

C O N F I D E N T I A L

Budget

October 18, 1954

MEMORANDUM

TO: Chairman Ralph H. Demmler

I wonder if you and the Commission should consider our position under Section 13 of the Public Utility Holding Company Act of 1935 in reference to service companies.

I believe that what we included in our budget submission for 1955 (Hearings before the Subcommittee of the Committee on Appropriations, House of Representatives, 83d Congress, 2d Session - Independent Offices Appropriations for 1955 - page 229) does not restrict the Commission from taking administrative action during the course of the year to "beef-up" our administration of this section, even though this might involve weakening other sections' administration.

What we do with the money Congress gave us is an administrative determination from time to time in the light of conditions which we face during any fiscal year. The Denver-Salt Lake City adjustment is an example of prompt action taken to meet a drastic situation.

I think Section 13, in the light of all the circumstances existing at the present time, is or may quickly become a drastic situation, and wonder if we shouldn't put a task force to work on it in the Division of Corporate Regulation.

JSA

J. Sinclair Armstrong
Commissioner

(Hearings before the Subcommittee of the Committee on Appropriations, House of Representatives, 83d Congress, 2d Session - Independent Offices Appropriations for 1955 - page 229)

TABLE OF MATTERS UNDER 1935 ACT WHICH ARE TO
BE POSTPONED

1. Section 13 - Service companies

The jurisdiction of this Commission over the organization, functions, and accounting of service companies represents the sole jurisdiction over such matters by any Federal, State, or local authority. Only a token of work has been done in this area during the past 7 years. The 0.5 man-year of time projected for this work covers only the handling of recurring interpretative questions and ascertaining that required periodic reports have been filed. No provisions have been made for examination of these reports, nor for analyses and investigations to determine (1) that costs of services have been equitably allocated between the holding company and its subsidiaries and (2) that the services charged to subsidiaries are for their benefit and not primarily for the benefit of the holding company. Similarly no provision was made for examination of affiliated service companies and independent service companies which are principally engaged in performing services for utilities -- all as required by paragraphs (e) and (f) of section 13. At least 2.5 man-years would be required for work under section 13.