



Federal Energy Regulatory Commission
February 15, 2007
Open Commission Meeting
Statement of
Chairman Joseph T. Kelliher

Item M-1, M-2 & M-3: NOI for FERC Financial Forms (RM07-9-000); Show Cause Order (IN07-7-000 *et al.*); Financial Forms Software (AD07-10-000)

"At the December Open Meeting, I discussed the Commission's review of the adequacy of Form 2 data. I reviewed the outreach conducted by the Office of Enforcement over the preceding months on the adequacy of both Form 1 and 2 data, and discussed the importance of Form 2 data to section 5 complaints regarding natural gas rates. I also promised that the Commission would soon act to assure the adequacy of Form 2 data. Today, we follow through on that commitment.

As I have stated before, it is essential that complainants have access to public information that proves to be a sufficient basis for a complaint. In a section 5 proceeding under the Natural Gas Act, the complainant has the burden of proof. It is necessary they have access to the information they need to meet that burden.

Form 2 provides public information on gas rates. In all likelihood, a section 5 complaint would be based on Form 2 data. In some cases, pipelines have challenged section 5 complaints based on Form 2 data, arguing that Form 2 data is an insufficient basis for a section 5 complaint. In my view, it is absolutely necessary that Form 2 data prove to be a sufficient basis for section 5 complaints. The time has come to revisit Form 2 and assure that it provides the data complainants need. If Form 2 is inadequate in any respect, we must strengthen it.

However, the need for reliable and complete financial data arises not only in the context of natural gas regulation, but other subject matter areas. For that reason, today we issue a notice of inquiry into the need for changes or revisions to Forms 1, 2, 3Q, and 6. Our previous outreach did not encompass possible changes to Forms 6 and 6-Q, so a notice of inquiry is the appropriate step at this point. If the Commission determines changes to our financial forms are necessary or appropriate, the next step would be a proposed rule.

With respect to the show cause order, we direct 14 regulated companies to show cause why they have failed to comply with the requirement to file certain financial forms. Compliance with these requirements is important because the timely collection of current and accurate financial data is necessary for the Commission to carry out its regulatory responsibilities pertaining to the electric utility, natural gas, and oil pipeline industries. These requirements are imposed under our authorities under the Federal Power Act, Natural Gas Act, and Interstate Commerce Act, and violations of FPA and NGA filing requirements are subject to civil penalties.

This show cause order is similar to the action we have taken to enforce the requirements of wholesale power market based rate authorization. Just as we now vigorously enforce the requirement to file triennial market analysis and electronic quarterly reports, we now vigorously enforce the requirement to file financial forms.

Finally, effective today, electronic filers of Forms 1, 2, 2-A and 3-Q will no longer have the capability to mark data as privileged. Rather, if a company wants information to receive privileged treatment, they must follow the normal procedures

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in our regulations.

Taken together, these three actions demonstrate the importance the Commission places in having timely, public and complete financial information about the companies that we regulate.”