# FEDERAL ENERGY REGULATORY COMMISSION

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## NEWS RELEASE

**NEWS MEDIA CONTACT:**
Barbara A. Connors
(202) 208-0680

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### COMMISSION EXPANDS ACCOUNTING REGULATIONS, ENHANCING TRANSPARENCY OF FINANCIAL INFORMATION

The Federal Energy Regulatory Commission today revised and expanded its accounting regulations to improve the usefulness of financial information and provide the Commission with more consistent and complete reporting along with more comprehensive market monitoring tools.

The final rule directs public utilities, licensees, natural gas companies and oil pipelines to report changes in fair value of certain investment securities, derivatives and hedging activities. The more comprehensive reporting requirements will enhance the transparency of financial information and facilitate the Commission's understanding of the nature and extent to which derivatives and hedging activities are used by regulated companies and the impact these transactions have on the companies' financial condition.

The final rule stems, in part, from recent Financial Accounting Standards Board's (FASB) changes in accounting and reporting for certain types of financial instruments and hedging activities  reported in utilities' financial statements made last year.

In recent years, the use of fair value measurements, which assist investors, creditors and other users of financial data in making investment and credit decisions, have grown in importance.  As regulated utility industries restructure, fair value will increasingly provide a relevant measure of economic effects for a growing number of transactions.

The Commission severed from the final rule an inquiry into whether independent and affiliated power marketers, gas marketers and power producers should continue to be eligible, on a case-by-case basis, for waivers of certain accounting rules and other regulations.  The Commission will address this matter separately.

Public utilities are required to account and report financial information with the Commission under the Uniform System of Accounts. These regulations are in place to promote transparency of financial information and facilitate investor risk analysis.  In the long run, this promotes infrastructure and competition, and helps assure that rates charged for utility services are just and reasonable.

The final rule is effective 60 days after publication in the Federal Register.

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