

November 4, 2002

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

**RE: Docket A-021178**

Dear Ms. Washburn,

This letter is to provide Puget Sound Energy's ("PSE" or "the Company") initial comments on the rulemaking in the above noted Docket. PSE supports the Commission's decision to move forward with a rulemaking in this matter rather than pursue legislative changes. The Company hopes the following comments are helpful to Commission Staff and other interested parties as we work together to create new, clear, and efficient rules that will support the public interest. Comments below are directed specifically at areas listed in the October 27, 2002, Supplemental Notice as well as other areas.

***Subsidiary as "Affiliate"***

This topic is touched on here for clarification. PSE supports the legal analysis described in PacifiCorp's August 23, 2002, comments in Docket No. A-020683, that the Commission's precedent has been that subsidiaries are not affiliated interests under RCW 80.16 et seq.. This is important because it means the Commission does not have to adopt the same reporting requirements for subsidiaries as it does for affiliates.

***Concept of Subsidiary Report***

PSE is supportive of creating subsidiary reporting requirements. Providing Staff with certain information early would allow utilities to discuss these transactions with Staff and hopefully facilitate addressing any unexpected issues prior to filing a general rate case. Therefore, the Company generally supports development of reporting standards as it may help improve the efficiency of the regulatory process.

***Prefiling of Information***

Prefiling certain kinds of transactions may be helpful, as it would allow Staff an opportunity to provide feedback on transactions earlier in the business process, possibly even before resources have been committed to the transaction. Discovering unexpected regulatory issues at an early stage is desirable. This early feedback would provide an opportunity for utilities to change the terms of

business agreements before they are effective to address concerns raised by Staff.

### ***Specific Information to Prefile***

The Commission and utilities appear to have common interests in timely reporting and discussion of subsidiary transactions that may create future ratemaking issues. It is sensible that the Commission would want to be informed of transactions with subsidiaries that could impact customers. Similarly utilities would like to know in advance if certain subsidiary transactions might affect the Company negatively in a future general rate case.

As noted above, subsidiaries have not been considered “affiliates.” Thus, rather than focus on affiliate-like definitions in 1 a-c of the Supplemental Notice (i.e., management service contracts, etc.) it may be more helpful to have a dollar threshold trigger a mandatory prefiling. This would ensure both the Commission and utilities are focused on the specific interest—a meaningful impact on customers and the Company—not simply the form of the transaction. PSE does not have a specific proposal for a dollar threshold at this time, though it would seem reasonable to have a scaleable definition so that significant is related to the size of the specific utility. Five percent of rate base approved in the utility's last general rate case is typically found to be the threshold for significance and might be appropriate for subsidiary filing requirements.

### ***Periodic Subsidiary Reports***

PSE supports periodic subsidiary reports, such as an annual filing in addition to the prefiling of significant subsidiary transactions. Again, such reporting would allow utilities an opportunity to work out any possible unexpected regulatory issues prior to a general rate case proceeding, which will enhance efficiency of the regulatory process. It may also be reasonable to limit the transactions reported in the annual report based on a dollar threshold. Post-filing thresholds would be smaller than what would trigger a prefiling, but it may be helpful to avoid possibly overwhelming Staff with details on insignificant transactions.

### ***Immediate Post-Filing Requirements***

As described above in the discussion of prefiling, it is more efficient to get feedback before executing a business transaction when there is still an opportunity to address any regulatory concerns prior to implementation. While immediate post-filing for significant transactions would provide more timely feedback than waiting until an annual report some months later, the prefiling requirement would be a more efficient process and could result in changes that are beneficial both to ratepayers and the Company.

**Conclusion**

Thank you for the opportunity to file these comments. The Company hopes they are helpful to the Commission and other interested parties as we work together to advance the public interest. If you have any questions regarding these comments or if we can be of any other assistance, please contact Phillip Popoff at 425-462-3229.

Sincerely,

George Pohndorf  
Director, Rates and Regulation