

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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)	DOCKET NO. A-021178
Establishment of Rules That Would)	
Require Reporting of Transactions)	COMMENTS OF THE INDUSTRIAL
Between Regulated Companies and Their)	CUSTOMERS OF NORTHWEST
Subsidiaries)	UTILITIES
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The Industrial Customers of Northwest Utilities (“ICNU”) submits the following Comments to the Washington Utilities and Transportation Commission (“WUTC” or “Commission”) in the above-referenced Docket. On October 9, 2002, the Commission published a notice of opportunity to file comments regarding the principles that would be used to formulate rules. On October 30, 2002, ICNU submitted comments recommending that: 1) regulated utilities pre-file all contracts or arrangements with subsidiaries that exceed a minimum monetary threshold; 2) regulated utilities file annual subsidiary reports including specific informational requirements; and 3) the Commission adopt meaningful standards for approval of utility-subsidary transactions. PacifiCorp, Puget Sound Energy, Avista, and Public Counsel also submitted comments.

On February 18, 2003, the Commission has published proposed rules regarding financial reporting requirements, including affiliated interest and subsidiary transactions (“Proposed Financial Rules”). ICNU generally supports the Commission’s proposed rules and its efforts to regulate transactions between utilities and their subsidiaries and affiliates.

However, ICNU renews the request it made in earlier comments that the Commission specify the substantive requirements for electric utility subsidiary reports. ICNU also continues to believe that certain utility-subsidiary transactions should be subject to Commission approval prior to inclusion in rates and that all subsidiary transactions must be “reasonable and consistent with the public interest.”

The financial rules drafted by Commission Staff require regulated public utilities to provide financial disclosure of subsidiary and affiliated interest transactions. The Proposed Financial Rules would require regulated utilities to: 1) provide financial transaction reports twenty days prior to the transfer of a pecuniary interest over a certain threshold; 2) pre-file contracts for essential utility services; and 3) file annual subsidiary transaction reports summarizing all transactions between the utility and its subsidiaries during the preceding year.

The Proposed Financial Rules are an important step toward ensuring that the Commission identify and prevent potential utility abuses. The requirements regarding filing of certain essential services contracts should provide the Commission with a greater ability to review significant utility transactions. Similarly, the requirement that utilities pre-file certain financial transactions will protect customers by providing the Commission the opportunity to review potentially harmful transactions between the utility and any individual or company, including affiliated interests and subsidiaries. In addition, these requirements will not be unduly burdensome because the threshold requirements should remove transactions that do not warrant review. However, to ensure that the Commission can properly review these transactions, the final Financial Rules should specify the types of information that should be included in the financial transaction reports.

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ICNU also supports the proposed requirement that electric utilities file an annual subsidiary transaction report. The annual subsidiary transaction report must summarize all transactions between the electric utility and its subsidiaries, but does not specify the type of information that must be submitted to the Commission. In contrast, the annual affiliated interest transaction report specifically details the type of information that the report should contain. WAC § 480-146-360; Proposed WAC § 480-100-208(4)(e). The Proposed Financial Rules should be amended to require the annual subsidiary transaction reports to provide information similar to what is required in the annual affiliated interest reports.

The Financial Rules fail to address the issue of the standards and requirements for approval of utility-subsidiary transactions. ICNU repeats its earlier comments that the final Financial Rules should require that the Commission affirmatively approve the costs of any transaction that may be included in customer rates. Similarly, the rules should provide the Commission with the ability to thoroughly investigate all utility-subsidiary transactions. Finally, to prevent future uncertainty and disputes, the Commission should clarify that the “reasonable and consistent with the public interest standard” that applies to affiliated interest transactions also apply to utility-subsidiary transactions.

The Commission should adopt final Financial Rules that adequately protect customers from potential utility abuses associated with utility-subsidiary and utility-affiliated interest transactions. Definitive and meaningful requirements should assist the Commission in fulfilling its statutory duty to protect customers from unjust, unreasonable and discriminatory utility actions.

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DATED this 11th day of March, 2003.

Respectfully submitted,

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