

Resolution Supporting Greater Cooperation Among Governmental Entities

WHEREAS, On November 20, 1996, the National Association of Regulatory Utility Commissioners (NARUC), convened in its 108th Annual Convention in San Francisco, California, passed a resolution authorizing the Staff Subcommittee on Accounts to perform or cause to be performed, audits in a comprehensive manner in the area of affiliated interests of certain multi-state electric and gas utilities, in a joint audit process between and among the States, Securities and Exchange Commission and the Federal Energy Regulatory Commission; and

WHEREAS, Such an audit was planned and undertaken on a limited basis, but the audit process did not satisfactorily move forward due to restrictions placed on the SEC that undermined the ability of States to share audit information; and

WHEREAS, The events in the energy industry in the recent past have raised further concerns regarding the structure of electric and gas holding company structures, as well as parent-subsidiary relationships and the affiliated inter-companies relationships; and

WHEREAS, The Senate Committee on Governmental Affairs recently released a report, dated October 8, 2002, "Financial Oversight of Enron: The SEC and the Private-Sector Watchdogs" which enumerates certain shortcomings in the current monitoring process and which further makes numerous recommendations including more frequent and more efficient audits by the SEC, together with greater coordination by the

SEC with Other Agencies; and

WHEREAS, There are continuing concerns at the state level regarding potential negative financial effects of non-regulated activities upon vital regulated utility services; and

WHEREAS, The States need access to complete and accurate audit information involving in many instances multiple States which can most efficiently be provided by the joint audit process involving the SEC, the FERC and the affected States; and

WHEREAS, The recent financial downturn in the energy industry has increased the pressure on large holding companies to increasingly streamline and downsize organizational structures requiring that more and more services be provided by a common subsidiary; now therefore be it

RESOLVED, That the National Association of Regulatory Utility Commissioners (NARUC) convened in its 114th Annual Convention in Chicago, Illinois, commends the Senate Committee on Governmental Affairs for its timely report; and be it further

RESOLVED, That in keeping with the spirit of cooperation set forth in the aforementioned 1996 NARUC resolution regarding joint or coordinated Federal Energy Regulatory Commission (FERC), Securities and Exchange Commission (SEC) and State audits and the potential benefits derived from joint audits, that the Staff Subcommittee on Accounting and Finance is directed to invite the FERC and SEC staff to join in this continued effort; and be it further

RESOLVED, That NARUC urges the Congress of the United States, when considering either comprehensive energy legislation or the repeal of the Public Utilities Holding Company Act, make provision for governmental entities at all levels of government to be able to work cooperatively and share all information on audits of multi-jurisdictional energy companies.

Sponsored by the Committee on Finance and Technology
Recommended by the NARUC Board of Directors November
11, 2002

Adopted by NARUC Convention November 12, 2002