



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

Affiliated Interest Agreements

What the Commission is looking for in brief is: the name of the companies involved, the addresses, counties, the number of customers serviced, the date of the contract, the services involved and the prices for those services, the property involved and the prices that are charged for the use or lease of the property, signatures of the presidents of the companies, and dates (for gas companies this will include the cost of gas sales). The costs/prices can be submitted via confidential addenda. The AIA must include at least that much information but it can contain much more, and it should be written as a standard business contract. Proof of the amounts will be required when the data requests are sent. The Commission determines if the prices are reasonable and consistent with the public interest (2102 (b)).

Officially The Commission reviews the AIA's in accordance with 66§2102 thru 2107 that is the commissions official stance. Attached is the law. Here are the highlights of the law:

2102 (a) **General rule.** – No contract or arrangement providing for the furnishing of **management, supervisor, construction, engineering, accounting, legal, financial, or similar services, and no contract or arrangement for the purchase, sale, lease, or exchange of any property, right or thing for the furnishing of any services, property, right or thing other than those above enumerated**, made or entered into after the effective date of this section between a public utility and any affiliated interest shall be valid or effective unless and until such contract or arrangement has received the written approval of the commission. If such contract is oral, a complete statement of the terms and conditions thereof shall be filed with the commission and subject to its approval.

(b) **Filing and action on contract** – It shall be the duty of every public utility to file with the commission a verified copy of any such contract or arrangement, or verified summary as described in subsection (a) of any such unwritten contract or arrangement....The commission shall approve such contract or arrangement made or entered into after the effective date of this section only if it shall clearly appear and be established upon investigation that it is reasonable and consistent with the public interest.No such contract or arrangement shall receive the commission's approval unless satisfactory proof is submitted to the commission of the cost to the affiliated interest of rendering the services or of furnishing the property or service described herein to the public utility. No proof shall be satisfactory within the meaning of the foregoing sentence unless it includes the original (or verified copies) of the relevant cost records and other relevant accounts of the affiliated interest or such abstract thereof of summary taken there from as the commission may deem adequate, properly identified and duly authenticated.

(d) **Exceptions** – The provisions requiring the written approval of the commission shall not apply to transactions with affiliated interest of any common carrier by railroad or motor vehicle that is subject to the Interstate Commerce Act unless required by order of the commission, nor where the amount of consideration involved is not in excess of \$10,000 or 5% of the par value of outstanding common stock, whichever is smaller. Regularly recurring payments under a general or continuing arrangement which aggregate a greater amount shall not be broken down into a series of transactions to come within this exemption.

2106 Effect on Rates – In any proceeding, upon the commission’s own motion, or upon application or complaint, involving rates or upon application or complaint, involving rates or practices of any public utility, the commission may disallow, in whole or in part, any payment or compensation to an affiliated interest for any services rendered or property or services finished, or any property, right, or thing received by such public utility, or donation given or received , under existing contracts or arrangements which such affiliated interest unless the public utility shall establish the reasonableness thereof.