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Commissioners

# Management Inspection. Audit Schedules

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# Organizational Structure

- Public Service Commission is regulator of utility not manager. Courts have decided that there is “bright line” between management and regulation.
- Most regulated utilities are subsidiaries of larger holding companies rather than being stand alone firms.
- Many functions (finance, budgeting, accounting, legal, government affairs, etc.) are performed by parent company rather than utility.

## **Decision-making Process including investment planning, corporate planning**

- Investment and corporate planning are often done at the parent company level rather than at utility level. Even if planning is done at utility level, commission oversight is limited by management/regulation bright line.
- Commission regularly meets with utilities to discuss future plans.
- However, if related case is filed, Commission cannot meet with utility unless all parties are present.

# Corporate Policy and Strategy

- Generally, development of corporate policy and strategy is done at parent company rather than at utility.
- Even if policy and strategy are developed at utility level, dichotomy between management and regulation restricts Commission.
- However, Commission approval is required for rate increases, so Commission holds the purse strings.

# Internal Controls, Fiscal Policies

- Generally Commission does not have authority over financial policies of utility (management/regulation dichotomy).
- However, Commission does have authority to issue financing orders authorizing securitization bonds related to regulatory assets.
- Assets must have positive net present value over 15 year period.

# Internal Controls, Fiscal Policies

- Commission rules specify accounts that utilities are required to use.
- Utilities may not finance or co-sign loans for affiliates.
- Books and records of utility shall be separate from affiliate.
- Transfer of service, products, or property to affiliate must be at higher of fully allocated cost or market price. Transfer from affiliate to utility is at lower of fully allocated cost or market.

## Number of staff, type of staff (benchmarked)

- Code of conduct requires physical and functional separation of operating employees between utility and affiliates.
- Utility may not share employees with affiliate.
- Transfer of employees between utility and affiliates permitted but must be documented and reported semi-annually.
- Utilities with fewer than 60 employees not required have separate personnel or facilities.

# Number of offices, usefulness/rational

- Commission monitors service quality through complaint process.
- Utilities are free to determine number of offices but the following quality standards that must be maintained.
- Standard 1: Restore service to at least 90% of customers within 36 hours under all conditions.



## Offices (cont'd)

- Restore service to at least 90% of customers within 60 hours in a catastrophic storm.
- Restore service to at least 90% of all customers within 8 hours in normal conditions.
- Less than 5% of circuits experience 5 or more interruptions in a 12-month period.

## Offices (cont'd)

- In urban areas, utility employees monitor at least 90% of downed wires within 240 minutes.
- In rural areas, utility employees monitor at least 90% of downed wires within 360 minutes.
- Customer calls answered within 90 seconds on average.
- At least 95% of customer calls answered.

## Offices (cont'd)

- At least 90% of customer complaints answered within 3 business days.
- At least 85% of meters read within schedule.
- At least 90% of new services installed within 15 business days.

# Project Management Approach

- Generally Commission responds to applications filed by regulated entities (“work comes to us”).
- Electric rate cases must be completed within one year.
- Cases involving acquisition of assets, mergers, or transfers must be completed within 180 days.

# Discussion on the issues of the day

- Q & A