

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**Assessment of Information Requirements ) Docket No. RM07-9-000  
for FERC Financial Forms )**

**COMMENTS OF THE  
NEW YORK INDEPENDENT SYSTEM OPERATOR, INC.**

Pursuant to the Notice of Inquiry<sup>1</sup> issued by the Federal Energy Regulatory Commission on February 15, 2007, into the Assessment of Information Requirements for FERC Financial Forms, the New York Independent System Operator, Inc. (“NYISO”) hereby submit these initial comments. The NYISO is the independent, not-for-profit body responsible for providing open access transmission service, maintaining reliability, and administering competitive wholesale electricity markets in New York State.

Communications regarding this proceeding should be addressed to:

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<sup>1</sup> 118 FERC ¶ 61,108 (2007).

<sup>2</sup> The NYISO respectfully requests waiver of 18 C.F.R. § 385.203(b)(3) (2004) to permit service on counsel for the NYISO in both Washington, D.C. and Richmond, Virginia.

## **Executive Summary**

The NYISO supports the Commission's initiative to examine potential changes to its annual and quarterly financial reporting forms ("Financial Forms"). The Financial Forms are intended to provide the public with sufficient information to permit a meaningful evaluation of a filer's jurisdictional rates. The NYISO believes that some relatively simple changes would improve the Financial Forms and allow them to better serve their purpose. These changes are described in the NYISO's responses to the Commission's questions below.

## **Responses to Questions**

**Question (1): Do the annual and quarterly Financial Forms provide sufficient data in all cases for the public to permit an evaluation of the filers' jurisdictional rates?**

**Response to Question (1):** No, the Financial Forms do not provide sufficient data to permit an evaluation of all filers' jurisdictional rates. For a filer such as the NYISO, this is true in several respects. Most importantly, the Financial Forms do not solicit the information necessary to develop either the numerator or the denominator needed to calculate the NYISO's rates. In addition, in some cases the Financial Forms solicit financial information without sufficient guidance as to what the filer should include in its response. This requires the filer to make assumptions that may differ from those made by other filers, thereby creating the potential for false comparisons between different filers' responses to the same items.

As noted above, the Financial Forms do not require the NYISO to provide the information necessary to determine the numerator or denominator needed to calculate the NYISO's jurisdictional rate. The NYISO is a not-for-profit organization, and its rate is designed to recover all of its operating costs, including capital needs and debt service repayments. The responsibility for these costs is allocated among the NYISO's customers according to the MWhs of service provided to each, as established in Schedule 1 of the NYISO's Open Access

Transmission Tariff (“OATT”) and Rate Schedule 1 of its Market Administration and Control Area Service Tariff (“MST”).

The Financial Forms assume that the numerator of a filer’s rate will be that entity’s income statement for the reporting period. This is not true for the NYISO, which has a more complicated rate structure that is based largely on the NYISO’s income statement, but has certain additions for balance sheet items such as capital costs and debt service repayments and certain subtractions such as depreciation and other non-cash items. While this rate structure is very familiar to the NYISO’s stakeholders, there is no means to accurately reflect it on the Financial Forms as they exist now.

The total number of MWhs of service provided to the NYISO’s customers, as calculated in accordance with the NYISO’s tariffs, makes up the denominator necessary to determine the NYISO’s jurisdictional rate. This information is not required by the Financial Forms, however. In addition to requiring this information, the Financial Forms should require an entity to specify whether the MWhs used in the calculation of its rate are budgeted or actual.

To address the problems described above, the NYISO urges the Commission to incorporate into the Financial Forms a mechanism by which a filer can spell out the details of its rate structure that are necessary to evaluate the filer’s rate. A new section could be added to the Financial Forms to provide the details of an entity’s rate structure as well as the resulting rate.

In addition, the Financial Forms do not provide sufficient guidance as to how the filer is to calculate required information. This creates the possibility that different filers will make different assumptions, thereby undermining side-by-side comparisons of the reported rate information. For example, the NYISO, as a non-profit entity with no equity ownership, has income statements that include \$0 in net income. In order to properly reflect net income based on these circumstances, NYISO’s Rate Schedule 1 revenue is adjusted, as needed, based on

accounting guidance. This results in a discrepancy between the Rate Schedule 1 revenue reported on NYISO's financial statements and the revenue recovered using NYISO's rates. The current forms are unclear as to where to record this differential. The NYISO urges the Commission to provide further instruction on exactly how each item solicited by the Financial Forms is to be calculated. In the alternative, as suggested above, the Commission should allow filers greater flexibility in describing the underlying calculations behind the figures they report.

**Question (2): If not, what additional data is needed to conduct such an evaluation? Please specify the form (or forms) to which your suggestions pertain.**

**Response to Question (2):**

With respect to FERC Form 1, the NYISO suggests a more open-ended solicitation of all the information needed for the user of the data to accurately calculate the filer's rates. For example, the filer could be required to report on the components of the numerator and denominator of its rate, as well as the resulting rate itself. For example, for the NYISO:

Rate Schedule Numerator	=	(Capital Costs + Debt Service + Expenses - Non-Recoverable Expenses (e.g., Depreciation) - Miscellaneous Revenues +/- Net Other Miscellaneous )
Rate Schedule Denominator	=	MWh of services provided over which charges are to be recovered in accordance with Rate Schedule 1 of OATT and Schedule 1 of MST.
Rate in \$/MWH	=	Rate Schedule Numerator / Rate Schedule Denominator

**Question (3): Do the financial reports provide sufficient data to the public to determine revenues attributable to the sale of excess fuel retention? If not, what additional data is needed to conduct such an evaluation?**

**Response to Question (3):** No response.

**Question (4): Is the information included in the financial reports sufficient to audit formulaic rates?**

**Response to Question (4):** No, as explained in response to Question 1.

**Question (5): Should the Commission require reporting of information on demand response initiatives (interruptible, load control, etc.), including demand and peak demand impacts, associated costs and savings, and the number of advanced meters installed?**

**Response to Question (5):** No response.

**Question (6): Please explain how this additional data will be useful to users of the Financial Forms.**

**Response to Question (6):** No response.

**Question (7): How burdensome would any requirement for additional information be to filers of Financial Forms?**

**Response to Question (7):** This depends largely on what additional information is required and the format in which filers are required to provide it. The changes that the NYISO is urging the Commission to make would not materially add to the difficulty of preparing the Financial Forms. In fact, in most respects the NYISO's suggested changes would make it easier for filers of the Financial Forms, because it would clarify the requirements for completing them.

**Question (8): Are there specific reporting requirements that are no longer necessary or unduly burdensome that should be deleted?**

**Response to Question (8):** Details on an entity's depreciation are reported in four separate schedules – those listed on pages 200, 219, 336, and 337. There may be an opportunity to reduce or eliminate some of these schedules. Additionally, page 231 requires a listing of each individual transmission study performed during the period. This requirement is unduly burdensome and could potentially be reduced or eliminated.

**Question (9): What technical revisions, if any, need to be made to the Financial Forms? For example, identify any suggested changes in instructions, desirable software upgrades, and whether there are errors embedded in the forms which need to be corrected.**

**Response to Question (9):** The Financial Forms do not provide clarity as to what level of reporting information is required for the footnote disclosures included in the quarterly Forms 3-Q. The disclosures required for Form 1 typically mirror those of an entity's annual financial

statements, but the requirements for Form 3-Q are ambiguous and in need of clarification. Also, the “data cross-check” feature used in the Commission’s reporting software has not always functioned correctly. It would be highly beneficial if this feature consistently operated properly. Greater clarification on the data required for the forms included on pages 262, 302, and 400(a) would also be highly beneficial to allow proper reporting. Finally, the reporting software includes a feature to carry forward prior year data; however, this feature works only for the annual reporting under Form 1. It would be desirable if this feature also worked for the Form 3-Q.

**Question (10): Should the Commission require electric utilities, licensees and interstate natural gas and oil pipeline companies to provide notification when their total sales or transactions fall below the minimum thresholds established in the Commission’s regulations such that they are no longer subject to these filing requirements?**

**Response to Question (10):** No response.

**Question (11): Should the Commission require a showing of good cause before granting an extension of time in which to file the required forms?**

**Response to Question (11):** No response.

**Question (12): Are these concerns of sufficient importance to warrant a rulemaking and, if so, what rules should the Commission promulgate? Commenters are encouraged to be as specific as possible.**

**Response to Question (12):** Yes, the NYISO believes these concerns warrant a rulemaking and encourages the Commission to promulgate rules that incorporate the suggestions provided here.

**Conclusion**

WHEREFORE, the New York Independent System Operator, Inc. respectfully requests that the Commission consider these comments and act or elect not to take action in accordance with the NYISO's responses to the above questions.

Respectfully submitted,

/s/ Ted J. Murphy

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