

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;  
Nora Mead Brownell, and Suedeen G. Kelly.

Accounting and Financial Reporting  
for Public Utilities Including RTOs

Docket No. RM04-12-000

ORDER NO. 668

FINAL RULE

**I. Introduction**

1. In this Final Rule, the Commission is revising its Uniform System of Accounts (USofA)<sup>1</sup> to accommodate the restructuring changes that are occurring in the electric industry due to the availability of open-access transmission service and increasing competition in wholesale bulk power markets. Corresponding changes are being made to the FERC Form No. 1, Annual Report for Major Electric Utilities, Licensees and Others (Form 1); FERC Form No. 1-F, Annual Report for Nonmajor Public Utilities and Licensees (Form 1-F); and FERC Form No. 3-Q, Quarterly Financial Report of Electric Utilities, Licensees, and Natural Gas Companies (Form 3-Q).

---

<sup>1</sup> 18 CFR Part 101.

UE Exhibit No. 66  
Date 3-09-15 Reporter KF  
File No. EP-20-14-0258

$\Delta$ $\pi$ EXHIBIT <u>2</u>
Deponent <u>Dauphinais</u>
Date _____ Rptr. _____
WWW.DEPOBOOK.COM

F. Accounting and Financial Reporting by Public Utilities, Including RTOs

1. Accounts for Load Dispatching, Scheduling and System Control Expenses
2. Accounts for System Planning and Standards Development
3. Accounts for Study Costs
4. Accounts for RTO Billings
5. Account for Revenue From Transmission of Electricity
6. Accounting for Settlement Amounts
7. Ministerial Filings
8. Cost Oversight
9. Other Matters

IV. EFFECTIVE DATE

V. CHANGES TO THE FERC QUARTERLY AND ANNUAL REPORT FORMS

VI. INFORMATION COLLECTION STATEMENT

VII. ENVIRONMENTAL ANALYSIS

VIII. REGULATORY FLEXIBILITY ACT

IX. DOCUMENT AVAILABILITY

FOR FUTURE INFORMATION CONTACT:

John Okrak (Technical Information)  
Office of Markets, Tariffs and Rates  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington DC 20426  
(202) 502-8280

Julie Kuhns (Technical Information)  
Office of Markets, Tariffs and Rates  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington DC 20426  
(202) 502-6287

Lodie White (Legal Information)  
Office of the General Council  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington DC 20426  
(202) 502-6193

SUPPLEMENTAL INFORMATION:

- I. INTRODUCTION
- II. BACKGROUND
- III. DISCUSSION
  - A. General
  - B. Regional Transmission and Market Operation Asset Function
  - C. RTO Revenue Accounts
  - D. Regional Market Expense Function
  - E. Accounting by Public Utilities for Computer Hardware, Software and Communication Equipment

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

18 CFR Part 101

(Docket No. RM04-12-000; Order No. 668)

Accounting and Financial Reporting for Public Utilities Including RTOs

(Issued December 16, 2005)

AGENCY: Federal Energy Regulatory Commission.

ACTION: Final Rule.

SUMMARY: The Federal Energy Regulatory Commission (Commission) is amending its regulations to update the accounting requirements for public utilities and licensees, including independent system operators and regional transmission organizations (collectively referred to as RTOs). The Commission is also amending its financial reporting requirements for the quarterly and annual financial reporting forms for these entities. These updates to the Commission's Uniform System of Accounts and the financial reporting requirements will allow for better comparability between public utilities and will result in improved transparency of financial information and will facilitate better understanding of RTO costs.

EFFECTIVE DATE: The amended regulations will become effective **[insert date 30 days after publication in the FEDERAL REGISTER]**, with the accounting and financial reporting changes and updates to become effective January 1, 2006.

78. Another commenter asserts that netting should be allowed for transactions in all RTO markets.<sup>69</sup> This commenter suggests that the Commission clarify that netting of purchases from and sales into an RTO market is appropriate and allowed not only for transactions in an RTO that requires participants to offer all resources to and buy all power from the RTO, but for transactions in any RTO that offers an energy market in which participants may choose to offer all generation to and buy all power from the energy market. This commenter also suggests that the Commission clarify that purchases from and sales to one or more RTO markets may be netted against one another.

79. Finally, one commenter recommends that the Commission's Electronic Quarterly Reports (EQR) and annual reports be revised to match the accounting methodology using the Commission's USofA with the required reporting format.<sup>70</sup> While another commenter notes that there is a disconnect between the reporting of transactional data in the EQRs and reporting of the data in the FERC Form 1, stemming from how the data are defined in those two contexts. This commenter recommends that when the Commission next entertains revisions to one or the other of the forms, the Commission should discuss this issue with reporting entities to determine if some clarification aimed at conformity would be appropriate.<sup>71</sup>

---

<sup>69</sup> MGE at 3.

<sup>70</sup> Wisconsin Electric at 4.

<sup>71</sup> EEI at 7.

**iii. Commission Conclusion**

80. Recording RTO energy market transactions on a net basis is appropriate as purchase and sale transactions taking place in the same reporting period to serve native load are done in contemplation of each other and should be combined. Netting accurately reflects what participants would be recording on their books and records in the absence of the use of an RTO market to serve their native load. Recording these transactions on a gross basis, in contrast, would give an inaccurate picture of a participant's size and revenue producing potential. The Commission will, therefore, adopt the proposed accounting for RTO energy market transactions with certain modifications and clarifications as discussed below. The Commission does expect public utilities, however, to maintain detailed records for auditing purposes of the gross sale and purchase transactions that support the net energy market amounts recorded on their books.

81. Additionally, we clarify that transactions are to be netted based on the RTO market reporting period in which the transaction takes place. For example, if the RTO market in which the transaction takes place uses an hourly period for determining energy market charges and credits, then non-RTO public utilities purchasing and selling energy in the market must net transactions on an hourly basis. Requiring participants to net transactions over the RTO market's reporting period leads to consistent and comparable energy market information for decision making purposes by the Commission and others.

82. Further, we clarify that the netting of purchases and sales in an RTO energy market is appropriate not only for transactions where participants are required to bid their

generation into the market and buy generation from the market to supply their native load, but also in cases where an RTO offers an energy market in which participants may choose to offer all generation to and buy all power from the energy market.

83. We also clarify that if a participant is a net seller, rather than a net buyer, during a given market reporting period it must credit such net sales to Account 447, Sales for Resale, instead of Account 555, Purchased Power.

84. Finally, one purpose of this rule is to establish uniform accounting requirements for the purchase and sale of energy in RTO markets. The purpose of reporting of gross information in EQRs, in contrast, is to provide the Commission and the public with a more complete picture of wholesale market activities which affect jurisdictional services and rates, thereby helping to monitor for any market power and to ensure that customers are protected from improper conduct. These are not necessarily the same criteria and principles that should be used in establishing uniform accounting requirements. In any event, the reporting of wholesale market activity in EQRs falls outside the scope of this rule.

## 7. Ministerial Filings

85. Some commenters argue that certain revisions to the USofA will adversely affect the Attachment O formula rate which is used by the vast majority of the transmission owners in the Midwest ISO and other formula rates that rely on the USofA and Form 1

data for the rate inputs.<sup>72</sup> Specifically, for the Midwest ISO, new accounts or renumbered accounts may cause disruptions in the operation of the Attachment O formula rate, especially if there is no parallel revision to Attachment O to reflect these changes. Some commenters therefore request that the Commission clarify that it will accept “ministerial” filings in order to conform these formula rates to the final revisions of the USofA.<sup>73</sup>

86. In particular, FirstEnergy, among others, has expressed concern that the Commission ensure that the revisions to its accounting and financial reporting requirements will not provide an opportunity for challenges to Commission-approved formula rates nor shall the Commission entertain such challenges to these previously-accepted rates.<sup>74</sup> Therefore, the Commission should state that it will accept “ministerial” filings necessary to conform to the Final Rule all Commission accepted formula rates that rely on Form 1 inputs. FirstEnergy further argues that the Commission should provide a specific timeline to allow such filings but coordinate the respective effective dates of the rate filings and reporting changes to ensure that there is no gap in cost recovery.<sup>75</sup>

International Transmission requests that the Final Rule establish a compliance filing

---

<sup>72</sup> See FirstEnergy at 13, International Transmission at 4, EEI at 10.

<sup>73</sup> See FirstEnergy at 1-2, 13-15, International Transmission at 3-4.

<sup>74</sup> International Transmission at 3-4, FirstEnergy at 14.

<sup>75</sup> FirstEnergy at 14.



available on e-Library in PDF and Microsoft Word format for viewing, printing, and/or downloading. To access this document in e-Library, type the docket number excluding the last three digits of this document in the docket number field.

115. User assistance is available for e-Library and the Commission's website during normal business hours from our Help line at (202) 502-8222 or the Public Reference Room at (202) 502-8371, Press 0, TTY (202) 502-8659. E-Mail the Public Reference Room at [public.referenceroom@ferc.gov](mailto:public.referenceroom@ferc.gov)

**Effective Date and Congressional Notification**

This Final Rule will take effect January 1, 2006. The Commission has determined with the concurrence of the Administrator of the Office of Information and Regulatory Affairs of the Office of Management and Budget, that this rule is not a major rule within the meaning of section 251 of the Small Business Regulatory Enforcement Fairness Act of 1996. The Commission will submit the Final Rule to both houses of Congress and the General Accounting Office.

**List of subjects in 18 C.F.R. Part 101**

Electric power, electric utilities, Reporting and recordkeeping requirements, and Uniform System of Accounts.

By the Commission.

( S E A L )

Magalie R. Salas,  
Secretary.

In consideration of the foregoing, the Commission amends Part 101, Chapter I, Title 18, Code of Federal Regulations, as follows.

**PART 101 - UNIFORM SYSTEM OF ACCOUNTS PRESCRIBED FOR PUBLIC UTILITIES AND LICENSES SUBJECT TO THE PROVISIONS OF THE FEDERAL POWER ACT**

1. The authority citation for Part 101 continues to read as follows:

Authority: 16 U.S.C. 791a-825r, 2601-2645; 31 U.S.C. 9701; 42 U.S.C. 7101-7352, 7651-7651o.

2. In part 101, Definitions, redesignate definitions 30-39 as definitions 31-40 and add new definition 30. Regional market to the list to read as follows:

\* \* \* \* \*

30. Regional market means an organized energy market operated by a public utility, whether directly or through a contractual relationship with another entity.

3. In part 101, Balance Sheet Chart of Accounts, Accounts 175, 176, 219, 230, 244, and 245 are added to the list:

**Balance Sheet Chart of Accounts**

**ASSETS AND OTHER DEBITS**

\* \* \* \* \*