

**WAC 480-120-029 Accounting requirements for competitively classified companies.**

Competitively classified 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 revenues for Washington intrastate operations subject to commission jurisdiction.

[Statutory Authority: RCW 80.04.160 and 80.01.040. 01-15-022 (Docket No. UT-990146, General Order No. R-480), § 480-120-029, filed 7/11/01, effective 8/11/01.]

**WAC 480-120-031 Accounting.**

(1) Except as provided in this rule, the Uniform System of Accounts (USOA) for **Class A** and **Class B** Telephone Companies published by the Federal Communications Commission (FCC) and designated as Part 32, effective October 1, 1991, 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. 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.

(2) Telecommunications companies operating within this state shall be classed by access lines as follows:

Class Number of Access Lines

A In Excess of  
10,000

B Less than  
10,000

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.

(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.

(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.

(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.

(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.

(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.

(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.

(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.

(h) No depreciation expense will be allowed for rate-making 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--Tel-e-com-mu-ni-ca-tions 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-op-er-at-ing 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).

(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 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.

[Statutory Authority: RCW 80.01.040. 93-07-089 (Order R-386, Docket No. UT-921167), § 480-120-031, 3/22/93, effective 4/22/93; 91-19-090 (Order R-349, Docket No. UT-910385), § 480-120-031, filed 9/17/91, effective 10/18/91; 91-09-039 (Order R-343, Docket No. UT-901585), § 480-120-031, filed 4/15/91, effective 5/16/91; 89-23-048 (Order R-311, Docket No. U-89-2864-R), § 480-120-031, filed 11/13/89, effective 12/14/89; 87-24-056 (Order R-278, Cause No. U-87-1144-R), § 480-120-031, filed 11/30/87; 86-14-049 (Order R-247, Cause No. U-86-31), § 480-120-031, filed 6/27/86. Statutory Authority: RCW 80.01.040 and 1985 c 450. 85-23-001 (Order R-242, Cause No. U-85-56), § 480-120-031, filed 11/7/85; Order R-25, § 480-120-031, filed 5/5/71.]

### **WAC 480-120-033 Reporting requirements for competitively classified companies.**

The commission will distribute an annual report form including a regulatory fee form. A competitively classified company must:

- (1) Complete both forms, file them with the commission, and pay its regulatory fee, no later than May 1st of each year;
- (2) Provide total number of access lines as required on the annual report form;
- (3) Provide income statement and balance sheet for total company; and
- (4) Provide revenues for Washington and Washington intrastate operations subject to commission jurisdiction.

[Statutory Authority: RCW 80.04.160 and 80.01.040. 01-15-022 (Docket No. UT-990146, General Order No. R-480), § 480-120-033, filed 7/11/01, effective 8/11/01. Statutory Authority: RCW 80.01.040. 90-01-058 (Order R-313, Docket No. U-89-3099-R), § 480-120-033, filed 12/15/89, effective 1/15/90; 86-14-049 (Order R-247, Cause No.

U-86-31), § 480-120-033, filed 6/27/86.]

**WAC 480-120-535 Service quality performance reports.**

Beginning June 1, 1993, each local exchange company shall submit the following reports as indicated:

(1) Each local exchange company shall demonstrate upon request by the commission that the performance of its central office switch(es) meets acceptable central office performance standards.

(2) Local exchange companies with less than fifty thousand access lines shall file appropriate reports according to subsection (3)(a) through (c) of this section, when deemed necessary by the commission, and shall file the report required by subsection 3(d) of this section on a monthly basis. Performance records for such companies shall be kept in a format suitable for each local exchange company's operation and in such condition that they can be forwarded to the commission upon request or as required by this section.

(3) Local exchange companies with over fifty thousand access lines shall report monthly the information required by (a) through (d) of this subsection.

(a) Installation appointments met.

This report measures the percentage of appointments for the connection of service met on the commitment date. The actual date on which installation was completed shall be compared to the applicable commitment date to determine the percentage of appointments met.

(b) Held orders.

For purposes of this section a held order is any request for primary exchange service that is not filled on or before the commitment date. This report measures the provisioning of primary exchange access lines in locations where there are presently no company services or facilities, and locations where service is presently being provided, but where the company is temporarily unable to provide service to new subscribers because of a lack of facilities. The number of held orders shall be expressed as a ratio per one hundred new or reestablished lines ordered.

(c) Regrade orders held.

This report measures the number of requests for higher grades of service (e.g., a request to upgrade from multiparty to single party service) unfilled for more than thirty days. The number of regrade requests unfilled for more than thirty days shall be expressed as a ratio per one hundred requests for regrades (new requests plus unfilled requests from the previous months).

(d) Trouble reports.

This report measures the number of subscribers indicating improper functioning of service. The total number of initial trouble reports (including repeated reports) shall be expressed as a ratio per one hundred lines in service. Trouble reports related to customer premises equipment shall not be included. This measurement shall be reported on an exchange basis.

(4) When the commission believes it is necessary to investigate or address such problems as excessive levels of subscriber or consumer complaints, or otherwise to protect the public interest, the commission may request further detailed information from companies with more than fifty thousand access lines for subsection (3)(a) through (d) of this

section, by geographic or service unit. Performance records for such companies shall be kept in a format suitable for each local exchange company's operation and in such condition that they can be forwarded to the commission upon request.

[Statutory Authority: RCW 80.01.040. 93-06-055 and 93-14-119 (Orders R-384 and R-389, Docket No. UT-921192), § 480-120-535, filed 2/26/93 and 7/2/93, effective 3/29/93 and 8/2/93.]