



March 30, 1981

WHO SHOULD PAY FOR CHARITABLE CONTRIBUTIONS?

House Bill 444 represents the fifth effort by Pacific Northwest Bell in ten years to charge charitable contributions made by the corporation to the ratepayers as a direct portion of their rate base. The issue has been in the courts twice during this period. As late as November 1978 the Washington Supreme Court denied Washington Utilities and Transportation Commission the authority to place these charitable contributions in the rate base of utilities. In that case the court concluded by saying:

That which is involuntarily removed from the telephone subscribers' pockets is more akin to a tax than a charitable contribution. Pacific Northwest Bell Telephone Company is a monopoly and the subscribers cannot go elsewhere for service.

In Cause No. U-77-87 PNB was coincidentally denied by WUTC inclusion of these contributions in its rate base. In that case the PNB officials testified under oath that there was no indication that stockholders would have any objection to bearing the expense of charitable contributions. They further testified that the effect of treating such as a stockholder expense would have very minimal impact -- about one-half cent per share and that there was no indication that the making of charitable contributions would be terminated if WUTC were to disallow them as a charge against ratepayers.

Although disallowed from charging the ratepayers for charitable contributions for the last two years, PNB has actually steadily increased the dollar amount of charitable contributions it has been giving.

In the several years that PNB was permitted by WUTC to charge charitable donations to ratepayers, the action by PNB was similar to a government placing a tax upon its constituents to provide for the social needs of the community. Unlike a government, however, ratepayers had no voice in selection of beneficiaries, and did not appear to be credited with any recognition that the donation was funded by them. Analysis of the charitable contributions listed by PNB indicated that contributions were unevenly spread throughout its service territory.

Experience has shown that an attempt to set guidelines for charitable contributions is unworkable. A utility's judgment of the worthiness of a particular beneficiary or the priorities leading to its determinations will inevitably constitute a matter of controversy among ratepayers.

H.B. 444 would permit WUTC to allow any utility to charge its contributions as an operating expense to be borne by ratepayers. No utility should be permitted to be generous with ratepayers' money but may use its own funds in any lawful manner.

Because the Washington Supreme Court decision was based upon interpretation of the statutes, it did not reach the constitutional issues raised. The court warned, however, that "it is apparent that the kinds of decisions and pressures inherent in the limitations of the ordinance would put the appointed commissioners into an entanglement of politics, private schools, religious issues and social policies beyond anything authorized by the legislature and into a constitutional thicket of substantial question."

Passage of H.B. 444 will subject WUTC to enormous pressure in each rate case and will cause the expenditure of thousands of dollars to examine and re-examine the issue of charitable contributions in every single rate case.

A utility is not being a good corporate citizen when it takes credit for donations without reducing its profits -- THAT'S BEING A GOOD CORPORATE PICKPOCKET!

Please vote no on H.B. 444.

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