

103 FERC ¶ 61,352  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

18 CFR Parts 141, 260, 357 and 375

(Docket No. RM03-8-000)

Quarterly Financial Reporting and  
Revisions to the Annual Reports

(June 26, 2003)

AGENCY: Federal Energy Regulatory Commission.

ACTION: Notice of Proposed Rulemaking.

SUMMARY: The Federal Energy Regulatory Commission proposes to revise its regulations by establishing quarterly financial reporting requirements for jurisdictional public utilities, licensees, natural gas and oil pipeline companies. Additionally, the Commission proposes to make certain changes to the existing FERC Annual Reports to improve the quality of financial information filed with the Commission and to provide consistency in the reporting of financial information for all periods.

The Commission proposes to add two quarterly financial report forms: FERC Form No. 3-Q, Quarterly Financial Report of Electric Companies, Licensees, and Natural Gas Companies, and FERC Form No. 6-Q, Quarterly Financial Report of Oil Pipeline Companies. These two new reports will collect financial and certain financial related information from jurisdictional entities on a more frequent basis.

The Commission also proposes to update FERC Annual Report Forms 1, 1-F, 2, 2-A, and 6. The updates include the reporting of fourth quarter financial data, adding a

management discussion and analysis schedule, allowing the submission of the CPA certification electronically, updating the officer's certification, and accelerating the filing dates.

The Commission has determined that dependable, affordable, competitive wholesale energy markets require an adequate infrastructure, balanced market rules, and vigilant oversight. This rulemaking helps in achieving the goal of vigilant oversight by providing the Commission with more timely, relevant, reliable and understandable financial information from major participants in the energy market. This proposed rule provides the needed transparency of financial information from FERC-jurisdictional entities at a level of detail that is not obtainable from other sources. This proposed rule will allow the Commission, as well as customers, investors, and others to identify and evaluate financial trends and emerging issues facing the energy industry. More frequent financial reporting will aid the Commission in assessing the economic consequences of transactions and events on jurisdictional entities, measuring the effects of regulatory initiatives, evaluating the adequacy of existing traditional cost-based rates and aid in the development of needed changes to existing regulatory initiatives.

Finally, Congress recognized the importance of financial transparency and better financial disclosures resulting in the passage of the Sarbanes-Oxley Act of 2002 which requires public companies to disclose financial information on a rapid and current basis. The Commission therefore proposes to accelerate the filing dates of its FERC Annual

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Reports, and revise its officer's certification statement contained in these reports consistent with the Sarbanes-Oxley Act of 2002.

**DATES:** Comments are due [**insert date 30 days after publication in the FEDERAL REGISTER**].

**ADDRESSES:** Comments may be filed electronically via the eFiling link on the Commission's web site at <http://www.ferc.gov>. Commenters unable to file comments electronically must send an original and 14 copies of their comments to: Federal Energy Regulatory Commission, Office of the Secretary, 888 First Street, NE., Washington, DC 20426. Refer to the Comment Procedures section of the preamble for additional information on how to file comments.

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UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

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Revisions to the Annual Reports

Docket No. RM03-8-000

NOTICE OF PROPOSED RULEMAKING

(June 26, 2003)

**I. INTRODUCTION**

1. In this notice of proposed rulemaking (NOPR), the Federal Energy Regulatory Commission (Commission) proposes to amend its financial reporting requirements for public utilities and licensees,<sup>1</sup> natural gas companies,<sup>2</sup> and oil pipeline companies.<sup>3</sup> The Commission proposes to require quarterly reporting of financial and certain financial related information from jurisdictional entities that are subject to the Commission's Uniform Systems of Accounts and file FERC Annual Report Forms 1, 1-F, 2, 2-A or 6.<sup>4</sup>

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<sup>1</sup>Part 141 Statements and Reports (Schedules). 18 CFR Part 141.

<sup>2</sup>Part 260 Statements and Reports (Schedules). 18 CFR Part 260.

<sup>3</sup>Part 357 Annual Special or Periodic Reports: Carriers Subject to Part 1 of the Interstate Commerce Act. 18 CFR Part 357.

<sup>4</sup>FERC Form No. 1, Annual Report of Major Public Utilities, Licensees and Others; FERC Form No. 1-F, Annual Report of Nonmajor Public Utilities and Licensees; FERC Form No. 2, Annual Report of Major Natural Gas Companies; FERC Form No. 2-A, Annual Report of Nonmajor Natural Gas Companies and Form No. 6, Annual Report of Oil Pipeline Companies.

2. The persons and entities subject to the Federal Power, Natural Gas and Interstate Commerce Acts are engaged in the production of electricity, its transmission to ultimate customers, and the transportation and storage of natural gas and petroleum products. Congress granted the Commission authority under these Acts to prescribe periodic financial and non-financial reporting pursuant to sections 4, 304 and 309 of the Federal Power Act, sections 10(a) and 16 of the Natural Gas Act, and section 20 of the Interstate Commerce Act.<sup>5</sup> The Commission has implemented its long standing statutory authority to collect financial information by requiring electric, natural gas and oil pipeline companies to submit financial statements only on an annual basis, and until recently, in a paper format.

3. However, the information and market demands of the 21st century require that the Commission, as well as other users of financial data, receive timely, relevant and reliable information to make informed decisions about matters affecting the energy industry. Quarterly financial reporting will aid the Commission in assessing the economic consequences of transactions and events on jurisdictional entities, measuring the effects of regulatory initiatives, evaluating the adequacy of existing traditional cost-based rates and aid in the development of needed changes to existing regulatory initiatives. Financial statements are a primary source of this critical information.

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<sup>5</sup>See 16 U.S.C. 797, 825c and 825h; 15 U.S.C. 717i(a) and 717o; and 49 App. U.S.C. 1-85 (1988).

4. Financial accounting information provides needed information concerning a company's past performance and its future prospects. The need for current and better disclosures drives the increasing demand for timely financial information. These needs have never been more evident. Enron and other widely reported financial accounting scandals have shaken public and investor confidence in the US financial reporting system generally, and in our capital and energy markets. This crisis in confidence, unless reversed, will continue to compromise the energy industry's financial health and inhibit investments in critical energy infrastructure.

5. During the past year, the Commission has listened to Wall Street, representatives of investment and commercial banks, financial analysts, credit rating agencies, accounting standard setting bodies, and preparers of financial statements including the Chief Credit Risk Officers which represents companies that account for approximately half of the power and natural gas transactions in the United States. These groups delivered many messages, but all agreed that accounting transparency and better disclosure requirements are essential for the functioning of efficient markets and strengthening investor confidence. Rapid and current dissemination of financial information is essential to the efficient functioning of capital markets and strengthening investor confidence is crucial in a highly capital intensive energy industry that needs to attract funds in the market place to improve and expand the necessary infrastructure.

6. Congress recognized the importance of financial transparency and passed the Sarbanes-Oxley Act of 2002 which ordered public companies to disclose financial information on a rapid and current basis.<sup>6</sup> Additionally, this legislation requires executive officers to review and certify that the financial statements do not contain any untrue statement of material fact, are not misleading, and fairly represent the financial condition of the company. As a result of this legislation the United States Securities and Exchange Commission (SEC) has issued numerous regulations to implement this legislation including the acceleration of filing requirements for publicly held companies, and a new officer's certification statement attesting to the reliability of the information presented in the financial statements.

7. In order to improve transparency of the financial information related to FERC jurisdictional entities in a parallel fashion, the Commission is proposing to require financial reporting for FERC purposes on a quarterly basis. The proposed action taken today will allow the Commission, as well as other users, to identify and evaluate financial trends and emerging issues facing the energy industry. More frequent financial reporting will give the Commission and the public another tool to improve decision making. It will aid the Commission in assessing the economic consequences of transactions and events on jurisdictional entities, measuring the effects of regulatory initiatives, evaluating

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<sup>6</sup> Sarbanes-Oxley Act of 2002, Pub. L. No. 107-204, 116 Stat. 745-810 (2002).

the adequacy of existing traditional cost-based rates and aid in the development of needed changes to existing regulatory initiatives.

8. We conclude that the benefits obtained from jurisdictional entities reporting financial information on a quarterly basis far outweigh any additional burden. The benefits to the Commission, as well as the public, of greater transparency and understandability of financial statements far outweigh the costs to an individual company. In fact, we find that the burden should be minimal. It is standard practice for companies to compile and summarize accounting transactions on a monthly basis, or even more frequently depending on the operational need for selected data. Thus, the information needed to compile quarterly financial statements is readily available.

9. Currently, the public can access financial information through the Commission's FERRIS system or by using Commission-developed software. To improve access to FERC-held financial information, we will make it easier for users to electronically access financial information filed with this Commission. It is also our intent to collaborate with the SEC to establish new web links between our respective web home pages so that all users can access FERC-held financial information in a timely and efficient manner.

10. The increased transparency of financial information will be accomplished by adding the following two new quarterly financial report forms: FERC Form No. 3-Q, Quarterly Financial Report of Electric Utilities, Licensees, and Natural Gas Companies (Form 3-Q), and FERC Form No. 6-Q, Quarterly Financial Report of Oil Pipeline

Companies (Form 6-Q). The proposed quarterly reports will require companies to file with the Commission a complete set of quarterly financial statements including appropriate notes to the financial statements, a management's discussion and analysis of financial condition and results of operations (commonly referred to as an "MD&A"), and ancillary service purchase and sales information.

11. The proposed quarterly reports will also require company officers to sign a certification statement attesting to the reliability of the filed information. Additionally, when a certified public accountant (CPA) has reviewed the quarterly report, this certification must also be filed with the Commission.

12. The Commission also proposes to update the financial reporting and disclosure requirements of the FERC Annual Reports to be consistent with the requirements contained in the quarterly reports. Jurisdictional entities will be required to include certain fourth quarter financial data in the FERC Annual Reports, including an MD&A schedule, and officers will be required to sign a certification statement attesting to the reliability of the filed information. Finally, the Commission is proposing to accelerate the filing dates for the FERC Annual Reports.

13. The Commission has determined that dependable, affordable, competitive wholesale energy markets require an adequate infrastructure, balanced market rules, and

vigilant oversight.<sup>7</sup> This rulemaking helps in achieving the goal of vigilant oversight by providing the Commission with more timely, relevant, reliable and understandable financial information from certain participants in the energy market.

14. Quarterly reporting of financial information will provide the Commission with an important tool to help identify emerging trends and issues affecting jurisdictional entities within the energy industry. It will aid the Commission in assessing the economic consequences of transactions and events on jurisdictional entities, measuring the effects of regulatory initiatives, evaluating the adequacy of existing traditional cost-based rates and aid in the development of needed changes to existing regulatory initiatives. In conclusion, full disclosure of all material facts to the Commission, as well as, other users of financial information is necessary if competitive markets are to function efficiently. Transparent reporting of information proposed in this rulemaking will help the Commission to achieve the above objectives.

## **II. BACKGROUND**

### **A. General**

15. The primary objective of financial reporting is to provide financial statements to the Commission that accurately measure the results of operations and the financial

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<sup>7</sup>See the Commission's Strategic Plan FY 2002 through 2007, and the Chairman's March 5, 2003, testimony before the Subcommittee on Energy and Air Quality of the Commerce, United States House of Representatives, available online at <http://www.ferc.gov/>.

condition of a company. Financial statements are the foundation for understanding the financial position of a business and are used to assess a company's past, present, and future performance. One of the principle means that jurisdictional entities use to communicate financial information to the Commission is through the filing of FERC Annual Report Forms 1, 1-F, 2, 2-A and 6. Additionally, jurisdictional entities file certain registration statements individually, or as part of a consolidated group, with the SEC and issue annual reports on a consolidated basis to shareholders. These registration statements and annual reports provide information about the financial condition of the parent company and its corporate family.

16. The FERC Annual Reports filed with the Commission report on the financial condition of a company at a jurisdictional entity level, and are compiled using a standard chart of accounts contained in the Commission's Uniform Systems of Accounts.<sup>8</sup> The use of a uniform chart of accounts permit public utilities and licensees,<sup>9</sup> natural gas

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<sup>8</sup>Section 301(a) of the Federal Power Act (FPA), 16 U.S.C. 825(a), section 8 of the Natural Gas Act (NGA), 15 U.S.C. 717g and section 20 of the Interstate Commerce Act (ICA), 49 App. U.S.C. 20 (1988), authorize the Commission to prescribe rules and regulations concerning accounts, records and memoranda as necessary or appropriate for the purpose of administering the FPA, NGA, and the ICA. The Commission may prescribe a system of accounts for jurisdictional companies and, after notice and opportunity for hearing, may determine the accounts in which particular outlays and receipts will be entered, charged or credited.

<sup>9</sup>Part 101 Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act. 18 CFR Part 101 (2003).

companies,<sup>10</sup> and oil pipeline companies,<sup>11</sup> to account for similar transactions and events in a consistent manner, and communicate those results to the Commission on a periodic basis.

17. Additionally, it helps in presenting accurately the entity's financial condition and produces comprehensive data related to the entity's financial history helping to act as a guide for future action. The uniformity provided by the Commission's chart of accounts and related accounting instructions permits comparability and financial statement analysis of data provided by jurisdictional entities. Comparability of data and financial statement analysis for a particular entity from one period to the next, or between entities within the same industry, would be difficult to achieve if each company maintained its own accounting records using dissimilar accounting methods and classifications to record similar transactions and events.

18. The benefits of a standardized and uniform accounting system however, would not be realized if the financial information once compiled were withheld from public view. To ensure that these benefits are realized, and to provide transparency of economic consequences to all affected interests, the Commission has prescribed a program of

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<sup>10</sup>Part 201 Uniform System of Accounts Prescribed for Natural Gas Companies Subject to the Provisions of the Natural Gas Act. 18 CFR Part 201 (2003).

<sup>11</sup>Part 352 Uniform System of Accounts Prescribed for Oil Pipeline Companies Subject to the Provisions of the Interstate Commerce Act. 18 CFR Part 352 (2003).

periodic financial reporting that makes financial and non-financial information publicly available to all interested parties.

**B. Basic Financial Statements**

19. Under existing regulations, jurisdictional entities subject to the Uniform Systems of Accounts must annually file with the Commission a complete set of financial statements, along with other selected financial and non financial data through the submission of FERC Annual Report Forms 1, 1-F, 2, 2-A, or 6.<sup>12</sup> The basic financial statements contained in the FERC Annual Report Forms are the Comparative Balance Sheet, the Statement of Income, the Statement of Cash Flows, the Statement of Retained Earnings, and the Statement of Accumulated Comprehensive Income and Hedging Activities.

20. The Comparative Balance Sheet's primary focus is on the financial position of the entity. This information is comprised of the entity's assets, liabilities and equity. Assets represent the valuable resources (e.g. probable future economic benefits) used by the entity. The liabilities (e.g. probable future economic sacrifices) are the obligations such as debt, accounts payable, and other amounts owed to creditors and others. The equity section of the Comparative Balance Sheet shows the other source of funds (e.g. common stock, preferred stock, and retained earnings) that the entity used to acquire its assets.

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<sup>12</sup> See 18 CFR Parts 141, 260, and 357.

21. The equity section of the balance sheet is broadly divided into three sections. One section shows the amounts of equity provided by shareholders through the sale of common and preferred stock. A second part shows the amount of earnings resulting from profitable operations that have been retained by the entity commonly referred to as retained earnings. The third section of equity reflects changes in the fair value of certain assets and liabilities resulting from transactions and events from nonowner sources. For example, this section shows the changes in fair value of certain financial instruments due to changes in the market price of those instruments, and changes in the fair value of certain cash flow hedge transactions. This section of equity is generally referred to as accumulated other comprehensive income and is separately shown in the FERC Annual Report Forms in the Statement of Accumulated Comprehensive Income and Hedging Activities schedule.<sup>13</sup>

22. The Income Statement explains how income was earned during the period and is prepared on the accrual basis of accounting. Net income, which is essentially the difference between revenues and expenses for the period, is added to retained earnings on a periodic basis. The Income Statement's primary focus is on the entity's financial performance or profitability.

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<sup>13</sup> See 67 FR 67692 (Nov. 6, 2002), III FERC Statutes and Regulations ¶ 31,134 (Oct. 10, 2002).

23. The Statement of Cash Flows reports the inflow and outflow of cash during the period. While the Income Statement focuses primarily on profitability, the Statement of Cash Flows primarily focuses on liquidity and solvency. Liquidity represents the ability of the entity to meet its current obligations when due, while solvency represents its ability to meet its long-term obligations. The Statement of Cash Flows provides information about a company's ability to generate cash flows in future periods, its capacity to meet obligations, its expected external financing requirements, and how successful investment and financing activities have been managed.

24. Additionally, jurisdictional entities include in the FERC Annual Report Forms a Notes to the Financial Statement schedule which provides additional explanations on the items and amounts reported in the above mentioned financial statements. The Comparative Balance Sheet, Statement of Income, the Cash Flow Statement, the Notes to the Financial Statements, and other schedules contained in the FERC Annual Reports are attested to by an officer of the company. Public utilities and licensees, and natural gas companies also file an auditor's report with the Commission certifying that the financial information contained in the FERC Annual Report Forms conform in all material respects with the requirements of Uniform Systems of Accounts and published accounting releases. In addition to collecting financial information, the FERC Annual Report Forms collect non-financial information about the operations of the entity. These

reports are considered non-confidential in nature and therefore made available to the general public.

### **C. Relevancy of Periodic Financial Information**

25. The FERC Annual Report Forms provide the Commission, as well as others, with an informative picture of the jurisdictional entities' financial condition along with other relevant data that is used by the Commission, as well as others, in making economic judgements about the entity or its industry.

26. For financial information to be useful to the Commission, as well as customers, investors and others it must be understandable, relevant, reliable, and timely. As financial reporting has evolved over the years, users of financial data have been willing to forgo some precision in reliability for the ability to obtain the information on more timely intervals, such as on a quarterly basis.

27. Quarterly financial reporting is not a new requirement for public corporations.<sup>14</sup> It began in 1902 when the United States Steel Corporation first published quarterly financial information and by 1910 the New York Stock Exchange added quarterly

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<sup>14</sup>See President's Ten-Point Plan to Improve Corporate Responsibility and Protect America's Shareholders issued on March 7, 2002. The first two points of the plan state that each investor should have quarterly access to the information needed to judge a firms financial performance, condition, and risks. Additionally, each investor should have prompt access to critical information.

financial reporting to its listing requirements.<sup>15</sup> Additionally, over the decades public companies have been expanding their financial disclosures to meet the needs of the user community. 28. The trend toward more frequent and better financial disclosures has increased in reaction to highly publicized corporate scandals, business failures and the resulting losses incurred by investors and others. In 2002 Congress passed the Sarbanes-Oxley Act, the most important piece of recent legislation affecting corporate governance, financial disclosure and the practice of public accounting.<sup>16</sup> This act requires public companies to disclose on a rapid and current basis such additional information concerning material changes in the financial condition or operations in plain English for the protection of investors and the public. As a result of this legislation, dates for periodic reporting of financial information have been accelerated, and principle executive and financial officers must each attest to the validity of the financial and other information contained in the periodic reports, including information concerning off-balance sheet arrangements, contingent obligations and comments and other significant items.

29. While some jurisdictional entities may file similar information with the SEC, the level of detail concerning assets, liabilities, stockholder's equity along with the revenues,

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<sup>15</sup>See Robert S. Kay and D. Gerald Searfoss, Handbook of Accounting and Auditing (2nd ed. 1989).

<sup>16</sup>Supra Note 6.

expenses, gains and losses is different for the Commission and the SEC. The financial statements filed with the SEC are on a consolidated, or parent company basis. The Commission notes that a majority of the jurisdictional entities that it regulates file financial information with the SEC that consolidates their assets, liabilities and profits with their parent company, or combine the regulated and unregulated operations in the reports to the SEC. While consolidation is appropriate for SEC reporting, the Commission requires more detailed information concerning the results of operations, and the financial position of each jurisdictional entity in order to meet its regulatory needs. Therefore, the Commission has required jurisdictional entities to file financial information on a jurisdictional entity level basis using a uniform system of accounts.

30. Although the Commission requires jurisdictional entities to file financial information, a general weakness in this reporting program has been the frequency with which the financial reports are required. In a rapidly changing business environment, annual reporting is simply insufficient. For financial information to be useful to the Commission it must be collected on a more timely basis. In order to improve the decision making of the Commission and other users of the information, we are proposing quarterly reporting of financial and financial related information.

31. Quarterly reporting of financial information will provide the Commission, as well as customers, investors, and others with an important tool to help identify emerging trends and issues affecting jurisdictional entities within the energy industry. It will also

provide timely disclosures of the impacts that new accounting standards or changes in existing standards have on jurisdictional entities, as well as the economic effects of significant transactions, events, and circumstances.

32. Furthermore, as the Commission considers implementing new accounting standards it is important that the Commission have timely financial data so that an appropriate assessment can be made of the impact these changes have on jurisdictional entities. The use of financial analytical tools and financial statements, together with the disclosures made in the notes to the financial statements and the MD&A, and other relevant data help staff, as well as, others to assess the credit quality, liquidity, solvency, and the impact that regulatory actions and economic events will have on jurisdictional entities.

33. Quarterly reporting will permit the Commission to better understand trends and other factors that may affect an entity's liquidity position, its commitments of capital expenditures, its sources of financing, along with changes in the amount and types of assets, liabilities, debt and equity used in its business.<sup>18</sup> Transparent accounting and more frequent financial reporting play an important role in achieving vigilant oversight of market participants. More frequent financial reporting will provide needed insight into the opportunities and risks facing the energy industry as the Commission considers and assess the affects of its regulatory initiatives. The Commission shares the view that quarterly reporting will enhance its overall decision making process by providing more

timely, useful and relevant data to the decision making process. Therefore, the Commission proposes that jurisdictional entities that are subject to the Commission's Uniform System of Accounts and file a FERC Annual Report Form 1, 1-F, 2, 2-A, or 6 also file quarterly financial statements and related financial information as discussed below.

### **III. DISCUSSION**

#### **A. General**

34. The proposed changes will require the filing of quarterly financial statements and certain supplemental information. Additionally, the Commission proposes to update its existing FERC Annual Reports filing requirements in response to the passage of the Sarbanes-Oxley Act of 2002.<sup>17</sup>

#### **B. Proposed Quarterly Financial Reports**

35. The proposed changes will require certain forms currently filed annually to be filed on a quarterly basis. The Commission proposes that public utilities and licensees, and natural gas companies that file a FERC Annual Report Forms 1, 1-F, 2 or 2-A, provide quarterly financial and financial related information in the new FERC Form No. 3-Q, Quarterly Financial Report of Electric Utilities, Licensees, and Natural Gas Companies. Additionally, the Commission proposes that oil pipeline companies that file FERC Annual Report Form No. 6 provide quarterly financial and other information in

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<sup>17</sup>Supra note 6.

the new FERC Form No. 6-Q, Quarterly Financial Report of Oil Pipeline Companies. Although these quarterly forms are new, most of the information contained in these forms is the same information currently submitted on an annual basis. Examples of the proposed quarterly report forms are provided in Appendix A.

### **1. Set of Financial Statements and Other Selected Information**

36. Under the proposed rule, public utilities and licensees, natural gas companies and oil pipeline companies will be required to file a set of financial statements on a quarterly basis. The financial statements will be developed using the Commission's Uniform System of Accounts and will be presented in a similar manner as those already filed with the Commission on an annual basis. The financial statements proposed to be included in the quarterly reports are the Comparative Balance Sheet, the Statement of Income and Retained Earnings, the Statement of Cash Flows, and the Statement of Other Comprehensive Income and Hedging Activities. These statements will show the activity for the current quarter as compared to the same quarter of the prior year.

37. As part of collecting a complete set of financial statements, the Commission is proposing to collect certain detailed information already collected on an annual basis. This information includes revenues and the related quantities sold or transported, the operating and maintenance expenses, selected plant cost data, and regulatory asset and liability data which has become more significant in recent years. The quarterly reports

will collect information on quantities and volumes sold or transported as is currently collected in the annual reports. Public utilities and licensees will report the amount of megawatt hours sold, natural gas companies will report the amount of dekatherms transported, and oil pipeline companies will report the amount of barrels of crude oil and each kind of product delivered during the period. This data will aid the Commission in monitoring the business conditions and changing events in these industries. The supplementary schedules will also provide the Commission, as well as customers, investors, and others with valuable financial information on more a timely basis, and allow for additional transparency into the financial activities of the entity.

38. The table below summarizes the information that jurisdictional public utilities and licensees, natural gas and oil pipeline companies currently file with the Commission on an annual basis and will be filed in the proposed quarterly report forms.

	<b>Schedules</b>	<b>Public Utilities and Licensees</b>	<b>Natural Gas Companies</b>	<b>Oil Pipeline Companies</b>
1	Important Changes During the Period	T	T	T
2	Comparative Balance Sheet	T	T	T
3	Statement of Income and Retained Earnings	T	T	T
4	Statement of Cash Flows	T	T	T
5	Statement of Accumulated Comprehensive Income and Hedging Activities	T	T	T
6	Notes to the Financial Statements	T	T	T
7	Summary of Utility Plant and Accumulated Provisions for Depre., Amort. and Depletion	T	T	T
8	Electric Plant in Service by Function	T	Not Applicable	Not Applicable
9	Accumulated Provision for Depreciation	T	T	T

	<b>Schedules</b>	<b>Public Utilities and Licensees</b>	<b>Natural Gas Companies</b>	<b>Oil Pipeline Companies</b>
10	Public Utility and Licensee Revenues	T	Not Applicable	Not Applicable
11	Natural Gas Company Revenues	Not Applicable	T	Not Applicable
12	Oil Pipeline Company Revenues	Not Applicable	Not Applicable	T
13	Electric Prod., Other Power Supply Exp., and Transmission and Distribution Exp.	T	Not Applicable	Not Applicable
14	Gas Production and Other Gas Supply Exp.	Not Applicable	T	Not Applicable
15	Natural Gas Storage, Terminaling, Processing, Transmission and Distribution Expenses	Not Applicable	T	Not Applicable
16	Oil Carrier Expenses	Not Applicable	Not Applicable	T
17	Customer Accounts, Service, Sales, Administrative and General Expenses	T	T	Not Applicable
18	Other Regulatory Assets	T	T	Not Applicable
19	Other Regulatory Liabilities	T	T	Not Applicable
20	Transmission of Electricity for Others	T	Not Applicable	Not Applicable
21	Transmission of Electricity by Others	T	Not Applicable	Not Applicable
22	Oil Barrels Delivered	Not Applicable	Not Applicable	T

## **2. Management Discussion and Analysis**

39. The Commission is proposing to include a new schedule to the quarterly report entitled Management's Discussion and Analysis of Financial Condition and Results of Operation (commonly referred to as the "MD&A"). The MD&A schedule is intended to be a forward looking presentation of management's opinion regarding the probable impact of current and future events on the operations of the company. The reporting objectives of this new MD&A schedule are to disclose information necessary for the users of the financial statements to obtain an understanding of the company's financial

condition and results of operation. The proposed MD&A schedule should satisfy three related objectives:

1. provide a narrative explanation of the jurisdictional entity's financial statements that enable the Commission and other users to view the company from management's perspective;
2. provide overall financial disclosure and provide the context within which financial statements of the jurisdictional entity should be analyzed; and
3. provide information about the quality of, and potential variability of, a jurisdictional entity's earnings and cash flow, so the Commission, as well as, other users can ascertain the likelihood of past performance is an indicator of future performance.

40. The MD&A is an important aspect in obtaining transparency in financial reporting because it gives the users of financial information an opportunity to monitor the company through the perspective of management on both a short-term and long-term basis. The Commission acknowledges that companies currently file an MD&A with the SEC on a basis of consolidated operations. However, the Commission is proposing to require an MD&A schedule on an individual jurisdictional entity basis for both the quarterly and annual reports as further discussed below.

41. The MD&A schedule will contain a description of events where there is a known trend or uncertainty that is reasonably likely to have a material effect on a jurisdictional

company's operations. Management will identify and evaluate current trends to determine the potential impact on the company's operating results and financial position.

The Commission will benefit from the most relevant, useful and understandable information regarding jurisdictional companies.

42. The MD&A schedule will include disclosures as they apply to the reporting entity regarding the probable future impacts of regulatory accounting policies; revenue recognition; asset impairment, including goodwill and other intangible assets; environmental contingencies; litigation contingencies; defined benefit pension plans and other post-retirement benefit plans; cost capitalization policies; depreciation expense; decommissioning; asset retirement obligations; self insurance; unique ownership arrangements; guarantees and other assurances; leasing arrangements; related party transactions; and energy trading and other risk management.

43. This list is not intended to be an all inclusive or exhaustive inventory of significant events. Other events that could potentially positively or negatively impact its company, management must be reported under the heading of other significant events.

### **3. Electric Transmission Peak Loads**

44. The Commission is also proposing to obtain in the quarterly and annual reports electric peak load information of the transmission system including the respondent's own use of its transmission system. This information will aid the Commission in evaluating the adequacy of existing traditional cost-based rates.

#### **4. Corporate Officers Certification**

45. In reaction to the Sarbanes-Oxley Act of 2002, the Commission is updating its corporate officer certification requirements.<sup>18</sup> The Corporate Officer's Certification Statement is a current requirement of the FERC Annual Reports. The Commission is including the Corporate Officer's Certification Statement as a requirement for the quarterly reports.

46. The updated certification will require that principal executive officer or officers and the principal financial officer or officers, and persons performing similar functions, to certify that each officer has reviewed the quarterly report form and the quarterly report does not contain any untrue statement of material fact, is not misleading, and fairly represents the financial condition of the company. In addition, each officer will certify that they are responsible for establishing and maintaining disclosure controls and procedures, and have designed disclosure controls and procedures to ensure that material information is made known to them. The officers will certify that they have evaluated the effectiveness of the controls and procedures within 90 days prior to the filing date. Each officer will also certify that all significant deficiencies in the design or operation of

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<sup>18</sup>Sarbanes-Oxley Act of 2002, Pub. L. No. 107-204, § 302, 116 Stat. 777 (2002). (codified at 15 USC 7241 (2000)).

internal controls, any changes to internal controls, and any fraud were disclosed to the company's auditors and the audit committee. The proposed officer certification for public utilities and licensees, natural gas companies and oil pipeline companies reads as follows:

47. The undersigned officer(s) certifies that:

(1) I have reviewed this FERC Quarterly Financial Report.

(2) Based on my knowledge this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report.

(3) Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly represent in all material respects the financial condition, results of operations and cash flows of the respondent as of, and for the periods presented in this quarterly report.

(4) I am responsible for establishing and maintaining internal controls, and have designed such internal controls to ensure that material information relating to the respondent and its subsidiaries is made known to such officers by others within those entities, particular during the period in which the periodic reports are being presented. I have evaluated the effectiveness of the respondent's internal controls as of a date within 90 days prior to the report, and have presented in the report

their conclusions about the effectiveness of their internal controls based on their evaluation as of that date.

(5) I have disclosed to the respondent's auditors and the audit committee of the board of directors and the audit committee of the board of directors (or persons fulfilling the equivalent function) that all significant deficiencies in the design or operation of internal controls which could adversely affect the respondent's ability to record, process, summarize and report financial data and have identified for the respondent's auditors any material weaknesses in internal controls; and any fraud, whether or not material, that involves management or other employees who have a significant role in the respondent's internal controls.

(6) I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

#### **5. CPA Review Letter**

48. At this time the Commission is not requiring that companies have the proposed quarterly report reviewed by a CPA. However, if a company chooses to have the quarterly report reviewed by a CPA, the company must submit the CPA review letter along with the quarterly report to the Commission.

49. Presently there are significant differences between a CPA "review" report for interim financial statements and a CPA "audit" report for annual financial statements. A CPA review is substantially less in scope than an audit, and the CPA does not express an opinion as to whether the quarterly financial statements present fairly the financial position of the company, or were prepared in accordance with generally accepted accounting principles (GAAP). In contrast, an audit includes selective examination of the evidence supporting the amounts and disclosures in the financial statements, and includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

50. While it is impractical to obtain an audit for interim financial statements, companies may choose to have a review performed. The Commission is of the view that the CPA review will aid in the reliability of the financial and other information contained in the quarterly report. However, since the CPA is not expressing an opinion on the financial statements presented in the quarterly report, the Commission at this time is not proposing to require companies to have a CPA perform a review of the financial statements contained in the quarterly reports. However, if the Quarterly Report Forms 3-Q and 6-Q are reviewed by a CPA, the company must submit an original CPA review letter to the Commission in accordance with the instructions contained in the quarterly report forms.

**6. Who Must File and When**

51. The Commission proposes that jurisdictional entities that file FERC Annual Report Forms 1, 1-F, 2, 2-A, or 6 will now be required to submit the FERC Quarterly Forms 3-Q or 6-Q. The Commission proposes the quarterly reports be filed using a phase-in approach.<sup>19</sup>

52. Quarterly reports will be filed 45 days after the end of the quarter for quarters ending before December 15, 2004. Quarterly reports will be filed 40 days after the end of the quarter for quarters ending after December 15, 2004 and before December 15, 2005. Quarterly reports will be filed 35 days after the end of the quarter for quarters ending after December 15, 2005, as shown in the table below:

	<b>Quarterly Period Covered</b>	<b>FERC Quarterly Report Filing Due on or Before</b>
1	1/1/2004 through 3/31/2004	May 15, 2004
2	4/1/2004 through 6/30/2004	August 14, 2004
3	7/1/2004 through 9/30/2004	November 14, 2004
4	1/1/2005 through 3/31/2005	May 10, 2005
5	4/1/2005 through 6/30/2005	August 9, 2005
6	7/1/2005 through 9/30/2005	November 9, 2005
7	Subsequent Quarters	35 days after the end of the quarter

## **7. Update Delegations**

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<sup>19</sup>Sarbanes-Oxley Act of 2002, Pub. L. No. 107-204, § 409, 116 Stat. 791 (2002) requires that companies disclose material changes in financial condition and operations on a rapid and current basis. In response, the SEC has established a phase-in approach for accelerating the filing of SEC forms. The Commission proposes an identical phase-in approach for the filing of FERC Quarterly Forms and accelerating the filing of the FERC Annual Report Forms.

53. Finally, the Commission proposes to update the delegations of authority for the Chief Accountant. Under the proposed new delegations, the Chief Accountant will accept delegated authority for accepting the filing of the quarterly report forms when the filing is in compliance with the Commission orders or decisions, or issue a deficiency letter when the filing fails to comply with applicable statutory requirements. Additionally, the proposed delegation will allow the Chief Accountant to deny or grant requests for waiver of the accounting or reporting requirements.

### **C. Proposed Changes to the FERC Annual Report Forms**

54. In addition to adding quarterly reporting requirements, the Commission proposes to update its annual reporting and disclosure requirements by making conforming changes to certain schedules in the FERC Annual Reports so that the information is better aligned with the information collected in the quarterly reports.

55. The Commission also proposes to add a new schedule to the FERC Form 1 and 1-F to collect financial information on the amount of ancillary services purchased and sold during the year, update the corporate officer's certification, accelerate the submission dates of the FERC Annual Reports, allow the CPA certification to be filed electronically, update the statistical classifications used by public utilities and licensees to report transmission transactions, and other minor reporting changes.

#### **1. Fourth Quarter Financial Information**

56. The Commission is proposing to make certain revisions to the FERC Annual Reports to report fourth quarter financial data. The Commission proposes to break out fourth quarter data in the income statements contained in the FERC Annual Report Forms 1, 1-F, 2, 2-A, and 6. This data will include the addition of two columns to the Statement of Income for the Year. One column will include fourth quarter data for the current year, and the second column will include fourth quarter data from the prior year. This information will be useful to the Commission for comparative purposes.

57. Currently, the Statement of Cash Flows is presented on a comparative basis only in the FERC Annual Report Forms 2, 2-A and 6. The Commission is proposing to revise the FERC Annual Report Forms 1 and 1-F to include a comparative Statement of Cash Flows to report current year and prior year activity.

58. In addition, the Commission is proposing to report derivative assets and liabilities as current or long-term asset and liabilities on the Comparative Balance Sheet.

## **2. New Ancillary Service Schedule**

59. The Commission proposes to add a new schedule to the FERC Annual Report Forms 1 and 1-F to collect information on the amount of ancillary services purchased and sold during the year. Under Order No. 888, ancillary services are now offered as part of open access transmission tariffs. These services and related amounts have been reported in an inconsistent manner in the annual reports. Therefore the proposed change would add a new schedule to report the services by the six types of ancillary services described

in Order No. 888.<sup>20</sup> Appendix B contains a sample of the proposed new schedule to collect financial data related to ancillary services and the related instructions.

### **3. Update Corporate Officer Certification**

60. In response to the Sarbanes-Oxley Act of 2002, the Commission is updating its corporate officer certification requirements.<sup>21</sup> The Corporate Officer Certification Statement is not a new requirement. The Commission is simply updating the current statement to reflect the current economic environment. The corporate officer certification will contain the same representations as the one previously discussed for the proposed quarterly reports.

### **4. Acceleration of Annual Report Form Submission**

61. The Commission proposes to accelerate the filing date for FERC Annual Report Forms 1, 1-F, 2, 2-A, and 6.<sup>22</sup> Using a phase-in approach, the Commission proposes that all FERC Annual Report Forms be filed within 75 days for the year ending on December 31, 2003. Additionally, the Commission proposes that all FERC Annual Report Forms be filed within 60 days for the year ending December 31, 2004, and each subsequent year as shown in the table below:

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<sup>20</sup>See FERC Stats. & Regs., Regulations Preambles January 1991-1996, ¶ 31,036 (1996). See also Proforma OATT in Order No. 888, Schedules 1-8 and Attachment F.

<sup>21</sup>Supra note 6.

<sup>22</sup>Supra note 6.

	<b>Calendar Year Ending</b>	<b>FERC Annual Report Filing Due on or Before</b>
1	December 31, 2003	March 17, 2004
2	December 31, 2004	March 1, 2005
3	Each Year Thereafter	March 1

### **5. Changes to the CPA Certification Requirements**

62. The Commission proposes to accelerate filing dates of the current annual CPA Certification Statement and permit it to be filed electronically. Under the existing Commission requirements, jurisdictional public utilities, licensees and natural gas companies may file their CPA certification letter 30 days after submission of the FERC Annual Report. As part of the acceleration of the FERC Annual Report Forms the Commission is also proposing to accelerate the filing date of the annual CPA Certification Statement. The Commission proposes that the CPA certification be filed electronically on the same date as the FERC Annual Report. The CPA Certification Statement provides the users of the annual financial statements with additional support increasing the reliability of the financial and other information contained in the form. Electronic filing of the CPA certification will reduce the cost of submitting and maintaining the paper document, and improve the accessibility of the document. Finally, for those companies that continue to file a paper CPA Certification Statement, the Commission proposes to accelerate the filing date of the paper CPA Certification Statement from 30 days to 7 days after the FERC Annual Reports are filed.

## 6. Miscellaneous

63. Finally, as part of the revisions to the FERC Annual Report Forms 1 and 1-F, the Commission proposes to update the statistical classifications billings resulting from the use of the transmission system by others, and the use of the system for others to reflect open access established by Order No. 888. The revised statistical classifications are as follows:

FNS-for Firm Network Transmission Service for Self. "Firm" means service that cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. "Network Transmission Service" is transmission service as described in Order No. 888 and the Open Access Transmission Tariff. "Self" means the respondent.

FNO-Firm Network Service for Others. "Firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. "Network Service" is Network Transmission Service as described in Order No. 888 and the Open Access Transmission Tariff.

LFP-for Long-Term Firm Point-to-Point Transmission Reservations. "Long-term" means 1 year or longer. "Firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions, and "Point-to-point Transmission Reservations" are described in Order No. 888 and the Open Access Transmission Tariff. For all transactions identified as LFP, provide in a footnote the

termination date of the contract defined as the earliest date either buyer or seller can unilaterally cancel the contract.

OLF-for Other Long-Term Firm Transmission Service. "Long-term" means 1 year or longer. This is service provided under contracts which do not conform to the terms of the Open Access Transmission Tariff. "Firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. For all transactions identified as OLF, provide in a footnote the termination date of the contract defined as the earliest date either buyer or seller can unilaterally get out of the contracts.

SFP-for Short-Term Firm Point-to-Point Transmission Reservations. This proposed classification is used for all firm point-to-point transmission reservations, where the duration of each period of reservation is less than 1 year.

NF-for Non-Firm Transmission Service, where "Non-firm" means service that cannot be interrupted for economic reasons or reliability reasons.

OS-for Other Transmission Service, where "Firm" means service that cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions.

AD-for Out-of-Period Adjustments. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting periods. Provide an explanation in a footnote for each adjustment.

#### **IV. REGULATORY FLEXIBILITY ACT STATEMENT**

64. The Regulatory Flexibility Act (RFA) requires agencies to prepare certain statements, descriptions, and analyses of proposed rules that will have a significant economic impact on a substantial number of small entities.<sup>23</sup> The Commission is not required to make such analyses if a rule would not have such an effect.

65. The Commission concludes that this rule would not have such an impact on small entities. Most filing companies regulated by the Commission do not fall within the RFA's definition of a small entity.<sup>24</sup> As previously mentioned, the Commission concludes that this reporting would not be a significant burden to industry since the information is already being captured by their accounting systems and generally being reported to shareholders and others at a company, or at a consolidated business level. However, if the reporting requirements represent an undue burden on small businesses, the entity affected may seek a waiver of the disclosure requirements from the Commission.

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<sup>23</sup> 5 U.S.C. 601-612.

<sup>24</sup> 5 U.S.C. 601(3), citing to section 3 of the Small Business Act, 15 U.S.C. 632. Section 3 of the Small Business Act defines a "small-business concern" as a business which is independently owned and operated and which is not dominant in its field of operation.

## V. ENVIRONMENTAL ANALYSIS

66. The Commission is required to prepare an Environmental Assessment or an Environmental Impact Statement for any action that may have a significant adverse effect on the human environment.<sup>25</sup> No environmental consideration is raised by the promulgation of a rule that is procedural or does not substantially change the effect of legislation or regulations being amended.<sup>26</sup> The proposed rule updates the Parts 141, 260, 357 and 375 of the Commission's regulations, and does not substantially change the effect of the underlying legislation or the regulations being revised or eliminated. Accordingly, no environmental consideration is necessary.

## VI. INFORMATION COLLECTION STATEMENT

67. The following collections of information contained in this proposed rule have been submitted to the Office of Management and Budget (OMB) for review under §3507(d) of the Paperwork Reduction Act of 1995, 44 U.S.C. 3507(d). Comments are solicited on the Commission's need for this information, whether the information will have practical utility, the accuracy of provided burden estimates, ways to enhance the quality, utility, and clarity of the information to be collected, and any suggested methods

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<sup>25</sup> Order No. 486, Regulations Implementing the National Environmental Policy Act, 52 FR 47897 (Dec. 17, 1987), FERC Stats. & Regs. Preambles 1986-1990 ¶ 30,783 (1987).

<sup>26</sup> 18 CFR 380.4(a)(2)(ii).

for minimizing respondent's burden, including the use of automated information techniques.

*Estimated Annual Burden:*

68. The Commission estimates that on average it will take respondents 24 hours to comply with the proposed requirements. This will result in total hours for the following collections of information:

	Data Collection Form (a)	Number of Respondents (b)	Number of Hours (c)	Filing Periods (d)	Total Annual Hours (e)=(b)x(c)x(d)
1	FERC Form 3-Q	331	24	3	23,832.0
2	FERC Form 6-Q	159	24	3	11,448.0
3	FERC Form 1	216	1	1	216.0
4	FERC Form 1-F	26	1	1	26.0
5	FERC Form 2	57	1/2	1	28.5
6	FERC Form 2-A	53	1/2	1	26.5
7	FERC Form 6	159	1/2	1	79.5
8	Totals				35,656.5

*Total Annual Hours for Collection:*

(Reporting + Recordkeeping, (if appropriate)) = 35,656.5 hours.

\*This estimate is based on an average of 24 hours per respondent for recordkeeping purposes.

69. OMB's regulations require it to approve certain information collection requirements imposed by agency rule. The Commission is submitting notification of this proposed rule to OMB.<sup>27</sup>

*Title:* FERC Form No. 1, Annual Report of Major Electric Utilities, Licensees, and Others;

FERC Form No. 1-F, Annual Report for Non-Major Public Utilities and Licensees;

FERC Form No. 2, Annual Report for Major Natural Gas Companies;

FERC Form No. 2-A, Annual Report for Non-Major Natural Gas Companies;

FERC Form No. 3-Q, Quarterly Financial Report of Electric Utilities, Licensees, and Natural Gas Companies;

FERC Form No. 6, Annual Report for Oil Pipeline Companies;

FERC Form No. 6-Q, Quarterly Financial Report of Oil Pipeline Companies.

*Action:* Proposed Collections

*OMB Control No:* To be determined

*Respondents:* Business or other for profit.

*Frequency of Responses:* Quarterly.

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<sup>27</sup> 5 CFR 1320.11.

*Necessity of the Information:* The proposed rule would revise the Commission's reporting requirements to improve financial transparency for jurisdictional companies. Transparent reporting of financial information and better financial disclosures proposed in this rule will help the Commission identify emerging trends and issues affecting energy companies, and thus provide more vigilant oversight of the regulated companies. The improved transparency brought about by more frequent financial reporting will help restore investor confidence in the energy industry.

70. Quarterly reporting of financial information will provide the Commission with an important tool to timely identify issues affecting jurisdictional entities within the energy industry. It will aid the Commission in assessing the economic consequences of transactions and events on jurisdictional entities, measuring the effects of regulatory initiatives, evaluating the adequacy of existing traditional cost-based rates, and aid in the development of needed changes to existing regulatory initiatives.

71. Although the Commission currently requires jurisdictional entities to file financial information on an annual basis, a general weakness in this reporting program has been the frequency with which these reports are required. In a rapidly changing business environment, annual reporting is simply insufficient. For financial information to be useful to the Commission it must be collected on a more timely basis.

72. *Internal Review:* The Commission has reviewed the requirements pertaining to the

Uniform Systems of Accounts and to the financial reports it prescribes and determined the proposed revisions are necessary to obtain more timely, relevant, reliable and understandable financial information from major participants in the energy market. More frequent reporting of financial information will provide the Commission and the investing public with an important tool to help identify emerging trends, business conditions, and issues affecting jurisdictional entities within the energy industry. The Commission has assured itself, by means of internal review, that there is specific, objective support for the burden estimates associated with the information requirements.

73. Interested persons may obtain information on the reporting requirements by contacting the following: Federal Energy Regulatory Commission, 888 First Street, NE, Washington, DC 20426, [Attention: Michael Miller, Office of the Executive Director, Phone: (202)502-8415, fax: (202)208-2425, e-mail: [michael.miller@ferc.gov](mailto:michael.miller@ferc.gov)]

74. For submitting comments concerning the collections of information and the associated burden estimate(s), please send your comments to the contact listed above and to the Office of Management and Budget, Office of Information and Regulatory Affairs, 725 17th Street, NW, Washington, DC 20503 [Attention: Desk Officer for the Federal Energy Regulatory Commission, phone (202)395-7318, fax: (202)395-7285].

## **VII. COMMENT PROCEDURES**

75. The Commission invites all interested persons to submit comments on the matters and issues proposed in this notice to be adopted, including any related matters or

alternative proposals that commenters may wish to discuss. Comments are due [insert date 30 days from publication in the FEDERAL REGISTER]. Comments must refer to Docket No. RM03-8-000, and must include the commenter's name, the organization they represent, if applicable, and their address in the comments. Comments may be filed either in electronic or paper format.

76. Comments may be filed electronically via the eFiling link on the Commission's web site at <http://www.ferc.gov>. The Commission accepts most standard word processing formats and commenters may attach additional files with supporting information in certain other file formats. Commenters filing electronically do not need to make a paper filing. Commenters that are not able to file comments electronically must send an original and 14 copies of their comments to: Federal Energy Regulatory Commission, Office of the Secretary, 888 First Street NE, Washington, DC, 20426.

77. All comments will be placed in the Commission's public files and may be viewed, printed, or downloaded remotely as described in the Document Availability section below. Commenters on this proposal are not required to serve copies of their comments on other commenters.

### **VIII. DOCUMENT AVAILABILITY**

78. In addition to publishing the full text of this document in the Federal Register, the Commission provides all interested persons an opportunity to view and/or print the contents of this document via the Internet on the Commission's web site at

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<http://www.ferc.gov> and in FERC's Public Reference Room during normal business hours (8:30 a.m. to 5:00 p.m. Eastern time) at 888 First Street, NE, Room 2A, Washington, DC 20426.

79. From FERC's Home Page on the Internet, this information is available in the Federal Energy Regulatory Records Information System (FERRIS). The full text of this document is available on FERRIS in PDF and WordPerfect format for viewing, printing, and/or downloading. To access this document in FERRIS, type the docket number excluding the last three digits of this document in the docket number field.

80. User assistance is available for FERRIS and the FERC's website during normal business hours by contacting FERC Online Support by e-mail at [FERCOnlineSupport@ferc.gov](mailto:FERCOnlineSupport@ferc.gov) or by telephone at 866-208-3676 (toll free), or for TTY, contact (202) 502-8659.

### List of Subjects

#### 18 CFR Part 141

Electric power, Reporting and recordkeeping requirements

#### 18 CFR Part 260

Natural gas, Reporting and recordkeeping requirements

#### 18 CFR Part 357

Pipelines, Reporting and recordkeeping requirements, Uniform System of Accounts

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18 CFR Part 375

Authority delegations (Government agencies)

By direction of the Commission

( S E A L )

Magalie R. Salas,  
Secretary.

In consideration of the foregoing, the Commission proposes to amend parts 141, 260, 357 and 375, Chapter I, Title 18, Code of Federal Regulations, as follows:

**PART 141– STATEMENTS AND REPORTS (SCHEDULES)**

1. The authority citation for part 141 continues to read as follows:

AUTHORITY: 15 U.S.C. 79; 16 U.S.C. 791a-828c, 2601-2645; 31 U.S.C. 9701; 42 U.S.C. 7101-7352.

2. In § 141.1, paragraph (b) (2) is revised to read as follows:

§ 141.1 FERC Form No. 1, Annual report of Major electric utilities, licensees, and others.

\* \* \* \* \*

(b) Filing requirements. \* \* \*

(2) When to file and what to file: This report shall be filed as follows:

(i) The annual report for the year ending December 31, 2003, will be filed on March 17, 2004.

(ii) The annual report for the year ending December 31, 2004, will be filed on March 1, 2005.

(iii) The annual report for each year thereafter will be filed on March 1 of the subsequent year.

(iv) This report must be filed with the Federal Energy Regulatory Commission as prescribed in § 385.2011 of this chapter and as indicated in the General Instructions set

out in this form, and must be properly completed and verified. Filing on electronic media pursuant to § 385.2011 of this chapter is required.

3. In § 141.2, paragraph (b) (2) is revised as follows:

§ 141.2 FERC Form No. 1-F, Annual report for Nonmajor public utilities and licensees.

\* \* \* \* \*

(b) Filing requirements. \* \* \*

(2) When to file: This report shall be filed as follows:

(i) The annual report for the year ending December 31, 2003, will be filed on March 17, 2004.

(ii) The annual report for the year ending December 31, 2004, will be filed on March 1, 2005.

(iii) The annual report for each year thereafter will be filed on March 1 of the subsequent year.

4. Section 141.400 is added to read as follows:

§ 141.400 FERC Form No. 3-Q, Quarterly financial report of electric utilities, licensees, and natural gas companies.

(a) Prescription. The Form of Quarterly Report of electric utilities, licensees, and natural gas companies, designated herein as FERC Form No. 3-Q, is prescribed for the reporting quarter ending March 31, 2004, and each quarter thereafter.

(b) Filing requirements. (1) Who must file-(i) Generally. Each electric utility (as defined in Part 101 of Subchapter C of this chapter) and other entity, i.e., each corporation, person, or licensee as defined in Section 3 of the Federal Power Act (16 U.S.C. 792 et seq.), including any agency or instrumentality engaged in generation, transmission, distribution, or sale of electric energy, however produced, throughout the United States and its possessions, having sales or transmission service, whether or not the jurisdiction of the Commission is otherwise involved, shall prepare and file with the Commission FERC Form 3-Q pursuant to the General Instructions set out in that form.

(ii) Exceptions. This report form is not prescribed for any agency, authority or instrumentality of the United States, nor is it prescribed for municipalities as defined in Section 3 of the Federal Power Act; (i.e., a city, county, irrigation district, or other political subdivision or agency of a State competent under the laws thereof to carry on the business of developing, transmitting, utilizing, or distributing power).

(2) When to file and what to file. This quarterly report form must be filed as follows:

(i) The quarterly report for the period January 1 through March 31, 2004, must be filed on or before May 15, 2004.

(ii) The quarterly report for the period April 1 through June 30, 2004, must be filed on or before August 14, 2004.

(iii) The quarterly report for the period July 1 through September 30, 2004, must be filed on or before November 14, 2004.

(iv) The quarterly report for the period January 1 through March 31, 2005, must be filed on or before May 10, 2005.

(v) The quarterly report for the period April 1, 2005 through June 30, 2005, must be filed on or before August 9, 2005.

(vi) The quarterly report for the period July 1, 2005 through September 30, 2005, must be filed on or before November 9, 2005.

(vii) The quarterly report for the period January 1 through March 31, 2006, must be filled on or before May 5, 2006.

(viii) Subsequent quarterly reports must be filed within 35 days from the end of the reporting quarter.

(ix) This report must be filed as prescribed in § 385.2011 of this chapter and as indicated in the general instructions set out in the quarterly report form, and must be properly completed and verified. Filing on electronic media pursuant to § 385.2011 of this chapter will be required commencing with the reporting quarter ending March 31, 2004, due on or before May 15, 2004.

#### **PART 260—STATEMENTS AND REPORTS (SCHEDULES)**

5. The authority citation for part 260 continues to read as follows:

**AUTHORITY:** 15 U.S.C. 717-717w, 3301-3432; 42 U.S.C. 7101-7352.

6. In § 260.1, paragraph (b) is revised as follows:

§ 260.1, FERC Form No. 2, Annual report for Major natural gas companies.

\* \* \* \* \*

(b) Filing requirements. Each natural gas company, as defined by the Natural Gas Act (15 U.S.C. 717, et. seq.) which is a major company (a natural gas company whose combined gas transported or stored for a fee exceed 50 million Dth in each of the three previous calender years) must prepare and file with the Commission, as follows:

(1) The annual report for the year ending December 31, 2003 will be filed on March 17, 2004.

(2) The annual report for the year ending December 31, 2004 will be filed on March 1, 2005.

(3) The annual report for each year thereafter will be filed on March 1 of the subsequent year.

(4) Newly established entities must use projected data to determine whether FERC Form No. 2 must be filed.

(5) The form must be filed in electronic format only, as indicated in the general instructions set out in that form. The format for the electronic filing can be obtained at the Federal Energy Regulatory Commission, Division of Information Services, Public Reference and Files Maintenance Branch, Washington, DC 20426. One copy of the report must be retained by the respondent in its files.

7. In § 260.2, paragraph (b) is revised to read as follows:

§ 260.2 FERC Form No. 2-A, Annual reports for Nonmajor natural gas companies.

\* \* \* \* \*

(b) Filing requirements: Each natural gas company, as defined by the Natural Gas Act, not meeting the filing threshold for FERC Form No. 2, but having total gas sales or volume transactions exceeding 200,000 Dth in each of the three previous calendar years, must prepare and file with the Commission as follows:

(1) The annual report for the year ending December 31, 2003, will be filed on March 17, 2004.

(2) The annual report for the year ending December 31, 2004, will be filed on March 1, 2005.

(3) The annual report for each year thereafter will be filed on March 1 of the subsequent year.

(4) Newly established entities must use projected data to determine whether FERC Form No. 2-A must be filed.

(5) This report must be filed as prescribed in § 385.2011 of this chapter and as indicated in the general instructions set out in the quarterly report form, and must be properly completed and verified. Filing on electronic media pursuant to § 385.2011 of this chapter will be required commencing with the reporting quarter ending March 31,

2004, due on or before May 15, 2004. One copy of the report must be retained by the respondent in its files.

8. Section 260.300 is added to read as follows:

§ 260.300 FERC Form No. 3-Q, Quarterly financial report of electric utilities, licensees, and natural gas companies.

(a) Prescription. The Form of Quarterly Report of electric utilities, licensees, and natural gas companies, designated herein as FERC Form No. 3-Q, is prescribed for the reporting quarter ending March 31, 2004, and each quarter thereafter.

(b) Filing requirements. (1) Who must file. Each natural gas company, (as defined in the Natural Gas Act (15 U.S.C. 717, et seq.) must prepare and file with the Commission a FERC Form No. 3-Q.

(2) When to file and what to file. This quarterly report form must be filed as follows:

(i) The quarterly report for the period January 1 through March 31, 2004, must be filed on or before May 15, 2004.

(ii) The quarterly report for the period April 1 through June 30, 2004, must be filed on or before August 14, 2004.

(iii) The quarterly report for the period July 1 through September 30, 2004, must be filed on or before November 14, 2004.

(iv) The quarterly report for the period January 1 through March 31, 2005, must be filed on or before May 10, 2005.

(v) The quarterly report for the period April 1, 2005 through June 30, 2005, must be filed on or before August 9, 2005.

(vi) The quarterly report for the period July 1, 2005 through September 30, 2005, must be filed on or before November 9, 2005.

(vii) The quarterly report for the period January 1 through March 31, 2006, must be filed on or before May 5, 2006.

(viii) Subsequent quarterly reports must be filed within 35 days from the end of the reporting quarter.

(ix) This report must be filed as prescribed in § 385.2011 of this chapter and as indicated in the general instructions set out in the quarterly report form, and must be properly completed and verified. Filing on electronic media pursuant to § 385.2011 of this chapter will be required commencing with the reporting quarter ending March 31, 2004, due on or before May 15, 2004. One copy of the report must be retained by the respondent in its files.

## **PART 357-- ANNUAL SPECIAL OR PERIODIC REPORTS: CARRIERS**

### **SUBJECT TO PART I OF THE INTERSTATE COMMERCE ACT**

9. The authority citation for part 357 continues to read as follows:

**AUTHORITY:** 42 U.S.C. 7101-7352; 49 U.S.C. 60502; 49 App. U.S.C. 1-85 (1988).

10. In § 357.2, paragraph (b) is revised as follows:

§ 357.2 FERC Form No 6, Annual report of oil pipeline companies.

\* \* \* \* \*

(b) When to file: This report shall be filed as follows:

(1) The annual report for the year ending December 31, 2003, will be filed on March 17, 2004.

(2) The annual report for the year ending December 31, 2004, will be filed on March 1, 2005.

(3) The annual report for each year thereafter will be filed on March 1 of the subsequent year.

\* \* \* \* \*

11. Section 357.4 is added to read as follows:

§ 357.4 FERC Form No. 6-Q, Quarterly Report of Oil Pipeline Companies.

(a) Prescription. The Form of Quarterly Report of oil pipeline companies, designated herein as FERC Form No. 6-Q, is prescribed for the reporting quarter ending March 31, 2004, and each quarter thereafter.

(b) Filing requirements. (1) Who must file. Each oil pipeline company, subject to the provisions of section 20 of the Interstate Commerce Act must prepare and file with the Commission a FERC Form No. 6-Q.

(2) When to file and what to file. This quarterly report form must be filed as follows:

(i) The quarterly report for the period January 1 through March 31, 2004, must be filed on or before May 15, 2004.

(ii) The quarterly report for the period April 1 through June 30, 2004, must be filed on or before August 14, 2004.

(iii) The quarterly report for the period July 1 through September 30, 2004, must be filed on or before November 14, 2004.

(iv) The quarterly report for the period January 1 through March 31, 2005, must be filed on or before May 10, 2005.

(v) The quarterly report for the period April 1, 2005 through June 30, 2005, must be filed on or before August 9, 2005.

(vi) The quarterly report for the period July 1, 2005 through September 30, 2005, must be filed on or before November 9, 2005.

(vii) The quarterly report for the period January 1 through March 31, 2006, must be filed on or before May 5, 2006.

(viii) Subsequent quarterly reports must be filed within 35 days from the end of the reporting quarter.

(ix) This report must be filed as prescribed in § 385.2011 of this chapter and as indicated in the general instructions set out in the quarterly report form, and must be

properly completed and verified. Filing on electronic media pursuant to § 385.2011 of this chapter will be required commencing with the reporting quarter ending March 31, 2004, due on or before May 15, 2004.

### **PART 375-- THE COMMISSION**

12. The authority citation for part 375 continues to read as follows:

AUTHORITY: 5 U.S.C. 551-557; 15 U.S.C. 717-717w, 3301-3432; 16 U.S.C. 791-825r, 2601-2645; 42 U.S.C. 7101-7352.

13. In § 375.303, paragraphs (d) and (e) are added to read as follows:

§ 375.303 Delegations to the Chief Accountant.

\* \* \* \* \*

(d) Accept for filing Quarterly Report Form Nos. 3-Q and 6-Q if such filings are in compliance with Commission orders or decisions, and when appropriate, notify the party of such acceptance. Issue and sign deficiency letters if the filing fails to comply with applicable statutory requirements, and with all applicable Commission rules, regulations, and orders for which a waiver has not been granted.

(e) Deny or grant, in whole or in part, requests for waiver of the reporting requirements for the forms under §§ 141.400, 260.300, and 357.400 of this chapter and the filing of these forms on electronic media under § 385.2011 of this chapter.

Note: The following appendices will not appear in the Code of Federal Regulations.