

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Request for a Workshop)	
And Motion to Open a Rulemaking)	
Docket of the Office of the Public Counsel)	File No. WX-2018-XXXX
Pertaining to the Affiliate)	
Transactions of Water Corporations)	

**REQUEST FOR A WORKSHOP AND
MOTION TO OPEN A RULEMAKING DOCKET**

COMES NOW Office of the Public Counsel (OPC), by and through counsel, and, pursuant to Section 386.250, RSMo; Section 386.710, RSMo; Section 393.140, RSMo; Section 536.046, RSMo; Section 536.041, RSMo; and, Missouri Public Service Commission (Commission) Rule 4 CSR 240-2.180, respectfully states as follows to the Commission:

BACKGROUND INFORMATION

1. The OPC is a Missouri state agency within the Department of Economic Development. The OPC's office is located at Governor's Office Building, Suite 650 Jefferson City, MO 65101.
2. The OPC is directed by Section 386.710, RSMo to "represent and protect the interests of the public" before the Commission.

MOTION FOR RULEMAKING DOCKET

3. The Commission is empowered under Section 386.250, RSMo to consider rules prescribing the conditions and rendering of public utility service.
4. Under section 393.140(4), RSMo, the Commission is concurrently authorized to prescribe uniform record and account keeping measures for water corporations.
5. Under section 536.046, RSMo, the Commission is authorized to initiate and maintain a rulemaking docket.

6. Section 536.041, RSMo, endows any person, including the OPC, to initiate the rule making process.

7. Consistent with the above statute, Commission Rule 4 CSR 240-2.180 provides for hearings and stakeholder input on rulemaking.

8. Transactions between a Commission-regulated entity and its affiliates can be neutral, but also potentially present certain moral hazards whereby a regulated utility has the potential to impermissibly benefit from directing the funds from captive ratepayers towards non-regulated operations.

9. The Commission has long understood the vulnerability for consumers when affiliated transactions occur, having investigated Southwestern Bell Telephone Company's affiliated transactions in 1994,¹ considered rules to address affiliated transactions of telephone companies twenty years ago,² and promulgated affiliated transaction rules for electric corporations and gas corporations, nineteen and twenty years ago, respectively.³

10. The Commission has already implemented rules setting forth financial and evidentiary standards, and record keeping requirements for regulated electrical corporations whenever such corporation engages in affiliated transactions as codified in 4 CSR 240-20.015 and 4 CSR 240-20.017.

11. The Commission has also implemented rules setting forth financial and evidentiary standards, and record keeping requirements for regulated gas corporations whenever such corporation engages in affiliated transactions as codified in 4CSR 240-40.015 through 4 CSR 240-40.017.

¹ Case No. TO-94-184.

² Case No. TO-96-328.

³ Case No. EX-99-263; Case No. GX-99-445.

12. The OPC hereby petitions the Commission to open a rulemaking docket and requests a rulemaking workshop to discuss a Water Corporation Affiliate Transactions Rule for water and sewer corporations.

13. The effects on private and public entities is a topic to be explored in the workshop requested in paragraph 12. The financial impacts of any finalized rule shall be determined at the time the rule is formally proposed. As detailed in the attached **Memorandum**, certain water corporations have been operating under affiliate transaction rule without issue.

PROPOSED RULE

14. Attached hereto as **OPC-1** is the full text of the proposed Commission Rule, 4 CSR 240-50.015 that the OPC requests the Commission considers for a rulemaking workshop. The OPC does not seek to amend or rescind any existing Commission rule.

15. In further support of the proposed Commission Rule contained in **OPC-1**, the OPC hereby tenders its attached **Memorandum**, along with supporting documents **OPC-2** and **OPC-3**, to the Commission for its consideration.

WHEREFORE, the OPC respectfully requests that the Commission consider the information provided herein, open a rulemaking docket, and conduct a rulemaking workshop to consider a Water Corporation Affiliate Transactions Rule.

Respectfully,

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served, either electronically or by hand delivery or by First Class United States Mail, postage prepaid, on this 22nd day of June, 2018, to the following:

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/s/ Caleb Hall
/s/ Ryan Smith