

LA 158

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

FILED<sup>2</sup>

FEB 21 2017

18 CFR Part 101

Missouri Public  
Service Commission

(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.

KCP+L Exhibit No. 158  
Date 2.9.17 Reporter LB  
File No. ER.2016-0285

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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

- 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

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