

**TRANSACTION SUMMARY-AFFILIATE TRANSACTIONS**

- A. All applications filed for approval of affiliate transactions under the Affiliates Act:
1. Describe, in detail, the affiliate relationship among the parties involved.
  2. Describe specific services, rights, or things to be provided.
  3. Describe the conditions and term of the agreement, contract, or arrangement, including rights of parties to cancel and renewability. If the agreement requires the utility company to become involved in a long-term captive relationship, explain why this is necessary.
  4. Provide a copy of any formal agreement. If there is no formal agreement, provide a statement to that effect with a complete description of the contract or arrangement.
- B. Goods or services provided to the utility:
1. Describe the utility's need for the goods or services.
  2. Describe the utility's current and prior arrangements for obtaining the goods or services, where applicable.
  3. Discuss whether or not the goods or services can be provided by the utility internally. If so, quantify the costs of doing so and compare such costs to costs of obtaining such goods or services from the affiliate. If not, explain why such goods or services cannot be provided internally.
  4. Discuss other alternative sources for obtaining the goods or services available to the utility. Provide specific details, quantifying the costs of obtaining such goods or services from the alternative sources and comparing those costs to the costs of obtaining the goods or services from the affiliate.

5. Explain how the costs of obtaining goods or services from the affiliate are to be determined. If costs to the utility are to be based on the affiliate's cost of providing the goods or services, provide those cost components. If the cost components are to include a return on investment component, state what that is and show how it is determined.
  6. If costs to the utility are to be based on market rates, explain, in detail, how such market rates are to be determined. Provide the dollar amount and percentage of the affiliate's revenues that are derived from providing such goods or services to non-affiliated entities. Provide supporting calculations.
  7. If the utility is to be charged or allocated costs from the affiliate, explain how such charges or allocations are to be made, providing specific allocations methodologies. If allocation formulas are to be used, provide such formulas.
  8. If services are not proposed to be priced at the lower of cost, plus a reasonable return, or the market price, explain why this will not be done.
- C. Goods or services provided by the utility:
1. Describe the affiliate's need for the goods or services.
  2. Describe the affiliate's current and prior arrangements for obtaining the goods or services, where applicable.
  3. Explain how the costs of providing goods or services to the affiliate are to be determined and provide comparisons to the market rate for such services. If costs to the affiliate are to be based on the utility's costs of providing the goods or services, provide the cost components. If the cost components include a return on investment component, state what it is and show how it is determined.

4. If the utility's charges to the affiliate are based on market rates, explain, in detail, how such market rates are to be determined and state the percentage of revenues that are derived from providing such goods or services to non-affiliated entities.
  5. If the utility will be charging or allocating costs to the affiliate, explain how such charges or allocations are to be made, providing specific allocations methodologies. If allocation formulas will be used, provide such formulas.
  6. If goods or services are not to be priced at the higher of fully distributed cost or market price, explain why this will not be done.
  7. If services will be provided by the utility to an affiliate, provide details on the amount of employee time that will be spent providing affiliate services; the number of employees that will be involved; and an explanation as to how such time will be tracked. Discuss whether the utility will need to hire additional employees or purchase additional equipment and facilities to provide the proposed services.
  8. If the utility is proposing to provide services to a subsidiary of the utility in order to allow the subsidiary to provide certain services to utility customers, provide information demonstrating that the services to be provided by the subsidiary are "related to or incidental to" the utility company's purpose of providing public utility service to its customers. If not applicable, please explain.
- D. Leasing arrangements with affiliates:
1. Provide a summary of the leasing arrangement to include:
    - a. the names of the lessor and the lessee;
    - b. a complete description of the asset or assets to be leased;

- c. complete details of the lease arrangement to include the term, renewal options, rights and obligations during the term of the lease as to insurance, taxes, maintenance, repair, and failure or destruction of the asset; and
  - d. a copy of the lease agreement.
2. Type of lease: capital or operating
  3. Show how the lease rate was determined with supporting detail.
  4. If the utility will be leasing from an affiliate, the utility should justify leasing as opposed to buying. It should also justify leasing from an affiliate, as opposed to leasing from a third party. A copy of the lease/buy analysis should be provided to support the utility's request, including all assumptions used in the analysis. If buying was not considered an option, explain why. If leasing from a non-regulated affiliate, the utility should show that it is paying the lower of net book cost or the market price for the asset or assets leased. Leasing from a regulated affiliate should be at net book cost. Supporting documentation should be provided for the determination of net book cost and market price.
  5. If the utility will be leasing to an affiliate, other than a regulated affiliate, the utility should show that it is recovering the higher of net book cost or the market price for the asset or assets leased. If leasing to a regulated affiliate, the utility should show that it is recovering net book cost. Supporting documentation should be provided for the determination of cost and market price. All assumptions used should be explained in detail. A copy of any analysis used for final lease rate determination should be provided.

E. Accounting and other issues to be provided or addressed by the utility and affiliate:

1. Provide a copy of the utility's or affiliate's Cost Allocation Manual (depending on which entity is providing services), which describes the accounting system (to include the chart of accounts used) and cost allocation methodologies (including factors and methods of calculation) put in place to track costs accurately relative to contracts and arrangements with affiliates.
2. Describe any specific safeguards in place to ensure that no unregulated affiliate will be subsidized by the regulated company as a result of the proposed contract or arrangement.
3. Compare and contrast the utility's risk exposure as a result of the proposed arrangement and show that the arrangement is in the public interest in spite of any anticipated change in risk exposure.
4. Discuss any anticipated cost savings for the utility as a result of the arrangement. Describe such anticipated savings and quantify to the extent possible. Provide support for anticipated savings. Include any anticipated impacts on operating efficiencies or quality of service and explain and quantify to the extent possible with supporting detail.
5. Discuss in specific terms any other anticipated positive impacts on public interest not yet addressed, including any anticipated impacts on customers' rates.
6. If approval is required in other jurisdictions, provide the status of the review process in those jurisdictions and provide copies of any orders issued. Provide bi-weekly updates until a Commission Order is issued.

7. Descriptions of goods or services to be provided or received pursuant to affiliate contracts or arrangements must be specific. Categories such as “other” and “incidental” without description of the types of services in those categories are unacceptable and cannot be recommended for Commission approval.
  8. If the proposed contract or arrangement is for the utility to provide services to an affiliate to support the affiliate providing services to other entities, the affiliate should have a separate accounting system established prior to obtaining Commission approval. If this has not been established, indicate when this will take place. A copy of the accounting procedures established for the affiliate showing how costs will be tracked should be provided to the Division of Public Utility Accounting.
  9. If the contract or arrangement involves investment by the utility company in an affiliate and the provision of services to the affiliate to enable the affiliate to operate, describe, in specific detail, how the utility’s customers (or members in the case of electric cooperatives) will be protected against any losses incurred by the affiliate.
  10. For contracts or arrangements in which services are offered to an affiliate operating in a competitive environment, describe, in specific detail, what steps are being taken to ensure that the affiliate is not being favored over competitors.
  11. Describe, in detail, how the proposed services provided by the utility company will be accounted for in the utility’s financial records.
- F. Applications for exemption from the filing and prior approval requirements of the Affiliates Act pursuant to § 56-77 B of the Code of Virginia should:
1. Explain, in detail, the exemption requested and the reasons for the request.

2. Describe, in detail, the types of contracts or arrangements for which an exemption is requested and provide the names of affiliates involved.
3. Provide the number of such contracts or arrangements and the total dollar amount of each contract or arrangement currently in existence.
4. If such contracts or arrangements are not expected to affect the company's Virginia jurisdictional business, describe in detail how the Commission can be assured that will, in fact, be the case.
5. Describe, in specific terms, how the requested exemption will be in the public interest.
6. Describe the steps taken, or that will be taken, to ensure that contracts or arrangements that will continue to require prior Commission approval after such exemption is granted will be filed in a timely manner.