

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

In the Matter of the Petition of)	DOCKET UT-060861
)	
UNITED TELEPHONE COMPANY OF)	ORDER 01
THE NORTHWEST d/b/a EMBARQ)	
)	
Petitioner,)	
)	
For An Accounting Order Regarding)	
Treatment of Settlement Terms Related)	ORDER APPROVING ACCOUNTING
to Sale of Directory Operations)	PETITION WITH MODIFICATIONS
.....)	

BACKGROUND

- 1 On May 26, 2006, United Telephone Company of the Northwest d/b/a Embarq (United) filed a petition for an accounting order regarding its treatment of settlement terms related to sale of directory operations. United made this filing to comply with paragraph 43, Ordering Paragraph No. 4, in Order No. 06 in Docket No. UT-051291, which required it to file for an accounting order establishing records to comply with Section E.1 of the Settlement Agreement approved in Order No. 06.

- 2 In its petition, United proposes to maintain an accounting side record on the directory sale gain amortization. It proposes to adjust its annual and quarterly reports to the Commission to reflect additional annual pre-tax income of \$1.451 million, beginning January 1, 2008, or on the effective date of any new rates developed through a rate case or earnings review, whichever is sooner.

- 3 The Settlement Agreement in UT-051291 states that the amortized gain of \$1.451 million “will be substituted for the revenue imputation currently embedded in rates.¹” However, United does not show the current imputation amount² as an adjustment to its revenues in its annual and quarterly reports.

- 4 Commission staff reviewed United’s petition and does not object to the proposed accounting side record, or to the treatment of the directory sale gain amortization in future accounting reports. However, Staff recommended that United either include the current imputation amount as an adjustment to its currently reported revenues, or include

¹ Settlement Agreement, Section E.1; see also Order No. 06, paragraphs 16 and 22.

a footnote to its current annual and quarterly reports referring to the current imputation, and stating that it will be replaced by an amortization to revenues of \$1.451 million effective January 1, 2008, or on the effective date of any new rates developed through a rate case or earnings review, whichever is sooner.

- 5 The Commission agrees with the Staff that United's financial reports to the Commission should acknowledge the effect of the current imputation and to disclose the replacement amortization amount agreed to in the UT-051291 settlement. Therefore, United should adopt one of the disclosure alternatives recommended by the Commission Staff.

FINDINGS AND CONCLUSIONS

- 6 (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 electric companies. *RCW 80.01.040, Chapter 80.04 RCW, Chapter 80.28 RCW, Chapter 80.08 RCW and Chapter 80.12 RCW.*
- 7 (2) United is a "public service company" and a "telecommunications company" subject to the jurisdiction of the Commission.
- 8 (3) In Order No. 06 in Docket No. UT-051291, the Commission ordered United to file for an accounting order establishing records to comply with Section E.1 of the Settlement Agreement approved in Order No. 06.
- 9 (4) United filed a Petition for an Accounting Order in this matter on May 25, 2006, proposing that it maintain side accounting records to track the amortization of the directory gain, and to record the amortization in its reports to the Commission beginning January 1, 2008, or on the effective date of any new rates developed through a rate case or earnings review, whichever is sooner.
- 10 (5) Staff has reviewed United's Petition in Docket UT-060861 and endorses the proposal, but recommends that United recognize the current imputation amount

² The current imputation amount was determined through a settlement in Docket No. U-89-3067-SI, and is considered confidential by United.

and its eventual replacement with the directory sale amortization in its current financial reports to the Commission.

- 11 (6) This matter was brought before the Commission at its regularly scheduled meeting on November 8, 2006.
- 12 (7) After examination of the petition filed in Docket UT-060816 by United on May 26, 2006, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the Petition filed should be approved, with the modification recommended by Commission Staff.

ORDER

THE COMMISSION ORDERS:

- 13 (1) United Telephone Company of the Northwest's request for an accounting order regarding treatment of the amortization of gain on sale of directory operations, is approved.
- 14 (2) United Telephone Company of the Northwest is ordered to either include the current imputation amount as an adjustment to its reported revenues, or include a footnote to its current annual and quarterly reports referring to the current imputation, and stating that it will be replaced by an amortization to revenues of \$1.451 million effective January 1, 2008, or on the effective date of any new rates developed through a rate case or earnings review, whichever is sooner.
- 15 (3) This Order shall not affect the Commission's authority over rates, services, accounts, evaluations, estimates, or determination of costs in any matters that may come before it, nor be construed as an acquiescence in any estimate or determination of costs claimed or asserted.
- 16 (4) The Commission retains jurisdiction over the subject matter and United Telephone Company of the Northwest d/b/a Embarq 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 November 8, 2006.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

CAROLE J. WASHBURN, Executive Secretary