

Agenda Date: June 15, 2005
Item Numbers: C1 and C2

Dockets: A-021178 and TO-030288

Subject: Rulemaking to Consider Financial Reporting Rules

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On October 2, 2002, the Commission filed a Preproposal Statement of Inquiry (CR-101) with the Office of the Code Reviser to consider whether new or amended rules might be necessary relating to financial reporting in the various industry chapters. As part of this rulemaking the Commission has conducted a comprehensive review of its financial reporting rules focusing on the security and affiliated interest statutes and rules. On February 28, 2005, the Commission adopted the majority of the rules noticed in a Supplemental Notice of Proposed Rulemaking (Supplemental CR-102) filed with the Code Reviser on December 22, 2004.

The Commission chose not to adopt certain proposed rules relating to securities transactions in its February 28, 2005, order. On May 4, 2005, the Commission filed a Supplemental CR-102 to consider the remainder of the rules relating to securities transactions. The rules under consideration parallel language set forth in Chapters 80.08 and 81.08 RCW, repeals Chapter 480-146 WAC, relating to securities, and moves rules relating to securities to each industry chapter.

The rules proposed by the Commission on May 4, 2005, recodify existing requirements for the issuance of securities and the reporting of securities transactions. The requirements that currently are codified in Chapter 480-146 WAC are moved to the industry-specific chapters, such as Chapter 480-90 WAC for gas companies and Chapter 480-120 WAC for telecommunication companies. The proposed reporting rules modify existing rules by:

1. Adopting securities rules applicable to liquid pipeline companies regulated as common carriers.
2. Permitting public utilities to submit security filings by telefacsimile or electronic mail message. The current rule requires filing be made by mail or in person at the Commission.
3. Inserting statutory language in the rules to explicitly state that security filings must be filed with the Commission "before" issuance of a security.
4. Codifying the Commission Interpretive Statement in Docket A-020334 that found filing a Registration Statement with the Securities and Exchange Commission using a shelf registration process does not constitute undertaking the issuance of a security.
5. Specifying that securities filings may be submitted with portions designated confidential pursuant to WAC 480-07-160 (Confidential information).
6. Increasing from 30 days to 60 days the time period a public utility has to file a report outlining the final terms and conditions of a reported transaction. Add to this report the requirement to report, to the extent known, the disposition of proceeds from the issuance stating the final amount to be used for each purpose allowed by RCW 80.08.030.
7. Specifying that the annual securities report include the amount of proceeds used for each purpose allowed by RCW 80.08.030.

On May 6, 2005, regulated electric, gas, telecommunications, water and pipeline companies were served notice of today's rule adoption hearing and were given the opportunity to file written comments on the revisions to the rules relating to securities transactions. The Commission received written comments from Verizon Northwest Inc. and Qwest Corporation.

A summary of the comments from Verizon and Qwest and proposed Commission responses are in Attachment A. The revised rules reflecting revisions responsive to stakeholder comments are in Attachment B.

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The Commission may issue an order adopting the rule proposal following its review of the revisions to the proposed rules noticed on May 6, 2005.

Attachments