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July 11, 2003

Ms. Carole J. Washburn
Executive Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, Washington 98504-7250

RE: Docket A-010648, Rulemaking (Procedural Rules)

Dear Ms. Washburn,

Puget Sound Energy ("PSE" or "the Company") is providing these comments on the rulemaking in the above noted Docket pursuant to the Commission's Notice dated June 30, 2003.

PSE appreciated having the opportunity to discuss the proposed rules at the June 9, 2003, workshop. The revised draft rules address many of PSE's most pressing concerns regarding the new rules. Generally, PSE believes that the new rules balance the interests of the various stakeholders in Commission processes, and PSE looks forward to working under the rules in future proceedings.

However, PSE continues to be concerned regarding proposed **WAC 480-07-510(3)(f)**. This entirely new subsection of the procedural rules would require a company to file certain information about transactions with affiliated interests or subsidiaries as part of the Company's filing of "work papers and accounting adjustments" in a general rate proceeding. Specifically, the revised draft rule requires filing of:

Information about every transaction with an affiliated interest or subsidiary that directly or indirectly affects the proposed rates. This must include: A full description of the relationship, terms and amount of the transaction, the length of time the relationship has been ongoing, and an income statement and balance sheet for every affiliated entity. A company may satisfy this requirement by reference to its most recent report of affiliated and subsidiary transactions. Such reference must identify the transactions that directly or indirectly affect the proposed rates, and provide complete information for any such transactions that occurred after the period included in the report.

As discussed at the workshop, the Commission currently has rules regarding the reporting of transactions with affiliated interests and is revising and expanding those rules in Docket No. A-021178. The revised draft of WAC 480-07-510(3)(f) addresses part of PSE's concern with the proposed rule by providing that a company may refer to information it has already reported to the Commission rather than restating that information in a general rate proceeding filing. However, PSE is concerned that the draft rule continues to speak in terms of providing information about "every transaction with an affiliated interest or subsidiary *that directly or indirectly affects the proposed rates.*" The language "directly or indirectly affects the proposed rates" is so vague that companies may have difficulty understanding which transactions must be

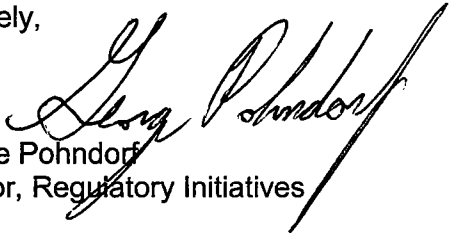
included as part of a general rate proceeding filing. It also invites disputes about whether a company has complied with the rule, and thus whether its entire filing should be rejected for an item that is more appropriately handled through the data request process, as described below. Alternatively, if a company takes a conservative approach and reports *all* transactions with affiliates or subsidiaries, others might use the language of the rule to argue that the transactions must somehow have affected the proposed rates, no matter how tangential the transaction to the company's overall operations, test year, or proposed rates.

Moreover, information about transactions with affiliated interests and subsidiaries is unlike any other information currently required to be filed as part of a company's general rate case. The "supporting work papers" (WAC 480-07-510(3)) that a company is required to file along with its prefiled testimony and exhibits show details supporting the often summary conclusions and numbers outlined in the company's testimony and exhibits. Similarly, a company is required to provide details of accounting adjustments to show how the dollar amounts it has used for purposes of calculating the proposed rates differ from actual test year results. All of this information is specific to and helps explain in greater detail the Company's proposed rate filing. By contrast, information about any affiliated interest or subsidiary transactions that may have taken place is just one piece in a much larger universe of company operations. To the extent intervening parties have questions about such transactions (or other aspects of a company's operations that may fall within the proper scope of a general rate proceeding), they should issue data requests regarding such matters. The current requirements for general rate proceeding filings are extensive and burdensome as it is, and should not be further expanded to encompass matters more properly addressed through the data request process.

PSE therefore recommends that WAC 480-07-510(3)(f) be deleted from the final draft that is presented to the Commission.

Thank you for the opportunity to file these comments. The Company hopes they are helpful. If you have any questions regarding these comments or if we can be of any other assistance, please contact Karl Karzmar at 425-456-2797.

Sincerely,


George Pohndorf
Director, Regulatory Initiatives