

Agenda Date: January 26, 2005
Item Numbers: D1 and D2

Docket: A-021178 and TO-030288

Subject: Rulemaking to Consider Financial Reporting Rules

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Discussion:

On October 2, 2002, the Washington Utilities and Transportation Commission (Commission) filed with the Code Reviser a Preproposal Statement of Inquiry (CR 101) in Docket A-021178 to initiate a rulemaking to examine the need to reorganize, revise, repeal, and adopt financial reporting rules, and to consider establishing rules relating to reporting of transactions between regulated utility and transportation companies and their affiliated interests and subsidiaries. On October 28, 2002, the Commission filed a Supplemental CR-101 with the Code Reviser clarifying which industries are affected by rules adopted in this docket.

On March 13, 2003, the Commission filed with the Code Reviser a CR-101 in Docket TO-030288 to initiate a rulemaking to consider developing a new chapter applicable to the economic regulation of Hazardous Liquid Pipeline Companies regulated as common carriers by the Commission, including, but not limited to, financial reporting requirements.

The Commission instituted this rulemaking in recognition of increasing concern with the financial viability of regulated utilities and the negative financial and operational impacts of failed diversification on regulated utilities. The regulated transportation and utility business environments have undergone a number of significant developments that include corporate and industry restructuring, competition, difficulty obtaining

reasonable financing, bankruptcy, financial rating downgrades, volatile commodity supply and demand, volatile pricing, and concern with the accuracy of corporate financial statements and reports. In this new environment, financings and transactions between regulated companies and their non-regulated affiliates and subsidiaries significantly impact utilities and, in turn, ratepayers. Establishing ongoing reporting requirements regarding financings and transactions between regulated companies and their non-regulated affiliates and subsidiaries will provide the Commission with more timely identification and disclosure of financial transactions that pose difficult regulatory issues.

The Commission held three stakeholder workshops and solicited six opportunities for written comments from stakeholders. Both written and oral comments have assisted in the development of rules that will provide the Commission with needed information without burdening the utilities.

On September 1, 2004, the Commission filed with the Code Reviser a CR-102 (Notice of Proposed Rulemaking) in Dockets A-021178 and TO-030288. The CR-102 provided notice of an adoption hearing on October 13, 2004, and stated the Commission's intention to adopt rules on that date. The notice also provided opportunity for stakeholders to submit written comments. The Commission received seven comments on the proposed rules.

On December 22, 2004, the Commission filed with the Code Reviser a Supplemental Notice of Proposed Rulemaking (Supplemental CR-102) in Dockets A-021178 and TO-030288, revising the proposed rules to relieve the reporting requirements for investment grade companies. The Supplemental CR-102 invited comments on these rule revisions as well as the complete rule proposal. In addition, the Supplemental CR-102 provided notice of an adoption hearing set for February 1, 2005. This rulemaking appears on the January 26, 2005, open meeting agenda for purposes of continuing the open meeting to February 1, 2005, for the hearing at which the Commission will receive oral comments on the rule proposal.

The following WAC chapters are included in this rulemaking:

Repeal:

480-146, Commission General—Securities, Liens, Affiliated Interest, Refunding of Notes, Lease of Utility Facilities

Revise:

480-70, Solid Waste and/or Refuse Collection Companies

480-90, Gas Companies

480-92, Low-Level Radioactive Waste

480-100, Electric Companies

480-110, Water Companies

480-120, Telecommunications Companies

480-121, Registration, Competitive Classification and Price Lists of
Telecommunications Companies

Adopt:

480-73, Pipeline Companies

The rule sections stakeholders addressed in their written comments are listed in Attachment A. The proposed rules as filed with the Code Reviser are in Attachment B.

Attachments