FEDERAL ENERGY REGULATORY COMMISSION

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NEWS RELEASE

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PROPOSED ACCOUNTING RULES AIM TO SHED LIGHT ON RTO COSTS

The Federal Energy Regulatory Commission today proposed revisions to its Uniform System of Accounts and financial reporting requirements to reflect restructuring in the electric industry and to provide greater transparency regarding transmission and market-related costs of electric utilities, including regional transmission organizations (RTOs).

The Notice of Proposed Rulemaking (NOPR) on accounting and financial reporting requirements for public utilities including RTOs will change the reporting requirements under FERC Form No. 1, Annual Report for Major Electric Utilities, Licensees and others; FERC Form 1-F, Annual Report for Nonmajor Public Utilities and Licensees; and FERC Form 3-Q, Quarterly Financial Report of Electric Utilities, Licensees, and Natural Gas Companies. The proposal includes new schedules in the FERC annual and quarterly financial reports that will provide greater details concerning transmission service, market-related services and generator interconnect studies performed by public utilities, including RTOs. It would also create a new schedule in the reports to provide details concerning the types of costs public utilities are recording as purchase power expenses.

"The proposed accounts and changes to the Commission's quarterly and annual financial forms will add visibility and uniformity to the accounting and financial reporting for the cost of utility assets, and the expenses the utility incurs in providing services, along with revenues collected from RTO members," the Commission's NOPR stated. "These proposed revisions to the Commission's accounting and reporting regulations will allow the Commission and the public to better understand transactions and events that affect RTOs and their members."

The NOPR, which reflects comments received in response to the September 26, 2004 Notice of Inquiry, notes the Commission's view that updates to these reporting requirements are necessary "because certain RTO activities are not clearly or consistently

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reported." The Commission said it expected the changes in financial reporting "will lead to improvements in cost recovery practices by providing details concerning the cost of RTO functions and increased assurance that the costs are a legitimate and reasonable cost of providing service …"

Specifically, the Commission proposes to create new reporting requirements addressing regional transmission and market operation assets such as land and land rights, structures and improvements, computer hardware and software, communication equipment, and asset retirement costs for regional transmission and market operation. Establishing a new asset function for the cost of property, plant and equipment used by RTOs will create a unified reporting framework, the Commission said.

"This new functional classification will help provide comparability among RTOs that perform regional control and market operations. The creation of a new RTO asset function will also minimize inconsistent reporting of RTOs' major technology assets, which include computer hardware, computer software and communication equipment," the Commission said in the NOPR.

The NOPR also would create new accounts for revenue and costs associated with regional transmission service revenues, regional transmission and market operation and maintenance expense accounts for operational supervision, day-ahead and real-time market facilitation, transmission rights market facilitation, capacity market facilitation, maintenance of structures and improvements, maintenance of computer hardware, maintenance of computer software, maintenance of communications equipment, load dispatch and reliability and system scheduling, and reliability planning, among others.

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