

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

In the Matter of)	
)	
Central Arkansas Telephone Cooperative, Inc.)	
)	WC Docket No. 14-3
Request for Authority to Include in its Rate Base)	WCB/Pricing No. 13-2
the Interstate Portion of the Prepaid Accumulated)	
Postretirement Benefits Recorded in Account)	
1410, Other Noncurrent Assets)	
)	

MEMORANDUM OPINION AND ORDER

Adopted: February 28, 2014

Released: February 28, 2014

By the Chief, Wireline Competition Bureau

I. INTRODUCTION

1. On May 9, 2012, Central Arkansas Telephone Cooperative Inc., (Central Arkansas) requested Commission approval to include in its rate base the interstate portion of prepaid postretirement health care and life insurance benefits recorded in Account 1410, Other noncurrent assets.¹ As discussed below, we grant Central Arkansas' unopposed request.²

II. BACKGROUND

2. Under the Commission's rules, noncurrent assets recorded in Account 1410 may be included in a carrier's rate base when the carrier makes a showing that those assets are used-and-useful in the provision of telecommunications services and specifically obtains Commission approval for inclusion.³ The treatment sought for other (non-pension) prepaid postretirement benefit (OPEB) costs recorded in Account 1410 is similar to that for prepaid pension costs. A certain amount of prepaid pension costs is allowed 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.⁴ That rationale applies equally to prepaid OPEB costs. Thus, prepaid OPEB costs that meet the used-and-useful standard will be allowed, similar to prepaid pension costs.

¹ Letter from Steve Faris, General Manager, Central Arkansas Telephone Cooperative, Inc., to Trent Harkrader, Chief, Telecommunications Access Policy Division, Wireline Competition Bureau, Federal Communications Commission (May 9, 2012) (Central Arkansas Request).

² On January 6, 2014, the Commission released a Public Notice, DA 14-1, seeking comment on the Central Arkansas request. No comments were filed.

³ 47 C.F.R. § 65.820(c).

⁴ *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, 2325, para. 12 (1997).

3. The Commission has favorably considered requests from several carriers for authority to include in their rate bases the interstate portion of OPEBs recorded in Account 1410. On March 4, 2006, the Commission approved a request by Roosevelt County Rural Telephone Cooperative Inc. (Roosevelt) to include in its rate base the interstate portion of prepaid postretirement health benefits recorded in Account 1410, Other noncurrent assets.⁵ The Commission concluded that Roosevelt had demonstrated that the prepaid OPEB costs recorded in Account 1410 met the used-and-useful standard.⁶ Similarly, on February 1, 2008, the Bureau approved requests by ten carriers to include in their rate bases the interstate portion of prepaid OPEBs in Account 1410.⁷

III. DISCUSSION

4. Central Arkansas offers postretirement health care and life insurance benefits to its employees. These benefits are funded through a prefunding trust sponsored by the National Telecommunications Cooperative Association (NTCA).⁸ As of December 31, 2011, Central Arkansas' financial statements reflected an OPEB-related balance in Account 1410 of \$1,518,069.⁹ In accordance with section 65.820(c) of the Commission's rules, Central Arkansas seeks approval to include the interstate portion of the prepaid OPEB amounts in its rate base, beginning with the date the prepayments were made. Central Arkansas states that the prepayments associated with the OPEB costs will reduce future expenses, and it includes a memorandum from the NTCA Benefits Administrator confirming the reduction in expenses.¹⁰

5. We conclude that Central Arkansas has demonstrated that the prepaid OPEB costs recorded in Account 1410 meet the used-and-useful standard. As set forth in the memorandum from NTCA's Benefits Administrator, those prepaid costs will reduce future expenses, thus benefiting ratepayers.¹¹ Accordingly, we grant the unopposed request of Central Arkansas to include the interstate portion of the specified health and life insurance OPEB costs recorded in Account 1410 in its rate base beginning with the date the prepayments were made.

IV. ORDERING CLAUSES

6. 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, Part 65 of the Commission's rules, 47 C.F.R. Part 65, and sections 0.91 and 0.291 of the Commission's rules, 47 C.F.R. §§ 0.91 and 0.291, that the request by Central Arkansas 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.

⁵ *Roosevelt County Rural Telephone Cooperative, Inc., Petition to Include the Interstate Portion of a Prepaid Accumulated Post-Retirement Benefit Obligation, Recorded in Account 1410, in the Rate Base*, WCB/Pricing 05-31, Order 21 FCC Rcd 2880 (2006).

⁶ *Id.* at 2882, para.7.

⁷ *Duo County Telephone Cooperative, Inc., Request to Include in its Rate Base the Interstate Portion of the Prepaid Post-Employment Health Benefits Recorded in Account 1410, Other Noncurrent Assets, et al.*, WC Docket No. 06-183 *et al.*, Memorandum Opinion and Order, 23 FCC Rcd 1267 (2008).

⁸ Central Arkansas Request at 1.

⁹ *Id.*

¹⁰ *Id.* at 2 and Attachment.

¹¹ *Id.* at Attachment.

7. 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

Julie A. Veach
Chief
Wireline Competition Bureau