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STATE OF WEST VIRGINIA
SECRETARY OF STATE
Charleston 25305

PROPOSED RULES

STATE REGISTER FILING

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AGENCY PUBLIC SERVICE COMMISSION OF WEST VIRGINIA

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TYPE OF RULE Legislative

TITLE OF RULE MANAGEMENT AUDITS

CHAPTER 24 ARTICLE 2 SERIES VII (WATER)

AUTHORITY 24-1-7

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CHECK APPLICABLE ITEMS BELOW TO SHOW KIND OF ACTION BEING TAKEN

NEW RULE

NOTICE OF HEARING

AMENDMENTS TO EXISTING RULE

NOTICE OF AGENCY APPROVAL
(legislative rules only)

REPEAL OF EXISTING RULE

NOTICE OF AGENCY ADOPTION
(interpretive & procedural
rules only)

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Public Service Commission Of West Virginia



201 Brocks Street, P. O. Box 812
Charleston, West Virginia 25323

NOTICE OF AGENCY ADOPTION

RULE TITLE: The Scope, Frequency and Application of Management Audits and Investigations.

RULE TYPE: Legislative

The attached rule constitutes the official rule adopted by the Public Service Commission of West Virginia on March 20, 1986, and filed with the Secretary of State.

A handwritten signature in cursive script that reads "Michael D. Greer".

Michael D. Greer
Chairman

FILED IN THE OFFICE OF
THE SECRETARY OF STATE
THIS DATE March 20, 1986
ADMINISTRATIVE LAW DIVISION

GENERAL ORDER NO. 226 (WATER)

IN THE MATTER OF The Scope, Frequency
and Application of Management Audits
and Investigations.

Proceeding Upon the Commission's Own Motion

FISCAL NOTE

This is a Fiscal Note issued pursuant to §§29A-3-4, 29A-3-5, 29A-3-9, and 24-1-7 of the West Virginia Code, relating to General Order No. 226. In the Matter of The Scope, Frequency and Application of Management Audits and Investigations.

I. OBJECTIVES OF THE RULE

The purpose of these rules and regulations is to establish requirements for the effectuation of the legislative mandate expressed in West Virginia Code §24-2-3. The rules and regulations relate to establishing a procedure for the conduct of formal management audits and investigations of utilities and the implementation of recommendations made as a result of such audits.

II. COST OF IMPLEMENTING THE ATTACHED PROPOSED RULES

A. Cost of Implementation for the State

The administration and enforcement of these rules will require no new personnel, equipment or supplies and will require no substantial changes in work assignments or procedures.

B. Cost of Implementation for Persons Affected by the Proposed Rule

Under the proposed rule, the Commission may have the audit performed by its Staff or contracted to an auditing firm. The utility will pay the cost of a contracted audit; however, the Commission shall include the cost in the utility's cost of service, thus allowing the utility to recover the expense from its customers.

III. THE EFFECT THIS MEASURE WILL HAVE ON THE COSTS AND REVENUES OF STATE GOVERNMENT (Information required by fiscal notes for either house of the Legislature)

There will be no effect on the cost and revenues of State Government except as noted in Part IV.

IV. ECONOMIC IMPACT OF THE RULES OF THE STATE OR ITS RESIDENTS

The rule provides that the audit may be performed by the Commission or contracted to an auditing firm. The utility would incur no additional costs which it could pass on to ratepayers if the audit is conducted by Staff. If the audit is contracted to a firm, the reasonable cost of conducting the audit shall be included in the utility's cost of service. The cost of the audit may be amortized over a period of years if included in the utility's cost of service. Therefore, the economic impact upon the State and its residents should be minimal, if there is any impact at all.

DATE March 20, 1986 AGENCY Public Service Commission

SIGNATURE OF AUTHORIZED REPRESENTATIVE Michael D. Greer

GENERAL ORDER NO. 222 (ELECTRIC)
GENERAL ORDER NO. 223 (GAS)
GENERAL ORDER NO. 224 (SEWER)
GENERAL ORDER NO. 225 (TELEPHONE)
GENERAL ORDER NO. 226 (WATER)

IN THE MATTER OF The Scope, Frequency
and Application of Management Audits
and Investigations.

ABSTRACT OF PROMULGATION HISTORY

The West Virginia Legislature passed Senate Bill No. 117 on March 12, 1983. Said Bill, which was effective from passage, has as one of its provisions the amendment of Section 3, Article 2, Chapter 24 of the West Virginia Code. Said amendment gives the Public Service Commission authority, in exercising its power to determine just and reasonable rates, to audit or have an audit performed of utility management practices and policies in order to determine whether or not the utility is operating with efficiency and utilizing sound management practices. The amendment further provides that the Commission adopt rules with regard to the scope, frequency and application of such management audits. The Bill was effective from passage and signed into law on March 25, 1983.

On August 21, 1985, the Commission issued General Orders 222, 223, 224, 225 and 226, initiating a rulemaking proceeding to promulgate rules effectuating the legislative mandate contained in Code §24-2-3. Adequate notice of the proposed rulemaking and copies of the proposed rules were provided to interested parties in accordance with the requirements of the August 21, 1985 Order and Code §29A-3-5. All interested parties were given the opportunity to submit written comments on the proposed rules to the Commission by 4:00 p.m., September 20, 1985.

Upon review of the comments submitted by various parties the Commission has determined that some of the proposed modifications should be adopted, and other changes made on the Commission's own initiative. Therefore, on March 20, 1986, the Commission adopted the rule hereinafter set forth as Rule 2.06 of the Rules and Regulations for the Government of Electric, Water, and Sewer Utilities and Rule 5.05 of the Rules and Regulations for the Government of Telephone Utilities as final rules establishing the procedure for management audits and investigations, to become effective sixty days after promulgation, in accordance with West Virginia Code §24-1-7.