

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
Roosevelt County Rural Telephone Cooperative, Inc.)	WCB/Pricing 05-31
)	
Petition to Include the Interstate Portion of a Prepaid Accumulated Post-Retirement Benefit Obligation, Recorded in Account 1410, in the Rate Base)	

ORDER

Adopted: March 14, 2006

Released: March 14, 2006

By the Commission:

I. INTRODUCTION

1. On October 25, 2004, Roosevelt County Rural Telephone Cooperative Inc., (Roosevelt) requested Commission approval to include in its rate base the interstate portion of prepaid post-retirement health benefits recorded in Account 1410, Other noncurrent assets.¹ As discussed below, we grant Roosevelt's request.

II. BACKGROUND

2. On December 26, 1991, the Common Carrier Bureau (Bureau) released an order that required carriers to adopt a new accounting standard issued by the Financial Accounting Standards Board -- *Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions* (SFAS-106).² On May 4, 1992, the Bureau released Responsible Accounting Officer Letter No. 20, Uniform Accounting for Postretirement Benefits Other Than Pensions in Part 32, which provided guidance on the accounting and rate base treatment of certain postretirement benefits (OPEBs) recorded pursuant to SFAS-106.³ RAO Letter 20 instructed carriers to record unfunded OPEB liabilities in Account 4310, Other long-term liabilities, and to record prepaid OPEBs in Account 1410, Other noncurrent assets.⁴ RAO Letter 20 also

¹ Letter from Scott Arnold, General Manager, Roosevelt County Rural Telephone Cooperative, Inc., to Chief, Wireline Competition Bureau, Federal Communications Commission (October 25, 2004)(Roosevelt Letter Request).

² *Notification of Intent to Adopt Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions*, AAD 91-80, Order, 6 FCC Rcd 7560 (CCB 1991). The Common Carrier Bureau is now known as the Wireline Competition Bureau.

³ *Uniform Accounting for Postretirement Benefits Other Than Pensions in Part 32*, 7 FCC Rcd 2872 (CCB 1992) (RAO Letter 20).

⁴ *Id.* OPEBs are postretirement benefits other than pensions. See *1993 Annual Access Tariff Filings Phase 1, 1994 Annual Access Tariff Filings*, CC Docket Nos. 93-193, *et al.*, Order Terminating Investigation, 20 FCC Rcd 7672,

instructed carriers to deduct OPEB liabilities recorded in Account 4310 from the rate base and to add prepaid OPEB assets recorded in account 1410 to the rate base.⁵

3. In June 1992, several carriers filed applications for review of RAO Letter 20. In an order and notice of proposed rulemaking released March 7, 1996, the Commission affirmed RAO Letter 20's accounting instructions, vacated the ratemaking instructions, and adopted an NPRM proposing amendments to Part 65, Subpart G of its rules, to address the ratemaking treatment of OPEBs.⁶ The Commission found that RAO Letter 20 exceeded the Bureau's delegated authority to the extent that it directed exclusions from and additions to the rate base for which the Part 65 rules do not specifically provide.⁷ In the NPRM it proposed, however, to adopt the same ratemaking treatment that had been set forth in RAO Letter 20.⁸

4. On February 20, 1997, the Commission released an order amending Part 65 with regard to the ratemaking treatment of OPEBs.⁹ With regard to OPEB liabilities recorded in Account 4310, the Commission adopted the RAO Letter 20 position, i.e., carriers were required to deduct such liabilities from the rate base.¹⁰ With regard to amounts recorded in Account 1410, however, the Commission found that its current rules were adequate to determine what, if any, of the assets recorded in Account 1410 should be included in the rate base. The Commission held that, if a carrier could show that any of its assets recorded in Account 1410 (including prepaid OPEB amounts) meet the used-and-useful standard, those assets would be allowable in the rate base.¹¹ Nevertheless, section 65.820(c) of the rules provides that Account 1410 amounts can be included in the rate base "only to the extent that they have been specifically approved by this Commission for inclusion."¹²

III. DISCUSSION

5. As a benefit to its employees, Roosevelt offers post-retirement health insurance. This benefit is funded through a pre-funding trust sponsored by the National Telephone Cooperative Association (NTCA).¹³ As of December 31, 2003, Roosevelt's audited financial statements reflected an OPEB-related balance in Account 1410 of \$314,288.¹⁴ In accordance with section 65.820(c) of our rules, Roosevelt seeks approval to include the interstate portion of the prepaid OPEB amounts in the rate base, beginning with the date the prepayments were made. In response to a staff request for further

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7673, para. 1 (2005)(2005 OPEBs Tariff Order). The 2005 OPEBs Tariff Order contains a comprehensive discussion of the regulatory treatment of OPEBs by the Commission, 1991 to present.

⁵ RAO Letter 20.

⁶ *Responsible Accounting Officer Letter 20, Uniform Accounting for Postretirement Benefits Other Than Pensions in Part 32, Amendments to Part 65, Interstate Rate of Return Prescription Procedures and Methodologies, Subpart G, Rate Base*, CC Docket No. 96-22, AAD 92-65, Memorandum Opinion and Order and Notice of Proposed Rulemaking, 11 FCC Rcd 2957 (1996).

⁷ *Id.* at 2961, para. 25.

⁸ *Id.* at 2962-63, paras. 30-34.

⁹ *Responsible Accounting Officer Letter 20, Uniform Accounting for Postretirement Benefits Other Than Pensions in Part 32, Amendments to Part 65, Interstate Rate of Return Prescription Procedures and Methodologies, Subpart G, Rate Base*, CC Docket No. 96-22, AAD 92-65, Report and Order, 12 FCC Rcd 2321 (1997) (*Report and Order*).

¹⁰ *Id.* at 2327, para. 18.

¹¹ *Id.* at 2325, para. 12.

¹² 47 C.F.R. § 65.820(c).

¹³ Roosevelt Letter Request at 1.

¹⁴ *Id.*

information,¹⁵ Roosevelt states that the prepayments associated with the OPEB costs will reduce future expenses, and it included a memorandum from the NTCA's Benefits Administrator confirming the reduction in expenses.¹⁶

6. Under our rules, noncurrent assets recorded in Account 1410 may be included in the rate base when a carrier makes a showing that these assets are used and useful in the provision of telecommunications services.¹⁷ Our rate base treatment of prepaid OPEB costs recorded in Account 1410 is similar to that for prepaid pension costs. We allow a certain amount of prepaid pension costs in the rate base because pension fund prepayments in excess of the cost calculation earn a return which benefits the ratepayer by reducing later expenses.¹⁸ That rationale applies equally to prepaid OPEB costs. Thus, any prepaid OPEB costs that meet the used and useful standard will be allowed, similar to prepaid pension costs.

7. We conclude that Roosevelt has demonstrated that the prepaid OPEBs costs recorded in Account 1410 meet the used-and-useful standard. As set forth in the memorandum from NTCA's Benefits Administrator, these prepaid costs will reduce future expenses, thus benefiting ratepayers.¹⁹ We therefore grant Roosevelt's request to include the interstate portion of the OPEBs costs recorded in Account 1410 in its rate base beginning with the date the prepayments were made.

IV. ORDERING CLAUSE

8. Accordingly, IT IS ORDERED, pursuant to sections 1, 4(i), 4(j), 201-205, 218, 220, and 403 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151, 154(i)-(j), 201-205, 218, 220, and 403, and Part 65 of the Commission's Rules, 47 C.F.R. Part 65, that the request by Roosevelt County Rural Telephone Cooperative, Inc., to include the interstate portion of its prepaid postretirement benefits other than pensions recorded in Account 1410 in its rate base IS GRANTED as set forth herein.

9. IT IS FURTHER ORDERED, pursuant to section 1.103(a) of the Commission's rules, 47 C.F.R. § 1.103(a), that this Order SHALL BE EFFECTIVE upon release.

FEDERAL COMMUNICATIONS COMMISSION

Marlene H. Dortch
Secretary

¹⁵ Letter from Clifford Rand, Deputy Chief, Pricing Policy Division, to Kenneth Burchett, Vice President, GVNW Consulting, Inc. (March 11, 2005).

¹⁶ Letter from Cecile Archibeque, Assistant General Manager, Roosevelt County Rural Telephone Cooperative, Inc., to Clifford Rand, Deputy Chief, Pricing Policy Division (March 17, 2005).

¹⁷ 47 C.F.R. § 65.800.

¹⁸ *Report and Order*, 12 FCC Rcd at 2325, para. 12.

¹⁹ *See supra* n.16.