

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION INTO THE)	
DIVERSIFICATION OF RURAL ELECTRIC)	
COOPERATIVE CORPORATIONS INTO THE)	ADMINISTRATIVE
SATELLITE-DELIVERED TELEVISION)	CASE NO. 326
PROGRAMMING SERVICES)	

O R D E R

By Order entered December 28, 1988, the Commission initiated this investigation into the involvement of the Rural Electric Cooperative Corporations ("RECCs") in the distribution and sale of satellite-delivered television programming services ("satellite-TV"). A primary concern of this investigation was to ascertain whether the RECCs were properly accounting for diversified activities and whether reporting by the RECCs adequately disclosed those activities. On August 17, 1989, the Commission issued an Order finding a need to establish accounting and reporting guidelines to ensure that RECC diversification into satellite-TV was properly accounted for and reported. An informal conference was held on September 14, 1989, with all parties to this investigation represented. The parties agreed that the Commission Staff would prepare draft guidelines addressing the accounting and reporting concerns, and that the draft guidelines would then be submitted to the parties for comment. The draft guidelines were submitted to the parties by the Commission's Order of December 12, 1989.

Comments were received from the Attorney General's Office, Utility and Rate Intervention Division ("Attorney General"), Nolin RECC ("Nolin"), Salt River RECC ("Salt River"), and Green River Electric Corporation ("Green River") on behalf of the RECCs associated with Kentucky Telecommunications, Inc. ("KTI"). The RECCs currently associated with KTI include Green River, Henderson-Union RECC, Jackson Purchase Electric Cooperative Corporation, South Kentucky RECC, Fox Creek RECC, Grayson RECC, and two non-jurisdictional RECCs; in addition, Meade County RECC is a non-investor participant. Another party to this proceeding, the Kentucky Cable Television Association, filed no comments.

The Commission has reviewed the comments submitted by the parties and believes it is appropriate to respond to each separately.

Nolin

Nolin offered no comments concerning the draft guidelines; instead, Nolin summarized its method of accounting for its involvement with KTI. Nolin informed the Commission that as of March 9, 1990, it would no longer be a non-investor participant in KTI. Nolin requested that it be removed from the record as a participant and that it be relieved of any reporting and filing required in this case.

The Commission originally included all RECCs as parties to this investigation to ensure that each one was afforded its due process right to be heard on this diversification issue. In its March 16, 1989 Order the Commission stated that any RECC that did not want to participate in this investigation would be excused

upon filing with the Commission a written notice acknowledging its obligation to be bound by the results of this investigation. Several RECCs have chosen this option, and the Commission is of the opinion that Nolin can exercise the same option, provided it files the necessary written notice of acknowledgment.

Salt River

During the initial phase of this proceeding, Salt River informed the Commission that it had established its own subsidiary for the marketing of satellite-TV, the Salt River Service Corporation ("Dish Wish TV"). In its comments concerning the draft guidelines, Salt River indicated that it was already following the guideline requirements, with the exception of the account number used to record its investment in Dish Wish TV. Salt River indicated it was changing the account number to the same subaccount level as indicated in the draft guidelines. Salt River objected to the Commission having open access to the books, records, and personnel of Dish Wish TV. Salt River further indicated that it had concerns about disclosing sensitive information and operating decisions, and that it would reserve the right to object to any request concerning such disclosures.

The Commission appreciates the efforts Salt River has undertaken to address the concerns about RECC cross-subsidization of satellite-TV. However, the Commission is concerned by Salt River's position on access to books, records, and personnel. In the guidelines developed by the Commission for Kentucky Utilities

Company ("KU") in Case No. 10296¹, the Commission determined that it was essential to have access to the books and records of the holding company and affiliates to fully investigate the operations of the utility. The Commission's access is necessary in the exercise of its statutory duties. The draft guidelines also stated this position regarding the need for access to the books and records of a non-regulated subsidiary. The Commission recognizes that the diversification into satellite-TV is not the same type of transaction as the creation of a utility holding company. However, in both situations the Commission's duty is to ensure that the ratepayers are not subsidizing the non-utility operations.

Attorney General

The Attorney General filed comments which generally supported the requirements outlined in the draft guidelines. In addition, the Attorney General indicated that because of the problem of cross-subsidization, extra detail was needed in both the accounting records and the supporting documentation maintained by the RECCs. The Attorney General advocated that additional subaccounts should be required and that the Commission should conduct random surprise audits of the RECCs. These audits would concentrate on the verification of employee time charges, scrutiny of the use of utility vehicles, and the verification of charges

¹ Case No. 10296, The Application of Kentucky Utilities Company to Enter Into an Agreement and Plan of Exchange and to Carry Out Certain Transactions in Connection Therewith, Commission Order dated October 6, 1988 and final Order dated January 30, 1989.

for office supplies and expenses so as to identify those items which should have been charged to non-utility operations.

While the concerns expressed by the Attorney General are understandable, the Commission believes that the suggestions would not achieve the desired results. The objective of this proceeding is to formulate guidelines sufficient, when followed, to prevent cross-subsidization and allow for periodic Commission review. The suggestion of such audits appears to be based on the assumption that the audits would discover serious, improper allocations of expenses by the RECCs. This approach assumes that there is no functioning system of internal accounting controls at the RECCs, and such an assumption is not valid without supporting evidence. Requiring additional detail in the accounting system and the supporting documents will not guarantee that the risk of cross-subsidization is minimized and ignores the fact that the accounting needs of each RECC are different.

Green River

Green River's comments, offered on behalf of the RECCs investing and participating in KTI, dealt with four areas of disagreement with the requirements in the draft guidelines. Those issues are the appropriateness of using the equity method to account for the investment in KTI; the ability of any one RECC to guarantee open access to the books and records of KTI; the prohibitive burden of the reporting guidelines on RECCs that may desire to become non-investors, but participants, in KTI; and the inclination of the Commission to treat the diversification into

satellite-TV as the same transaction as the creation of a holding company by an investor-owned utility.

Concerning the first issue, Green River states that: the draft guidelines incorrectly conclude that KTI is a subsidiary of Green River; the equity method of accounting for the investment is not required by Accounting Principles Board ("APB") Opinion No. 18; and the equity method imposes additional requirements on the RECC without corresponding benefits. Green River provided a detailed discussion in support of its position.

Because of the importance of this accounting issue, the Commission has reviewed the draft guidelines, APB Opinion No. 18, the Uniform System of Accounts ("USoA") prescribed for electric borrowers of the Rural Electrification Administration, and the articles of incorporation and bylaws of KTI. Based on this review, the Commission believes that the draft guidelines have placed too much emphasis on APB Opinion No. 18 and should have concentrated on the requirements of the USoA. In accounting matters, the Commission must look to the USoA for guidance. In many situations, the requirements in the USoA parallels the requirements of generally accepted accounting principles. The APB Opinions are part of the body of those principles, but the Commission's decisions on accounting matters must reflect the USoA.

The USoA defines a subsidiary company as one which is controlled by the utility through ownership of voting stock. The USoA defines control as the possession, directly or indirectly, of the power to direct or cause the direction of the management and

policies of a company. This power can be exercised through intermediary companies, or by the investor, or in conjunction with or pursuant to an agreement. This power can be established by numerous direct or indirect means, including common directors and officers. Control is not defined as a specific percentage of ownership of the voting stock of the subsidiary.

KTI is a Kentucky corporation whose investors must be either a RECC or a Rural Telephone Cooperative Corporation. In either case, the investor must be a member of the National Rural Telecommunications Cooperative. The stock of KTI is not publicly traded. Each investor has two seats on the board of directors of KTI. These directors must be at all times either a full-time employee of the investor or a member of the investor's board of directors. Each investor makes the same amount of investment in KTI, and equal amounts of loan funds are required from each investor.

After considering this information, the Commission finds that KTI is a subsidiary of each of the investor RECCs. This determination is based upon the definitions found in the USoA and an analysis of the structure of KTI. The accounting treatment for a subsidiary of a RECC is clearly outlined in the USoA. The Commission finds that the original draft guidelines accurately recite those accounting requirements. In order to clarify the subsidiary determination, the Commission will revise the draft guidelines to adopt the standards and requirements of the USoA. The draft guidelines attached to this Order as Appendix A reflect this revision.

In its second issue, Green River states that it anticipates no problem in satisfying the Commission's information requests. However, Green River claims that there are legal limits on its ability to guarantee open access to the books and records of KTI. Green River suggests that the guidelines be revised to recognize the limitations to Commission jurisdiction and authority over KTI and the investor RECCs which purchase wholesale power from the Tennessee Valley Authority ("TVA").

As the Commission has indicated in addressing Salt River's comments, in order for the Commission to properly exercise its duties, the ability to monitor and review the operations of the RECC through access to the books and records of the non-utility subsidiaries is essential. The Commission has modified the draft guidelines to more clearly establish its access to the books and records of subsidiaries transacting business with the RECCs. The draft guidelines clearly state that access will be requested only when necessary. The Commission finds that Green River's proposed revision to the draft guidelines should not be adopted.

The third issue raised by Green River deals with the RECCs which are non-investor participants in KTI. These RECCs believe that the guidelines would impose burdens disproportionate to the amount of expense incurred by the RECC. Many RECCs would be inclined to forego providing the service demanded by customers rather than incur the additional expense of meeting the reporting requirements. As an alternative to the draft guidelines, Green River suggested the establishment of a threshold level of activity which would trigger the annual supplemental financial reporting

requirements, and that the Commission could examine the activities of a KTI non-investor participant during rate cases.

The Commission finds this suggestion to be analogous to the argument that non-investor participating RECCs should be excluded from the accounting and reporting guidelines because the satellite-TV transactions will be immaterial in nature. The draft guidelines are quite clear on the subject of materiality in relation to the potential cross-subsidization of non-utility activities by regulated utility ratepayers. Each RECC must weigh the costs in providing its members with satellite-TV or any other non-utility service. Satellite-TV service is a competitive, non-regulated activity. Just because the members demand the service does not mean that it must be provided by the RECC. The RECCs which wish to become non-investor participants in KTI must accept the responsibilities attendant to their involvement in non-utility activities. The Commission has reviewed the annual reporting requirements established by the draft guidelines, and does not believe the requirements to be burdensome for the non-investor participants in KTI.

Green River's last comment deals with its perception that the Commission was inclined to freely apply the rules established in the KU holding company case to this proceeding. Green River believes that there should be some recognition on the part of the Commission that the creation of a holding company is different from the diversification into satellite-TV.

As the Commission has previously indicated in addressing Salt River's comments, it does recognize that the two transactions are

different. However, the Commission's concern is the risk of cross-subsidization of the non-utility operations by the regulated utility ratepayers. The type of transaction involved is not controlling; the issue is cross-subsidization, not diversification or holding company creation.

The Commission further notes that Green River stated that its relationship with KTI is unaffected by competing interests of ratepayers and shareholders, as they are one and the same. The Commission reminds Green River, and all other RECCs involved in satellite-TV diversification, that just because KTI or Dish Wish TV customers are the RECC's customers does not mean the reverse is true. It is not reasonable for RECC customers who do not utilize satellite-TV services to subsidize the RECC customers who do utilize these services.

Based on the evidence of record and being advised, the Commission hereby finds that the draft guidelines, attached hereto as Appendix A, will allow for the proper accounting and reporting of satellite-TV involvement. Furthermore, the request of Nolin to be excused from this proceeding should be granted, upon filing with the Commission a written notice acknowledging its obligation to be bound by the results of this investigation. Finally, the parties to this proceeding should have 20 days from the date of this Order to request a hearing in this proceeding. A request for a hearing must be accompanied by an explanation of why the hearing is needed and what issues the party wishes to address.

IT IS THEREFORE ORDERED that:

1. The request by Nolin to be excused from this proceeding be and it hereby is granted conditioned upon Nolin's filing of a written notice acknowledging its obligation to be bound by the results of this investigation.

2. The parties to this proceeding shall have 20 days from the date of this Order to request a hearing in this matter. The request shall be accompanied by an explanation of why a hearing is needed and identify the issues to be raised at the hearing.

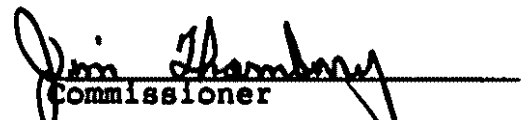
3. If no party requests a hearing, the guidelines attached as Appendix A shall be adopted and be effective beginning in calendar year 1990 without further Order of this Commission.

Done at Frankfort, Kentucky, this 22nd day of May, 1990.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN ADMINISTRATIVE CASE NO. 326 DATED 5/22/90

DRAFT GUIDELINES

The following guidelines have been developed to address accounting and reporting concerns of the Commission for those Rural Electric Cooperative Corporations ("RECCs") which have become involved in the distribution and sale of satellite-delivered television programming services ("satellite-TV").

REGULATORY CONCERNS

The Commission, in this proceeding, does not challenge the involvement of the RECCs in satellite-TV diversification. However, the Commission has certain concerns and objectives with regard to the protection of the RECCs' ratepayers. One of the primary concerns is the potential which will exist for cross-subsidization of nonutility operations by the regulated RECC. Cross-subsidization can occur through misallocation of common or joint costs, or through improper accounting treatments. The process of assuring that cross-subsidization does not occur will result in added regulatory oversight by the Commission and will require increased focus on cost identification by the RECCs.

The Commission has reviewed the Uniform System of Accounts ("USoA") prescribed for electric borrowers of the Rural Electrification Administration ("REA") and agrees with the RECCs' position that no major modifications will be necessary to properly account for satellite-TV transactions. The following discussion expresses in greater detail the Commission's concerns and the conditions and

requirements necessary to ensure that the interests of the RECC ratepayers are protected. This discussion is not intended to be all inclusive.

PROTECTION OF UTILITY RESOURCES

Throughout this proceeding, two issues have been raised which impact the accounting treatments for satellite-TV transactions. First, several of the RECCs have indicated that certain satellite-TV costs incurred are minimal, and such costs should not be identified and recorded in the nonutility operation accounts, due to the immaterial nature of the cost. This position by these RECCs relates directly to the Commission's concern that the operations of nonutility activities should not be cross-subsidized by the utility ratepayers. In order to minimize the possibility that utility ratepayers cross-subsidize the satellite-TV operations, all costs must be properly identified, allocated, and recorded. The principle applies irrespective of the materiality of the cost. Nonutility operating costs should not be recorded as utility operating costs.

The second issue is the method to be utilized in accounting for the investment by the RECCs. Currently, there are two companies that have been organized to provide satellite-TV, Kentucky Telecommunications, Inc. ("KTI") and Salt River Service Corporation ("Dish Wish TV").

In order to determine the appropriate accounting treatment for the investment, the Commission has reviewed the definitions and requirements in the USoA. The USoA defines a subsidiary company as one which is controlled by the utility through

ownership of voting stock. Control is defined as the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a company. This power can be exercised through intermediary companies, or by the investor, or in conjunction with or pursuant to an agreement. This power can be established by numerous direct or indirect means, including common directors and officers. Control is not defined as a specific percentage of ownership of the voting stock of the subsidiary. If a subsidiary relationship exists, the controlling utility must adjust the carrying amount of the investment to recognize the utility's share of the net earnings or net losses, as well as reduce the amount of the investment by the amount of dividends received from the subsidiary. The Commission notes that the accounting treatments outlined in the USoA are similar to those required by generally accepted accounting principles, more specifically, the "equity method" defined by Accounting Principles Board ("APB") Opinion No. 18. The Commission also notes that there is a significant difference between APB Opinion No. 18 and the USoA. While APB Opinion No. 18 requires application of the equity method when an investment in the voting stock is 20 percent or more, the USoA has no such restriction. Control is evaluated by a review of the relationship between the investor utility and the subsidiary.

Based on the review of the USoA, the Commission has determined that the investments in KTI and Dish Wish TV establish these companies as subsidiaries of their respective RECCs. Thus, all accounting transactions should be recorded in accordance with

the requirements of the USoA. In the case of Dish Wish TV, which is a wholly-owned subsidiary of Salt River RECC, this determination is clear. AS for KTI, the Commission has reviewed the articles of incorporation and bylaws of KTI in order to determine what degree of control exists between KTI and the investor RECCs. The investors in KTI are restricted to being either RECCs or Rural Telephone Cooperative Corporations, which in turn must be members of the National Rural Telecommunications Cooperative. The investor is allowed two seats on KTI's board of directors. These directors must be at all times either a full-time employee of the investor or a member of the investor's board of directors. Each investor makes the same amount of investment, is required to loan KTI the same amount of funds, and holds the same percentage of voting stock, currently at 12.5 percent. The Commission believes that the extent of control existing between the investor RECCs and KTI meets the definitions contained in the USoA, and therefore, the investment in KTI should be recorded as a subsidiary by the investor RECCs and they should comply with the requirements of the USoA.

Accounting Procedures and Controls

To account for the subsidiaries of RECCs, the USoA identifies a specific subaccount of Account No. 123, Investment in Associated Companies. This subaccount, Account No. 123.1, Investment of Subsidiary Companies, is where the initial investment in the subsidiary, interest accruals, loans to the subsidiary, and the amount of equity in the subsidiary's undistributed net earnings or net losses should be recorded. Because the REA has modified the USoA,

and Account No. 123.1 is required to be used for a different transaction, all RECCs which have diversified into satellite-TV should record the subsidiary transactions as Account No. 123.11, in accordance with current REA instructions.

In addition, the USoA indicates that accounts receivable and accounts payable transactions with the satellite-TV subsidiaries should be recorded in Account No. 146, Accounts Receivable from Associated Companies, and Account No. 234, Accounts Payable to Associated Companies. Interest receivable generated from loans made to the satellite-TV subsidiaries should be treated as interest accruals and recorded in Account No. 123.11. The RECCs should develop any further subaccounts necessary for Account Nos. 146 and 234 to adequately track the transactions with the satellite-TV subsidiaries.

The USoA provides three accounts to track the revenues and expenses of these subsidiaries. Revenues, with the exception of interest income, are to be recorded in Account No. 417, Revenues from Nonutility Operations; expenses are to be recorded in Account No. 417.1, Expenses of Nonutility Operations. Interest income is to be recorded in Account No. 419, Interest and Dividend Income. The RECCs should develop any further subaccounts necessary to adequately track satellite-TV subsidiary transactions.

The USoA requires that the RECCs record their share of the undistributed net earnings or net losses in Account No. 418.1, Equity in Earnings of Subsidiary Companies, with a corresponding entry in Account No. 123.11. Further, the balance in Account No. 123.11 is reduced when dividends are declared by the subsidiary.

Therefore, the RECCs should record the undistributed net earnings or net losses of the subsidiaries in Account Nos. 418.1 and 123.11.

While the accounting system in the USoA is relatively straightforward, the separation of common or joint costs through allocation methodologies is more subjective in nature and will require greater scrutiny to ensure that cross-subsidization does not occur. It is within the cost allocation procedures that one of the greatest areas of potential misclassification of utility and nonutility costs exists. The RECCs must take great care to accurately and adequately allocate all common costs between their operations and those of the subsidiaries, even those costs which appear to be immaterial. The Commission is aware that there are several acceptable methodologies available for use by the RECCs to allocate these costs. It would not be appropriate for these guidelines to designate which specific methodologies are to be used. The needs and circumstances vary among the RECCs relative to the levels of involvement in satellite-TV. The RECCs have recognized that there is a need for cost allocation and have assured the Commission that allocation procedures are in effect. It will be the responsibility of the RECCs to justify the use and appropriateness of specific methodologies in general rate case proceedings before this Commission. The RECCs should maintain adequate supporting documentation of all allocated common or joint costs.

Cross-subsidization may also occur when assets are transferred to the subsidiaries or when purchases are made from affili-

ated companies. While satellite-TV currently is in its developmental stage and transactions like these have not been encountered, the RECCs should realize that such transactions are possibilities which can be reasonably anticipated. It will be the responsibility of the RECCs to ensure that all such transactions are accounted for at the appropriate price and that these transactions do not result in the cross-subsidization of the satellite-TV companies. The RECCs should maintain adequate supporting documentation for these transactions and be prepared to show during general rate case proceedings before this Commission that the transactions were reasonably priced.

Diversion of Management Talent

The Commission is aware that, under the present circumstances, some management personnel and employees of the RECCs are performing services for the satellite-TV subsidiaries. This situation has previously been addressed from an accounting standpoint. The Commission is also concerned that the utility operations of the RECCs could be neglected as a result of nonutility activities. The Commission will monitor the RECCs to ensure that utility operations do not suffer from involvement in satellite-TV or other nonutility activities.

Financial Resources

The Commission is aware that the RECCs have made loans to the satellite-TV subsidiaries. The Commission is concerned that the financial resources of the RECCs could be diminished in the assistance of the satellite-TV subsidiaries. It would not be appropriate for the RECCs to reduce services or delay necessary mainte-

nance and construction because financial resources had been loaned to the subsidiaries. REA limits the amount of investment and loans made to the satellite-TV subsidiaries to 15 percent of the total utility plant of the RECC. Currently, satellite-TV in Kentucky is in its developmental stage, requiring minimal investment and involvement by the RECCs or its subsidiaries. Thus, there have been no indications that the loans made to the subsidiaries have impaired the financial resources of the RECCs. However, the Commission will maintain an ongoing review of the financial condition of the RECCs in order to minimize such a risk.

The Commission is also concerned about the impact the RECCs' involvement in satellite-TV subsidiaries will have on future capital credit assignment and rotation. It is not clear at this time what impact profits or losses from the nonutility subsidiaries will have upon the capital credit assignments. The Commission has reviewed the bylaws of the RECCs during this investigation and notes that several RECCs' bylaws contain restrictions concerning the assignment of capital credits. This situation reinforces the need for the RECCs to utilize adequate and appropriate accounting and allocation methods to minimize the risk of the nonutility activity benefiting at the expense of the RECCs' ratepayers.

ACCESS TO SUBSIDIARY BOOKS AND RECORDS

In the establishment of necessary regulatory safeguards for utility diversification, the Commission is convinced that open access to all books, records, and personnel of the subsidiaries is an important and indispensable requirement. It is essential that the Commission have the ability to monitor and review the opera-

tions of the RECC through access to the books and records of its nonutility subsidiaries. In addition, during formal proceedings, it may be necessary for the Commission to review the operations of the unregulated subsidiaries to effectively monitor the relationship between the RECC and its subsidiary. Thus, the Commission shall have access to the books and records of the satellite-TV subsidiaries.

REPORTING REQUIREMENTS

In order for the Commission to effectively monitor the activities of the RECCs and the satellite-TV subsidiaries and to ensure ratepayer protection, certain additional reports shall be required of the RECCs.

Annual Reports

The Commission is aware that the REA has instructed its borrowers who have majority-ownership in a subsidiary to prepare consolidated financial statements in accordance with the requirements of the Financial Accounting Standards Board's Statement of Financial Accounting Standards ("SFAS") No. 94. These consolidated financial statements must also contain supplementary schedules presenting a balance sheet, income statement, and a statement of cash flows for each majority-owned subsidiary. While SFAS No. 94 requires consolidation of majority-owned subsidiaries, REA has instructed its borrowers to prepare the REA Form 7 on an unconsolidated basis.

Under SFAS No. 94, majority-ownership is indicated when one company has a majority voting interest, either directly or indirectly, of over 50 percent of the outstanding voting shares of

another company. Therefore, Salt River RECC will have to prepare consolidated financial statements due to its 100 percent ownership of Dish Wish TV. A copy of the consolidated financial statements should be submitted along with the annual report filed with the Commission. The RECCs that invested in KTI will not be required to prepare consolidated financial statements. However, this determination does not excuse those RECCs from accounting for the investment in accordance with the requirements of the USoA. The RECCs investing in KTI should prepare their annual reports as usual, but these reports should be supplemented with financial schedules disclosing KTI activities which are included in the account balances shown on the balance sheet and income statement of the annual report. This requirement will also apply to those RECCs that, while not investors in KTI, provide satellite-TV to their members through KTI.

In addition, each RECC involved with satellite-TV should furnish the following information on an annual basis:

1. Copies of any and all contracts or agreements executed between the RECC and the satellite-TV company. After the initial filing of these documents, only reference to the document will be required, as long as the terms have not been changed. Any change in a contract or agreement will require that a copy of the new document be filed, indicating the previous one it replaces.

2. A general description of the cost allocation methodologies the RECC has established and implemented to ensure the proper accounting of common or joint costs between the RECC and the satellite-TV company. After the initial filing of these descrip-

tions, reference to the descriptions will be permitted, unless there have been revisions or additions. New cost allocation methodologies or revisions to existing methods should be disclosed in the year the change was made.

3. A copy of the RECCs' latest annual audit report, including any special reports on RECC internal controls.

General Rate Case Filings

As part of the RECCs' application in a general rate case, the RECC will provide updates on any contract or agreement relating to satellite-TV involvement in force during the test period. In addition, the RECC will provide explanations supporting the use of the particular cost allocation methodologies implemented to ensure the proper assignment of common joint costs. The explanations should include any documentation which supports the use of a particular allocation methodology.