

# XBRL DELIVERS INCREASED ACCURACY & PRODUCTIVITY

**Danny Kermode, assistant director of water and transportation and energy policy advisor at the Washington Utilities and Transportation Commission (UTC), recently took the time to speak with RR Donnelley about the UTC's pilot to begin collecting data in XBRL rather than through PDF reports. Kermode believes that this transformation will allow UTC professionals to spend far less time transcribing and validating data, and far more time analyzing the information submitted. In times of governmental budget cuts, he is convinced that XBRL will lead to more accurate data while allowing his agency to become leaner, saving money through productivity gains.**

**RRD:** First, could you explain the role of the UTC?

**DK:** We regulate the rates and services of private or investor-owned utilities and transportation companies. We set the rates for the state's largest electric and natural gas companies. We also regulate landline telephone companies, to a lesser extent due to market competition, along with water and solid waste companies. The UTC also oversees pipeline and rail safety for the state. Our focus is to ensure that the rates consumers pay are fairly priced and that [services are] available, reliable, and safe. That's our mission.

**RRD:** Today, how are financial reports collected?

**DK:** All the financial reports that come in are normally in PDF, and our rules usually require that the native format is included. If the PDF was created from an Excel or Word document, the Excel or Word documents are also filed. We can actually have three documents for one report all reflecting different formats.

**RRD:** How often do you collect reports? And in total, about how many reports do you collect?

**DK:** Depending on the company there are different reports, however there's one major report all regulated companies file: the annual report. All the gas and electric energy companies also file what we call "commission basis reports," and cost tracker reports. For example, the cost tracking report might track the cost of natural gas, allowing companies to collect money that they spent in excess of the amount that was embedded in rates. So one company might be filing ten different reports a year depending on regulatory requirements and the financial mechanisms in place. I don't have an exact number but there are quite a few reports coming in.

**RRD:** In the UTC taxonomy right now, how many data points are there?

**DK:** There are less than 600 data points in the Pilot Taxonomy and more than 2,000 fact values in the XBRL Report. Ultimately, there will be substantially more. I would say we're probably a third of the way there, and I'm being conservative considering that some reports can go up to 500 pages.

**RRD:** Terrific. And so what are the benefits of moving to collect structured data using XBRL?

**DK:** First of all: XBRL allows Automated Data Exchange, Validation and Analysis in Real Time, I've recognized for a long time that the movement is to structured, interactive data.... The benefits, from our point of view,

specifically with XBRL, are time and cost reduction and the increase of data quality, all consistent with Washington's Lean philosophy. Also, XBRL Data can be multi-dimensional that is, it allows financial and non-financial analysis and inter-operability. Especially with energy regulations, we're heading toward that type of multi-dimensional requirements.

I think on a practical level... the fact that XBRL is an open standard the commission is not locked into a proprietary, XML-based system that's built by a consultant. [XBRL,] allows us to minimize our costs because it's an open system, while eliminating data integrity issues.

**RRD:** When did you decide to begin using XBRL?

**DK:** I started a project in 2007, but less than a year later, the project was put on hold because the commission decided to wait to see where the SEC was going with its XBRL requirements. Since then, we've continued to look at the benefits of [XBRL]. We've been active, in collaboration with RR Donnelley XBRL team, on the development of our Pilot for only three or four months. This development, includes Data Point Modeling, Taxonomy Design, XBRL database storage, and Excel Analysis. The full end-to-end process for the Pilot starts from our existing reports up to the RR Donnelley Online system for automated XBRL conversion, validation and analysis

**RRD:** Who are the key stakeholders in the process?

**DK:** Initially, in the pilot stage, just the commission and one regulated utility. If the project is approved, the stakeholders would expand to all the state's regulated energy utilities. I would suspect that we would seek input from consumer groups including residential groups, business groups, and industrial customers. We would also invite environmental groups that have shown interest in utility regulation. All of them are concerned about what's going on with [energy companies], and XBRL allows that transparency.

**RRD:** You've touched on this, but can you elaborate on the benefits for the "regulated"?

**DK:** XBRL allows the regulated utility to publish its information in a more systematic and efficient way. Right now, I understand some companies print out reports from their accounting systems and then type the data into the report, no automation. [XBRL] is going to create efficiencies for regulated companies, allowing them to report a large amount of a data, tagged and mapped, not only to the commission but they will be able to communicate data internally to different sections within the company itself.

Hypothetically, I can imagine, when the commission is able to develop an XBRL system that's clean and able to communicate clearly, it will be beneficial for other agencies as well—our regulated companies file reports with the Bonneville Power Administration (BPA). The BPA looks for similar information, both may find it beneficial to start communicating data this way, also.

The next step, once the results of the pilot goes into effect, is to get our regulated companies on board, get them excited about the potential, I have no doubt they will be. Because of the benefits for both the regulator and regulated, I think XBRL reporting promises a smooth transition.

**RRD:** Again, you've touched on it, but can you talk a little bit more about the benefits for the regulator?

**DK:** I see the benefits for regulators as enormous. Recognizing that we have a lot of highly skilled professionals who spend a tremendous amount of time doing classic transcription. They're taking the data and they move it over, and then they have to validate the data. XBRL is going to provide a substantial increase in productivity. It will allow these individuals to focus on analysis and spend time understanding the data, rather than transcribing.

Also, right now, in government, and specifically in Washington, we're constrained by budgets. Government is always looking for ways to improve efficiency. Our state has been looking at lean management for increased effectiveness. XBRL is providing substantial promise for the commission to become more efficient by eliminating time wasted working with paper copies, transcribing data into [an] electronic [format]. We're looking at the benefits of increased productivity, better oversight, and increased accuracy of the data we receive on one hand. While on the other hand, we're actually saving money.

**RRD:** Given that change is always difficult, what are the most challenging issues within the pilot?

**DK:** The challenge is systematically implementing a plan that takes a whole universe of information, which is the regulatory basis of accounting, and develops it into XBRL. Now using the Data Point Modeling process and the RR Donnelley XBRL Taxonomy Generator, we can easily and quickly address this challenge. By starting from the existing reports it was easy to create the Taxonomy for the Pilot.

Another challenge I've had is getting internal resources allocated to actually do the mapping. I found I had to be focused on the planning and clear when directing the work.

**RRD:** What are your short-term and longer-term objectives?

**DK:** My short-term objective is to get all the Data Points from the current FERC form 1 annual report mapped. I think it would be a substantial achievement and yet still quite reachable, considering what we learned from the pilot. My long-term objective is to map all major reports currently being submitted to the commission. Once those reports are mapped, using the same taxonomy developed in the initial FERC form 1 mapping project, commission analysts will be able to download accurate and instantly validated data into their own spreadsheets. The time savings would be substantial and increased productivity would follow.

**RRD:** If you were talking to another agency that wanted to start a pilot similar to yours, what advice would you offer for getting the pilot up and running?

**DK:** First, get educated and understand what you're looking at. The more I understand about what structured data is and how it works-- and how XBRL works—the easier it's been. At the same time, I'd also say take some time to understand what European regulators have done. Europe has successfully converted many of its reporting systems that once relied on paper. Doing that will give anyone contemplating a conversion to XBRL a clearer sense of what can be done.

**RRD:** What has been the reaction from people within the organization? Has there been pushback? Or are they excited?

**DK:** I've been pleasantly surprised. Once our team understood what we were talking about, and what the change promised, they rallied around the idea. I think everyone agrees interactive data is the future, they just don't understand how to get there. The key to a successful project is education on XBRL and how it works.

