)	
Qwest Corporation)	ORDER NO. 01
)	
Petitioner,)	
)	
Seeking Exemption from the)	
Provisions of WAC 480-120-128(2))	ORDER GRANTING
Relating to Interest on Deposits)	EXEMPTION FROM RULE
.....)	

BACKGROUND

- 1 On February 16, 2005, Qwest Corporation (Qwest or the Company) filed a petition requesting exemption from WAC 480-120-128(2).

- 2 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.

- 3 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 is 2.90%. 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.

- 4 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.
- 5 The rule was amended in Docket A-040015 and was effective February 10, 2005. Under this amended language, beginning the year 2006 telecommunications companies will use a deposit interest rate that is determined as of November 15th of the previous year.
- 6 Commission Staff reviewed the request and recommended granting Qwest's request for exemption. Because the change in the rule that would eliminate the need for a remittance and the costs associated with remitting very small amounts to the affected customers between January 1, 2005, and January 18, 2005, did not go into effect until after January 1, 2005, Staff believes that the public interest would best be served by granting Qwest's Petition. Therefore, Staff recommends the Commission grant Qwest's request for a one-time exemption of WAC 480-120-128(2) as it applies to the difference in deposit interest rates to customer refunds issued between January 1, 2005, and January 18, 2005.

FINDINGS AND CONCLUSIONS

- 7 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate rates, rules, regulations, practices, accounts, securities, and transfers of public service companies, including telecommunications companies. *RCW 80.01.040; Chapter 80.04 RCW and Chapter 80.36 RCW.*
- 8 (2) Qwest is engaged in the business of providing telecommunications services within the state of Washington and is a public service company subject to the jurisdiction of the Commission under the provisions of Chapter 80.36 RCW.
- 9 (3) Qwest is subject to the provisions of WAC 480-120-128(2), requiring 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.
- 10 (4) WAC 480-120-015 provides that the Commission may grant an exemption from the provisions of any rule in Chapter 480-120 WAC, if consistent with the public interest, the purposes underlying regulation and applicable statutes.
- 11 (5) This matter was brought before the Commission at its regularly scheduled meeting on April 13, 2005.
- 12 (6) After review of the petition filed in Docket UT-050259 by Qwest on April 13, 2005, and giving due consideration, the Commission finds that the exemption is reasonable and should be granted.

ORDER

THE COMMISSION ORDERS:

- 13 (1) After the effective date of this Order, Qwest Corporation is granted an exemption from WAC 480-120-128(2), requiring 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.
- 14 (2) This exemption is subject to the following condition(s). The exemption is for this one time only. Qwest Corporation will be subject to the rule in effect as of February 13, 2005, for the year 2006.
- 15 (3) The Commission retains jurisdiction over the subject matter and Qwest Corporation to effectuate the provisions of this Order.

The Commissioners, having determined this Order to be consistent with the public interest, directed the Secretary to enter this Order.

DATED at Olympia, Washington, and effective this 13th day of April, 2005.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

CAROLE J. WASHBURN, Secretary