

Agenda Date: September 25, 2002
Item Number: C2

Docket: A-021178

Subject: Reporting Transactions between Regulated Transportation, Water, Energy, and Telecommunications Companies and Their Subsidiaries to the Commission

Staff: Fred Ottavelli, Rulemaking Lead
Sharyn Bate, Rulemaking Analyst
Karen Caillé, Administrative Law Judge
Kim Dobyns, Regulatory Analyst
Kathy Folsom, Regulatory Analyst
Beth Redfield, Policy Planning & Research, Director
Tom Schooley, Regulatory Analyst
Greg Trautman, Assistant Attorney General

Recommendation:

Direct the Secretary to file a Preproposal Statement of Inquiry (CR-101) in Docket A-021178 to consider establishing rules that would require reporting of transactions between regulated companies and their subsidiaries to the Commission.

Background:

The regulated transportation and utility business environments have undergone a number of significant developments that include corporate and industry restructuring, competition, 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, transactions between regulated companies and their subsidiaries may significantly impact ratepayers. Establishing reporting requirements regarding transactions between regulated companies and their subsidiaries would provide the Commission with more timely identification and disclosure of intercompany transactions that pose difficult regulatory issues.

The Commission should consider establishing rules applicable to regulated companies that would include, but not be limited to, the following:

1. Require regulated companies to prefile the following transactions with subsidiaries:
 - a. Management or service contracts (to be defined).
 - b. Maintenance, operation and construction contracts.
 - c. Construction, maintenance, or use of a telecommunications line or service contracts.
 - d. Issuance of evidence of ownership or indebtedness or creation of liens on

regulated company property.

2. Require regulated companies to file periodic reports detailing transactions with subsidiaries that have already occurred.
3. Require regulated companies to immediately post-file significant transaction/arrangements with subsidiaries.

Conclusion:

Staff recommends that the Commission direct the Secretary to file a Preproposal Statement of Inquiry (CR-101) in Docket A-021178 to consider establishing rules that would require reporting of transactions between regulated transportation, water, energy, and telecommunications companies and their subsidiaries to the Commission.