

UT-990146
Chapter 480-120 - Telephone Companies

ACCOUNTING RULES
WAC 480-120-031, 032, 033, 036, 058, 136, X01, X02, X09
Legislative Draft

July 20, 2000

WAC 480-120-031 Non-competitive companies - Accounting.

~~(12) Except as provided in this rule, for accounting purposes non-competitive companies must use the Uniform System of Accounts (USOA) for Class A and Class B Telephone Companies published by the Federal Communications Commission (FCC) and designated as Title 47, Code of Federal Regulations, Part 32, (47 CFR 32, or Part 32) effective October 1, 1991 1998, is hereby prescribed for book and recording purposes for telecommunications companies in the state of Washington. A company wishing to use accounting methods not authorized in this rule for book and recording purposes must petition for, and receive, commission approval before implementing the change. This includes the adoption of any changes to the USOA made by the FCC after October 1, 1991, and includes the use of Generally Accepted Accounting Principles (GAAP) that are not adopted in the October 1, 1991, version of the USOA. The commission will ordinarily consider implementation of GAAP procedures on a case-by-case basis. Class B companies may use Class A accounting. Non-competitive companies wishing to adopt changes to the USOA made by the FCC after the October 1, 1998, must petition for and receive commission approval.~~

~~The accounting rules for book and recording purposes do not dictate intrastate ratemaking. Copies of Part 32 (effective October 1, 1991) are available for examination at the WUTC library.~~

~~(21) Telecommunications The commission classifies non-competitive companies operating within this state shall be classed by access lines as follows:~~

Class	<u>Number of Access Lines as of December 31 from prior year's annual report</u>
A	<u>In Excess of 10,000 <u>2% or more</u> of state access lines</u>
B	<u>Less than 10,000 <u>Less than 2%</u> of state access lines</u>

For example:

<u>Company X access lines as of 12/31/98</u>	<u>33,823</u>
<u>Divided by</u>	<u> </u>
<u>Total state access lines as of 12/31/98</u>	<u>3,382,320</u>
<u>Equals company access lines as a percentage of total access lines.</u>	<u>1%</u>

Therefore, company X is a Class B company.

Upon authorization by the commission, a company presently classified by the commission as a Class B company but desiring more detailed accounting may adopt the accounts prescribed for Class A companies. Class B companies authorized to adopt the accounts prescribed for Class A companies shall be required to comply with the more detailed accounting specified for Class A companies. Any election to the contrary notwithstanding, the commission reserves the right to require any company to comply with the accounting requirements applicable to Class A companies.

(3) Jurisdictional differences. For Account 7910--Income effect of jurisdictional ratemaking differences--Net; Account 1500--Other jurisdictional assets--Net; Account 4370--Other jurisdictional liabilities and deferred credits--Net, and in a subaccount of Account 4550--Retained earnings, the exchange telecommunications companies operating in this state shall keep subsidiary accounts and records reflecting in separate accounts, subaccounts, and subsidiary records, the Washington intrastate differences in amounts arising from the departure of this commission for booking and/or ratemaking purposes from FCC prescribed accounting. Separate subaccounts shall be kept for each difference. Examples include, but are not limited to, separate accounting for the booking of an allowance for funds used during construction (AFUDC) for short-term construction work in progress (Account 2003, formerly subdivision (1) of Account 100.2); flow-through accounting of tax timing differences to the extent permitted by tax regulations (unless specific exceptions to the flow-through requirement have been granted or required by the commission); elimination of excess profits for affiliated transactions; or such other company specific ratemaking or accounting treatment ordered by the commission in any case involving the rates of a specific company, or in other accounting directives issued by the commission. The commission modifies Part 32 as follows:

(a) All local exchange telecommunications companies shall account as of January 1, 1988, for any embedded jurisdictional ratemaking differences by incorporating any previous jurisdictional differences side-records accounts, and any other accounting directives made by the commission, into the appropriate jurisdictional differences account. Any reference in Part 32 to "Commission," "Federal Communications Commission," or "Common Carrier Bureau" means the Washington

Utilities and Transportation Commission.

~~(b) All companies shall keep subsidiary records as may be necessary to report readily the source of Washington intrastate local exchange network services revenues by residential and business class of service. Non-competitive companies must keep subsidiary records to reflect Washington intrastate differences when the commission imposes accounting or ratemaking treatment different from the accounting methods required in WAC 480-80-031(2). Non-competitive companies must maintain subsidiary accounting records for:~~

- ~~(i) Residential basic local service revenues;~~
- ~~(ii) Business basic local service revenues;~~
- ~~(iii) Access revenues for each universal service rate element;~~
- ~~(iv) Special access revenues; and~~
- ~~(v) Switched access revenues for each rate element.~~

~~(c) All telecommunication companies subject to this rule shall keep subsidiary accounts in Account 5084--State access revenue, showing separately the following: Intrastate revenues from end users (subscriber line charges); special access revenues; interLATA and intraLATA switched access revenues, identified as revenue derived from the carrier common line and Universal Service Fund rate elements, and revenue derived from all other switched access rate elements; intercompany settlements; and other access revenues. Part 32 section 24, compensated absences, is supplemented as follows:~~

~~(i) Non-competitive companies must record a liability and charge the appropriate expense accounts for sick leave in the year in which the sick leave is used by employees.~~

- ~~(ii) Non-competitive companies must keep records for:
 - ~~(A) Compensated absences that are actually paid.~~
 - ~~(B) Compensated absences that are deductible for federal income tax purposes.~~~~

~~(d) Any company filing with the FCC reports in compliance with the requirements of Part 32, Paragraph 32.25 of Subpart B, Unusual Items and Contingent Liabilities, relating to extraordinary items, prior period adjustments, or contingent liabilities shall file a copy of such report concurrently with this commission. Non-competitive companies with multistate operations must keep accounting records that provide Washington results of operations. The methods used to determine Washington results of operations must be acceptable to the commission.~~

~~(e) As to a leased asset which is or has been used in the provision of utility service, unless an alternate accounting treatment has been specifically approved by the commission, any company which capitalizes leases in accordance with FASB-13 shall capitalize such leases at the lower of their original cost or the present value of the minimum lease payments. For purposes of this section "original cost" is defined as the net book value of the leased property to the lessor at the inception of the lease. If all efforts by a company to obtain original cost information fail, and the original cost can not be reasonably estimated, then the companies will file a request with the~~

~~commission seeking approval to record the asset at the lower of the fair market value of the asset or the present value of the minimum lease payments:~~

~~When the asset in question has never been used in the provision of utility service, any company which capitalizes leases in accordance with FASB-13 shall capitalize such leases at the lower of their fair market value or the present value of the minimum lease payments. Part 32 section 32.11(a) is replaced by section (1).~~

~~(f) Unless specific exceptions are granted, or required, all companies shall keep records for ratemaking and/or booking purposes which flow-through tax benefits to the extent permitted by federal tax regulations. Any jurisdictional ratemaking differences, created by this rule, shall be reflected in accounts provided in Part 32 for jurisdictional differences, more specifically Accounts 1500, 4370, and 7910. See (g) and (k) of this subsection for further exceptions to this rule. Part 32 section 32.11(d) and (e) are replaced by section (1).~~

~~(g) As to compensated absences and sick pay, if payment of nonvesting accumulated sick pay benefits depends on the future illness of an employee, companies shall not accrue a liability for such an expense for purposes of portraying results of operations until such sick pay is actually paid. In addition, if a company accrues expenses for compensated absences before such expenses are actually deductible for federal income tax purposes, then an exception to the flow-through accounting requirement in (f) of this subsection is required. In such a case, a normalized tax accounting treatment will be required. The commission does not require Part 32 section 32.2000(b)(4).~~

~~(h) No depreciation expense will be allowed for ratemaking purposes on amounts included in Account 2002--Property held for future telecommunications use. If a company records depreciation on amounts in this account, it shall record the jurisdictional difference in a separate subaccount of the designated jurisdictional differences accounts.~~

~~(i) Any property which has been used in the provision of utility service, when acquired from a nonaffiliate shall be recorded at its net book value at the time of the transfer. If the company wishes to record the acquisition at its acquisition cost rather than its net book value, it shall first seek approval for such accounting, providing such detail as the commission may require. If there is a jurisdictional difference in recording the cost of an acquisition, any such difference shall be recorded in a separate subaccount of the designated jurisdictional differences accounts. Any other property acquired from a nonaffiliate shall be recorded at its acquisition cost.~~

~~(j) Amounts booked to Account 2005--Telecommunications plant adjustment, shall be treated as nonoperating investment, and shall not be included in any rate base account without the expressed permission of the commission. Unless an alternate treatment has been authorized by the commission, any amortization taken on amounts in Account 2005 will be treated as though charged to Account 7360--Other nonoperating income, or other non-operating accounts as required.~~

~~(k) If a company is allowed to convert to a GAAP accounting treatment of an item, or allowed other accounting changes which call for the accrual of expenses~~

~~before such expenses are deductible for federal income tax purposes, an exception to the flow-through accounting requirement in (f) of this subsection is required. In such event, a normalized tax accounting treatment will be required.~~

~~(4) The annual report form promulgated by the Federal Communications Commission is hereby adopted for purposes of annually reporting to this commission by those Class A telecommunications companies classified by the FCC in CC Docket No. 86-182 as Class A Tier I telecommunications companies. The annual report forms for all other Class A and Class B telecommunications companies shall be published by the commission. The annual report shall be filed with the commission as soon after the close of each calendar year as possible but in no event later than May 1 of the succeeding year. Those telecommunications companies having multistate operations shall report both total company and Washington results in their annual report. Companies may also be required to include certain supplemental information in the annual report, such as the status of all jurisdictional differences accounts and subaccounts for the period. This supplemental information will be described in the mailing of the annual reports, or in other sections of this rule (see subsections (7) and (9) of this section). This rule does not supersede any accounting requirements specified in a commission order, nor will it be construed to limit the commission's ability to request additional information on a company specific basis. This rule does not dictate intrastate ratemaking. Copies of Part 32 (effective October 1, 1998) are available for examination at the WUTC library.~~

~~(5) The total company results of operations reported by each telecommunications company in its annual report shall agree with the results of operations shown on its books and records.~~

~~(6) All telecommunications companies having multistate operations shall maintain records in such detail that the costs of property located and business done in this state in accordance with state geographic boundaries can be readily ascertained.~~

~~(7) All telecommunications companies having multistate operations shall report to this commission at least once each year, as a supplement to its annual report, such allocations between states as are requested by the commission from time to time for each utility. Any allocations required in developing results of operations for the state of Washington separately shall be accomplished on a basis acceptable to the commission. In these supplemental reports, adjustments will be made to incorporate Washington intrastate amounts in the jurisdictional differences accounts.~~

~~(8)(a) If a company prepares an annual separations cost study and furnishes a copy thereof to the National Exchange Carrier Association, Inc., (NECA), that company shall, upon request by the commission, make available for commission review at a company-designated location in Thurston County a copy of the same study material as has been so furnished to NECA. Such copy shall be made available for such commission review within ten days after the later of:~~

~~—— (i) The date of the company's receipt of the commission's request therefor; or~~

~~—— (ii) The date on which NECA's copy of the study is furnished to NECA.~~

~~—— (b) If a company prepares an annual separations cost study and furnishes a~~

copy thereof to the Federal Communications Commission (FCC), that company shall, upon request by the commission, make available for commission review at a company designated location in Thurston County a copy of the same study material as has been so furnished to the FCC. Such copy shall be made available for such commission review within ten days after the later of:

- (i) The date of the company's receipt of the commission's request therefor; or
- (ii) The date on which FCC's copy of the study is furnished to the FCC.

(9) Each telecommunications company shall file with the commission periodic results of operations statements showing total Washington per books, restating adjustments to per books, total Washington per books restated, and Washington restated intrastate results of operations:

Class A companies shall file periodic results of operations statements quarterly. Each quarterly statement shall show monthly and twelve months ended data for each month of the quarter reported. Class B companies shall file periodic results of operations statements semiannually. Each semiannual statement shall show six months and twelve months ended data. For Class A companies, periodic results of operations statements shall be due ninety days after the close of the period being reported with the exception of the fourth quarter statement which shall be due no later than May 1 of the succeeding year. Class B companies shall file the June 30 ended and December 31 ended semiannual results of operations statements on October 1 and May 1 of each year, respectively:

— The periodic results of operations statements shall be on a "commission basis" and restated for out-of-period items, nonoperating, nonrecurring, extraordinary items, or any other item that materially distorts test period earnings or expenses. By use of notes, an explanation of the restating adjustments shall accompany the results of operations statement.

— "Commission basis" means that the rate base includes those standard rate base components that have been historically accepted by the commission for ratemaking. "Commission basis" does not include new theories or approaches which have not been previously addressed and resolved by the commission:

— The telecommunications companies shall use the allocation factors from their most recent separations cost study to develop the Washington intrastate results of operations:

(10) This rule shall not supersede any reporting accounting requirements specified in a commission order, nor shall it be construed to limit the commission's ability to request additional information on a company specific basis as is deemed necessary:

— (11) The annual budget of expenditures form for budgetary reporting for telecommunications companies will be published by this commission in accordance with chapter 480-140 WAC:

(12) The requirements of this section shall not apply to telecommunications companies classified by the commission as competitive, and subject to WAC 480-120-033:

~~(13) There shall be no departure from the foregoing except as specifically authorized by the commission.~~

WAC 480-120-032 ~~Accounting--~~Political information and political education activities.

~~(1) As used in this rule the term "political information and political education activities" includes, but is not limited to, newsletters, employee seminars, public meetings, advertising, employee or customer notices or mailings, or other forms of communication which (a) encourage support of or opposition to legislation, candidates for public office, or office holders; (b) solicit support for political action committees; (c) gather data for political mailing lists; or (d) solicit political contributions or recruit political volunteers.~~

~~————(2) In addition to accounting for lobbying and other political expenses in accordance with the applicable system of accounts, every public service company incurring any direct or indirect expense associated with or in furtherance of any political information or political education activity, shall account for such costs separately in a nonoperating expense account. No such expense shall be permitted for ratemaking purposes.~~

(1) The commission will not allow expenses for political information or political education activities for ratemaking purposes.

(2) Political information and political education activities include, but are not limited to:

(a) Encouraging support or opposition to ballot measures, legislation, candidates for an office, or current public office holders;

(b) Soliciting support for political action committees;

(c) Gathering data for political mailing lists; and

(d) Soliciting political contributions or recruiting political volunteers.

WAC 480-120-033 ~~Accounting and reporting~~ Reporting requirements for competitive telecommunications companies.

~~Competitive telecommunications companies shall, at a minimum, keep accounts according to generally accepted accounting principles and file annually, on a form prescribed by the commission, a certified consolidated financial statement which specifies revenues from intrastate operations. This annual report is due by May 1st of the succeeding year. Competitive telecommunications companies shall also make available, at the time and place the commission may designate, such accounting records as the commission may request. Such companies shall also keep on file at the commission current price lists and services standards. The commission will distribute an annual report form including a regulatory fee form. A competitive company must complete both forms, file them with the commission, and pay its regulatory fee, no later than May 1 of each year. Competitive companies must:~~

(a) Provide total number of access lines as required on the annual report form;

(b) Provide, per the annual report form, balance sheet and income statement for total company; and

(c) Provide revenues for Washington and Washington intrastate.

WAC 480-120-036 Finance--Securities, affiliated interests, transfers of property.

~~A utility will not issue securities or create liens for which authorization of the commission under chapter 80.08 RCW is required nor make or enter into any contract with an affiliated interest for which authorization of the commission under chapter 80.16 RCW is required, without first filing an application and receiving an order granting permission by the commission in accordance with chapter 80.08 or 80.16 RCW and chapter 480-146 WAC.~~

~~— A utility will not transfer any property for which authorization of the commission under chapter 80.12 RCW is required without first obtaining such authorization. This authorization shall be requested by application prepared in accordance with chapter 480-143 WAC.~~

(1) Before a telecommunications company issues securities, it must file with the commission a statement in accordance with chapter 80.08 RCW and chapter 480-146 WAC.

(2) Before a telecommunications company enters into an arrangement with an affiliated interest, it must file with the commission a verified copy of the contract or arrangement in accordance with chapter 80.16 RCW and chapter 480-146 WAC.

(3) Before a telecommunications company transfers property it must apply for, and obtain, commission approval in accordance with chapter 80.12 RCW and chapter 480-143 WAC.

WAC 480-120-058 Protection of customer prepayments. (1) A company that intends to collect customer prepayments must first demonstrate to the commission that it meets the criteria set forth in section (a), (b), or (c) of this subsection.

(a) The company has a Standard and Poor's corporate debt rating, according to Standard & Poor's of BBB or higher, or according to a Moody's corporate debt rating of BAA Baa or higher, with respect to outstanding debt obligation; or

(b) The company has a performance bond sufficient to cover any customer prepayments and satisfactory to the commission sufficient to cover any customer prepayments; or

(c) The company has made provision for deposit of customer prepayments in a federally insured interest-bearing trust account maintained by applicant solely for customer advances. The prepayments must be deposited in a bank, savings and loan association, mutual savings bank, or licensed escrow agent, with access to such the funds only for the purpose of refunding prepayments to customers. The funds must be maintained in an account for maintaining funds must be with a bank that has a branch located within in the state of Washington. In any order granting certification

registration, the commission may require either bond or trust account or escrow as a condition of registration.

(2) Reporting requirements for every bond or trust account.

(a) Each company collecting customer prepayments must submit to the commission a report within fifteen days after the end of each calendar quarter. The report must contain the following information specific to state of Washington operations:

(i) Total outstanding balance of customer prepayments at the beginning of the reporting period;

(ii) Dollar amount of prepaid services sold during the reporting period;

(iii) Depleted usage of prepaid services during the reporting period; and

(iv) Total outstanding prepaid service balances at the end of the reporting period.

(b) Nothing in this rule precludes the commission ~~staff~~ from requesting current company financial or operating information at any time.

(c) A company may petition the commission for a reduction in reporting requirements. The commission may grant or deny the request by letter from the commission secretary.

(3) Calculation of trust or bond levels.

(a) The initial level of the bond or trust must comply with ~~the provisions of subsection (1)(b) or (c) of this section.~~

(b) The company must adjust the subsequent level of the bond or trust based upon quarterly reports data and the company must notify the commission of that adjustment.

(4) A company may petition for, and the commission may grant, waiver of the bond/trust bond or trust requirement either at the time of registration or ~~at such later time as~~ when the company can demonstrate to the commission's satisfaction that it meets standards for waiver of the ~~bond/trust bond or trust~~ requirement. The petitioning company must provide documentation ~~to the commission~~ in support of the petition. The commission may grant or deny the request by letter from the commission secretary. The commission will evaluate the following to determine whether a waiver of the ~~bond/trust bond or trust~~ requirement will be granted:

(a) Certified financial statements establishing adequate financial resources sufficient to provide service to ~~consumers~~ customers of prepaid telecommunications service;

(b) Confirmation that the company ~~has received approval for~~ may provide, and has been providing, comparable services satisfactorily in one or more other states ~~jurisdictions~~. The documentation must consist of information from the regulatory agency in the other state and must demonstrate that the company has complied with that state's rules ~~and regulations~~ and has provided adequate levels of service for twelve consecutive months;

(c) Compliance, following registration with the commission, with Washington rules and provision of adequate levels of service for at least twelve consecutive

months;

(d) Documentation that the company has established a bond rating as provided for in ~~subsection section~~ (1)(a) of this section; or

(e) Other evidence demonstrating that ~~consumer~~ customer interests will be adequately protected.

WAC 480-120-136 Retention and Preservation of records.

~~(1) "Volume X, Part 42, Preservation of Records of Communication Common Carriers" adopted and published by the FCC effective January 1, 1991, is hereby prescribed as the preservation of records requirements of telephone utilities in the state of Washington.~~

~~————(2) All records and reports required by these rules shall be retained on file in the office of the utility or in such other place as may be approved by the commission, for such time as is specifically provided in paragraph (1) and where no time is specified, for a period of three years.~~

~~————(3) No records shall be destroyed prior to the expiration of such time or period specified in paragraphs (1) and (2) above, except by prior written permission of this commission.~~

(1) Telecommunications companies must keep all records and reports for three years unless otherwise specified in section (2). No records may be destroyed before the expiration of the time specified in section (2).

(2) Telecommunications companies must adhere to the retention requirements of Title 47, Code of Federal Regulations, Part 42, Preservation of Records of Communication Common Carriers published by the Federal Communications Commission, effective October 1, 1998. This document is available at the commission branch of the Washington state library. The commission will provide a copy of the document on request, subject to any charge.

WAC 480-120-X01 Accounting requirements for competitive companies.

Competitive companies must keep accounts using generally accepted accounting principles (GAAP), or any other accounting method acceptable to the commission. In addition, the accounts must allow for identification of jurisdictional revenues for Washington intrastate operations.

WAC 480-120-X02 Reporting requirements for non-competitive companies.

(1) Annual Reports for non-competitive companies. The commission will distribute an annual report form as specified in (a), (b), and (c), and a regulatory fee form. A non-competitive company must complete both forms, file them with the commission, and pay its regulatory fee, no later than May 1 of each year. Non-competitive companies must provide total number of access lines as required on the annual report form. Non-

competitive companies also must provide income statement and balance sheet for total company and results of operations for Washington and Washington intrastate.

(a) Class A companies that the FCC classified as Tier 1 telecommunications companies in Docket No. 86-182 must file annual report forms adopted by the FCC.

(b) All other Class A companies must file annual reports on the form prescribed by the commission.

(c) Class B companies must file annual reports as prescribed by RCW 80.04.530(2).

(2) Quarterly Reports for non-competitive companies. All class A companies must file results of operations quarterly. Each report will show monthly and twelve-months-ended data for each month of the quarter reported. The reports are due ninety days after the close of the period being reported, except for the fourth-quarter report which is due no later than May 1 of the following year.

(3) Methods used to determine Washington intrastate results of operations must be acceptable to the commission.

(4) This rule will not supersede any reporting requirements specified in a commission order, or limit the commission's ability to request additional information.

~~WAC 480-120-X09 Commission ordered refunds.~~

~~If the commission finds after notice and hearing that any class of customers to a noncompetitive telecommunications service has paid excessive rates because of below cost pricing of competitive telecommunications services, the commission may order refunds or credits.~~

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ACCOUNTING RULES
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July 11, 2000

WAC 480-120-031 Non-competitive companies - Accounting.

(1) The commission classifies non-competitive companies as follows:

Class	Number of Access Lines as of December 31 from prior year's annual report
A	2% or more of state access lines
B	Less that 2% of state access lines

For example:

Company X access lines as of 12/31/98	33,823
Divided by	_____
Total state access lines as of 12/31/98	3,382,320
Equals company access lines as a percentage of total access lines.	1%

Therefore, company X is a Class B company.

(2) For accounting purposes non-competitive companies must use the *Uniform System of Accounts (USOA) for Class A and Class B Telephone Companies* published by the Federal Communications Commission (FCC) and designated as Title 47, Code of Federal Regulations, Part 32, (47 CFR 32, or Part 32) effective October 1, 1998. Class B companies may use Class A accounting. Non-competitive companies wishing to adopt changes to the USOA made by the FCC after the October 1, 1998, must petition for and receive commission approval.

(3) The commission modifies Part 32 as follows:

(a) Any reference in Part 32 to "Commission," "Federal Communications

Commission,” or “Common Carrier Bureau” means the Washington Utilities and Transportation Commission.

(b) Non-competitive companies must keep subsidiary records to reflect Washington intrastate differences when the commission imposes accounting or ratemaking treatment different from the accounting methods required in WAC 480-80-031(2). Non-competitive companies must maintain subsidiary accounting records for:

- (i) Residential basic local service revenues;
- (ii) Business basic local service revenues;
- (iii) Access revenues for each universal service rate element;
- (iv) Special access revenues; and
- (v) Switched access revenues for each rate element.

(c) Part 32 section 24, compensated absences, is supplemented as follows:

(i) Non-competitive companies must record a liability and charge the appropriate expense accounts for sick leave in the year in which the sick leave is used by employees.

(ii) Non-competitive companies must keep records for:

- (A) Compensated absences that are actually paid.
- (B) Compensated absences that are deductible for federal income tax purposes.

(d) Non-competitive companies with multistate operations must keep accounting records that provide Washington results of operations. The methods used to determine Washington results of operations must be acceptable to the commission.

(e) Part 32 section 32.11(a) is replaced by section (1).

(f) Part 32 section 32.11(d) and (e) are replaced by section (1).

(g) The commission does not require Part 32 section 32.2000(b)(4).

This rule does not supersede any accounting requirements specified in a commission order, nor will it be construed to limit the commission’s ability to request additional information on a company specific basis. This rule does not dictate intrastate ratemaking. Copies of Part 32 (effective October 1, 1998) are available for examination at the WUTC library.

WAC 480-120-032 Political information and political education activities.

(1) The commission will not allow expenses for political information or political education activities for ratemaking purposes.

(2) Political information and political education activities include, but are not limited to:

- (a) Encouraging support or opposition to ballot measures, legislation, candidates for an office, or current public office holders;
- (b) Soliciting support for political action committees;
- (c) Gathering data for political mailing lists; and
- (d) Soliciting political contributions or recruiting political volunteers.

WAC 480-120-033 Reporting requirements for competitive companies.

The commission will distribute an annual report form including a regulatory fee form. A competitive company must complete both forms, file them with the commission, and pay its regulatory fee, no later than May 1 of each year. Competitive companies must:

- (a) Provide total number of access lines as required on the annual report form;
- (b) Provide, per the annual report form, balance sheet and income statement for total company; and
- (c) Provide revenues for Washington and Washington intrastate.

WAC 480-120-036 Finance--Securities, affiliated interests, transfers of property.

(1) Before a telecommunications company issues securities, it must file with the commission a statement in accordance with chapter 80.08 RCW and chapter 480-146 WAC.

(2) Before a telecommunications company enters into an arrangement with an affiliated interest, it must file with the commission a verified copy of the contract or arrangement in accordance with chapter 80.16 RCW and chapter 480-146 WAC.

(3) Before a telecommunications company transfers property it must apply for, and obtain, commission approval in accordance with chapter 80.12 RCW and chapter 480-143 WAC.

WAC 480-120-058 Protection of customer prepayments.

(1) A company that intends to collect customer prepayments must first demonstrate to the commission that it meets the criteria set forth in section (a), (b), or (c).

(a) The company has a Standard and Poor's corporate debt rating of BBB or higher, or a Moody's corporate debt rating of Baa or higher, with respect to outstanding debt obligation; or

(b) The company has a performance bond sufficient to cover any customer prepayments and satisfactory to the commission; or

(c) The company has made provision for deposit of customer prepayments in a federally insured interest-bearing trust account maintained by applicant solely for customer advances. The prepayments must be deposited in a bank, savings and loan association, mutual savings bank, or licensed escrow agent, with access to the funds only for the purpose of refunding prepayments to customers. The account for maintaining funds must be with a bank that has a branch located in the state of Washington. In any order granting registration, the commission may require either bond or trust account or escrow as a condition of registration.

(2) Reporting requirements for every bond or trust account.

(a) Each company collecting customer prepayments must submit to the commission a report within fifteen days after the end of each calendar quarter. The report must contain the following information specific to state of Washington operations:

(i) Total outstanding balance of customer prepayments at the beginning of the reporting period;

(ii) Dollar amount of prepaid services sold during the reporting period;

(iii) Depleted usage of prepaid services during the reporting period; and

(iv) Total outstanding prepaid service balances at the end of the reporting period.

(b) Nothing in this rule precludes the commission from requesting current company financial or operating information at any time.

(c) A company may petition the commission for a reduction in reporting requirements. The commission may grant or deny the request by letter from the commission secretary.

(3) Calculation of trust or bond levels.

(a) The initial level of the bond or trust must comply with the provisions of section (1)(b) or (c).

(b) The company must adjust the subsequent level of the bond or trust based upon quarterly reports data and the company must notify the commission of that adjustment.

(4) A company may petition for, and the commission may grant, waiver of the bond or trust requirement either at the time of registration or when the company can demonstrate to the commission's satisfaction that it meets standards for waiver of the bond or trust requirement. The petitioning company must provide documentation in support of the petition. The commission may grant or deny the request by letter from the commission secretary. The commission will evaluate the following to determine whether a waiver of the bond or trust requirement will be granted:

(a) Certified financial statements establishing adequate financial resources sufficient to provide service to customers of prepaid telecommunications service;

(b) Confirmation that the company may provide, and has been providing, comparable services satisfactorily in one or more other states. The documentation must consist of information from the regulatory agency in the other state and must demonstrate that the company has complied with that state's rules and has provided adequate levels of service for twelve consecutive months;

(c) Compliance, following registration with the commission, with Washington rules and provision of adequate levels of service for at least twelve consecutive months;

(d) Documentation that the company has established a bond rating as provided for in section (1)(a); or

(e) Other evidence demonstrating that customer interests will be adequately protected.

WAC 480-120-136 Retention and Preservation of records.

(1) Telecommunications companies must keep all records and reports for three years unless otherwise specified in section (2). No records may be destroyed before the

expiration of the time specified in section (2).

(2) Telecommunications companies must adhere to the retention requirements of Title 47, Code of Federal Regulations, Part 42, Preservation of Records of Communication Common Carriers published by the Federal Communications Commission, effective October 1, 1998. This document is available at the commission branch of the Washington state library. The commission will provide a copy of the document on request, subject to any charge.

WAC 480-120-X01 Accounting requirements for competitive companies.

Competitive companies must keep accounts using generally accepted accounting principles (GAAP), or any other accounting method acceptable to the commission. In addition, the accounts must allow for identification of jurisdictional revenues for Washington intrastate operations.

WAC 480-120-X02 Reporting requirements for non-competitive companies.

(1) Annual Reports for non-competitive companies. The commission will distribute an annual report form as specified in (a), (b), and (c), and a regulatory fee form. A non-competitive company must complete both forms, file them with the commission, and pay its regulatory fee, no later than May 1 of each year. Non-competitive companies must provide total number of access lines as required on the annual report form. Non-competitive companies also must provide income statement and balance sheet for total company and results of operations for Washington and Washington intrastate.

(a) Class A companies that the FCC classified as Tier 1 telecommunications companies in Docket No. 86-182 must file annual report forms adopted by the FCC.

(b) All other Class A companies must file annual reports on the form prescribed by the commission.

(c) Class B companies must file annual reports as prescribed by RCW 80.04.530(2).

(2) Quarterly Reports for non-competitive companies. All class A companies must file results of operations quarterly. Each report will show monthly and twelve-months-ended data for each month of the quarter reported. The reports are due ninety days after the close of the period being reported, except for the fourth-quarter report which is due no later than May 1 of the following year.

(3) Methods used to determine Washington intrastate results of operations must be acceptable to the commission.

(4) This rule will not supersede any reporting requirements specified in a commission order, or limit the commission's ability to request additional information.

~~**WAC 480-120-X09 Commission ordered refunds.**~~

~~If the commission finds after notice and hearing that any class of customers to a~~

~~noncompetitive telecommunications service has paid excessive rates because of below cost pricing of competitive telecommunications services, the commission may order refunds or credits.~~