

**PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA
1325 G STREET N.W., SUITE 800
WASHINGTON, D.C. 20005**

ORDER

March 24, 2016

**FORMAL CASE NO. 1009, IN THE MATTER OF THE INVESTIGATION INTO
AFFILIATED ACTIVITIES, PROMOTIONAL PRACTICES, AND CODES OF
CONDUCT OF REGULATED GAS AND ELECTRIC COMPANIES**, Order No.
18155

I. INTRODUCTION

1. By this Order, the Public Service Commission of the District of Columbia (“Commission”) grants the Potomac Electric Power Company’s (“Pepco”) Request for Approval of an Independent Audit, grants Washington Gas Light Company’s (“WGL”) Motion for Extension of Time to File Cost Allocation Manual (“CAM”), closes *Formal Case No. 1009*, and directs WGL and Pepco to file their CAMs and Requests for Approval of an Independent Audits as directed in paragraphs 23 to 26 of this Order.

II. BACKGROUND

2. On April 15, 2002, the Commission opened *Formal Case No. 1009* to “investigate affiliate transactions and standards of conduct” for WGL and Pepco.¹ Ultimately, the Commission adopted an Affiliate Transactions Code of Conduct (“Affiliate Code”) as Chapter 39 of the Commission’s rules by Order issued February 1, 2011.²

3. Pursuant to Section 3904.1 of the Affiliate Code, Pepco and WGL are each required to file an annual CAM, explaining how each utility will allocate and account for shared services between the utility and any affiliate.³ In addition, on a biennial basis, the companies must “cause a limited engagement report to be prepared by

¹ *Formal Case No. 945, In the Matter of the Investigation Into the Electric Service Market Competition and Regulatory Practices; Formal Case No. 989, In the Matter of the Office of the People’s Counsel’s Complaint for a Commission-Ordered Investigation Into the Reasonableness of Washington Light Company’s Existing Rates; In the Matter of the of the Application of Washington Gas Light Company, District of Columbia Division, For Authority to increase Existing Rates and Charges for Gas Service; and Formal Case No. 1009, In the Matter of the Investigation Into Affiliated Activities, Promotional Practices, and Codes of Conduct of Regulated Gas and Electric Companies* (“*Formal Case No. 1009*”), Order No. 12376, rel. April 15, 2002.

² *Formal Case No. 1009*, Order No. 16189, rel. Feb. 1, 2011. See also 15 DCMR §§ 3900-3910, and 3999 (2011).

³ 15 DCMR § 3904.1 (2011).

an independent accountant of its books” and the books of its affiliates “to ensure compliance with the Commission’s Code of Conduct”, consistent with Section 3904.6. The two utilities must also select the accountant and seek Commission approval of the accountant “at least sixty (60) days prior to the beginning of the limited engagement review.”⁴

III. DISCUSSION AND DECISION

A. Pepco’s Request for Approval of an Independent Audit

4. On January 28, 2016, Pepco, consistent with Section 3904.6 of the Commission’s Affiliate Transactions Code of Conduct, filed a request for approval of its “selection of PricewaterhouseCoopers (‘PwC’), as the independent accountant, to conduct an examination and prepare a limited engagement report on [Pepco’s] books and the books of Pepco Holdings, Inc. (‘PHI’) and any PHI affiliates that have entered into a transaction with Pepco during the twelve months ended December 31, 2015, to ensure compliance with the provisions” of the Affiliate Code.⁵ No comments were filed in response to the Pepco’s request.

5. Pepco submits that PwC is a national and global audit firm registered with the Public Company Accounting Oversight Board (“PCAOB”). The company explains that PwC employs more than 208,000 individuals in 157 countries around the globe to provide clients with a broad array of services related to audit, risk-related issues, tax, and transaction consulting and support. Pepco further explains that, in order to perform the limited engagement review, PwC must meet the independence standards of the American Institute of Certified Public Accountants (“AICPA”) for the combined period of the limited engagement review and the entire period subject to the review. The company asserts that consideration of these standards suggests that PwC is independent unless it intentionally violates one of these standards. Pepco states that it is “not aware of any non-compliance by PwC with the standards, and [that] PwC indicates that it is in compliance with respect to their potential engagement for this service.” The company asserts, therefore, that there is no conflict of interest between PwC and Pepco with respect to matters within the scope of the limited engagement review.⁶

6. Pepco further submits that PwC has confirmed its independence to perform audit and review services for the company. Pepco points out that PwC has provided “attestation services in prior years required in Maryland that are related to schedules the [c]ompany prepared associated with affiliate transaction costs charged in

⁴ 15 DCMR § 3904.6 (2011).

⁵ *Formal Case No. 1009*, Pepco’s Request for Approval of an Independent Accountant (Pepco’s Request”), filed Jan. 28, 2016, at 1.

⁶ Pepco’s Request at 1-2.

accordance with the [c]ompany's CAM." Pepco concludes that "[n]one of the work that PwC has performed compromises its ability to perform an independent examination."⁷

7. Finally, Pepco asserts that "PwC's performance has been professional, competent, timely and exceeds all standards for such work." Based on the above, the Pepco asks that the Commission approve its selection of PwC as the independent accountant to conduct the examination and prepare the limited engagement report.⁸

8. PwC is a well-established, nationally and globally recognized audit firm which is under the jurisdiction of the PCAOB which is a nonprofit corporation established by Congress to oversee the audits of public companies in order to protect investors and the public interest by ensuring that audit firms follow stringent accounting standards regarding independence and good conduct.⁹ Based on these facts and Pepco's above, uncontested representations, we grant Pepco's request to engage PwC to conduct a limited engagement review and prepare a report on Pepco's books and the books of any affiliate that has entered into a transaction with Pepco during the twelve months ending December 31, 2015. In addition, to keep us informed of the status and scope of the limited engagement review, we direct Pepco to file with the Commission a copy of its engagement letter with PwC upon the execution thereof by both parties and a copy of the limited engagement report by July 1, 2016.

B. WGL's Motion for Extension of Time to File Cost Allocation Manual

9. On February 1, 2016, WGL filed a Motion for Extension of Time to File CAM.¹⁰ WGL filed the CAM on February 5, 2016.¹¹

10. With regard to the motion, WGL states that "in light of the severe weather conditions of the region" recently, it cannot file the annual CAM due February 1, 2016. WGL therefore "requests an additional four days, or until February 5, 2016 to file the CAM." WGL further states that "[n]o party will be harmed by the brief extension of time requested by this Motion."¹²

⁷ Pepco's Request at 2.

⁸ Pepco's Request at 2.

⁹ See <http://pcaobus.org/About/Pages/default.aspx>; <http://www.pwc.com/gx/en/about/ethics-business-conduct.html>

¹⁰ *Formal Case No. 1009*, Washington Gas Light Company's ("WGL") Motion for Extension of Time to File Cost Allocation Manual ("Motion for Extension of Time"), filed Feb. 1, 2016.

¹¹ *Formal Case No. 1009*, WGL's Cost Allocation and Inter-Company Pricing Manual for the District of Columbia, filed Feb. 5, 2016.

¹² Motion for Extension of Time at 1-2.

11. The standard for granting a Motion for an Extension of Time is whether the proponent of the motion provides good cause or whether granting the motion would be reasonable, would prejudice any party to the proceeding, would cause inordinate delay, or would create a more complete record for Commission action.¹³

12. WGL has presented good cause for seeking an extension since it needs additional time to file its CAM as the January 2016 snowstorm closed down the Washington metropolitan area for days on end. Considering that no party objects to the Motion, we find that no party would be prejudiced by the Commission's approval of the Motion, nor would the extension unduly delay this proceeding. Under these circumstances, the Commission finds the request reasonable and grants WGL's Motion.

C. Case Closing and Filing of Cost Allocation Manuals and Request for Approval of Independent Audits

13. On January 9, 2014, the Commission gave notice of our intent to implement a revised docketing system effective immediately. The new system continues our long-standing tradition, since the 1960s, of having items docketed under a numerical formal case or under a case file with an acronym. Under the new system, the Commission will be closing many of the current formal cases in which final decisional orders have already been issued. These cases have remained open in the past because the Commission has ordered subsequent monitoring, compliance, and enforcement filings. Under the new system, all monitoring, compliance, and enforcement filings and orders will be issued under a case docket with an acronym rather than in a numerical formal case. Moreover, the existing monitoring, compliance, and enforcement filings are being converted to acronyms that make it easier to identify the filing party and the subject matter.¹⁴

14. After reviewing the status of the above-captioned matter, the Commission finds that there are no outstanding matters, other than Pepco's and WGL's ongoing obligation to file their CAMs annually and Request for Approval of Independent Audits biennially as well as the companies' and the Commission's obligation to file other documents relating to the audits in *Formal Case No. 1009*. Consequently, in the interest of administrative efficiency, the Commission notifies parties of its intent to close this matter. If any person believes that this proceeding should remain open, then that person has ten (10) days from the date of this Order to file an objection and indicate the remaining issues that need to be resolved in this proceeding.

15. Once this case is closed, Pepco shall file its annual Cost Allocation Manual in the new PEPCAM docket. WGL shall file its annual Cost Allocation Manual in the new WGCAM docket.

¹³ *Formal Case No. 1135, In the Matter of the Investigation of Washington Gas Light Company's Request to Establish Regulatory Asset*, Order No. 18089, rel. Jan. 27, 2016, at 3 (citations omitted).

¹⁴ Notice of Restructured Docketing System, rel. January 9, 2014.

16. In addition, Pepco shall file its biennial Request for Approval of an Independent Audit in the new PEPIA docket. WGL shall file its biennial Request for Approval of an Independent Audit in the new WGIA docket. All other documents related to the Independent Audits shall be filed in the new PEPIA and new WGIA dockets, as appropriate.

THEREFORE, IT IS ORDERED THAT:

17. The Potomac Electric Power Company's request for Approval of an Independent Audit is hereby **GRANTED**;

18. The Potomac Electric Power Company is **DIRECTED** to file a copy of its engagement letter with PricewaterhouseCoopers upon execution by both parties;

19. The Potomac Electric Power Company is **DIRECTED** to file the limited engagement report by July 1, 2016;

20. Washington Gas Light Company's Motion for Extension of Time to File Cost Allocation Manual is hereby **GRANTED**;

21. Washington Gas Light Company's Cost Allocation Manual is hereby **ACCEPTED** in to the record;

22. *Formal Case No. 1009* shall be **CLOSED** ten (10) days from the date of this Order unless an objection is filed in accordance with paragraph 14 of this Order;

23. The Potomac Electric Power Company is **DIRECTED** to file its annual Cost Allocation Manual in the new PEPCAM docket;

24. Washington Gas Light Company is **DIRECTED** to file its annual Cost Allocation Manual in the new WGCAM docket;

25. The Potomac Electric Power Company is **DIRECTED** to file its biennial Request for Approval of an Independent Audit in the new PEPIA docket;

26. Washington Gas Light Company is **DIRECTED** to file its biennial Request for Approval of an Independent Audit in the new WGIA docket; and

27. All other documents related to the Independent Audits shall be filed in the new PEPIA and new WGIA dockets.

A TRUE COPY:

BY DIRECTION OF THE COMMISSION:

A handwritten signature in black ink, reading "Brinda Westbrook-Sedgwick". The signature is written in a cursive, flowing style.

CHIEF CLERK:

**BRINDA WESTBROOK-SEDGWICK
COMMISSION SECRETARY**