

**E-1. Docket Number: RM04-12-000**

**Statement of Chairman Joseph T. Kelliher on RTO Accounting and Financial Reporting  
Final Rule  
December 15, 2005**

The final rule would modify the Commission's accounting and financial reporting requirements to provide uniformity and transparency in accounting for and reporting of transactions and events affecting public utilities, including Regional Transmission Organizations (RTOs). These modifications reflect the fact that RTOs perform many of the same activities previously performed by transmission operators whose transmission systems they now operate, but also that RTOs perform some unique functions not undertaken by traditional public utilities.

The final rule responds to significant concerns about RTO costs. There has been growing criticism expressed by transmission customers about RTO costs, both the level and rate of increase. The final rule will make RTO costs more transparent, and enable a cost comparison of RTOs, as well as between RTOs and traditional public utilities, to the extent they perform the same activities.

I believe RTOs have great potential benefits. I have voted to establish RTOs in New England and the Southwest Power Pool, and have voted for PJM expansion.

While I believe RTOs have great potential benefits, I recognize it is not predestined that these potential benefits will be achieved. In my view, the key to continued expansion of RTOs is the performance of the existing RTOs. If they deliver the potential benefits and prove to be effective in managing costs, they will succeed.

I believe the final rule is a necessary but not sufficient step. Greater transparency may encourage greater cost accountability by RTOs, but there probably is a limit to what can be accomplished through transparency alone. The Commission has a legal duty to assure RTO costs are just and reasonable.

I support the order.