

# **Implementation of FERC Ruling on Accounting & Financial Reporting Changes**

**Billing & Accounting Working Group  
March 16, 2006**

# **Background on FERC Financial Reporting Requirements**

## **FERC Form 1:**

- Traditionally utilized by utilities to report annual financial and certain operational information (due each April for prior year);
- GAAP-based financial statements are recast into regulatory accounts using FERC's Uniform System of Accounts (USoA);
- Form 1 was not updated upon establishment of ISOs/RTOs, which generally resulted in discrepancies between various ISO/RTO classifications of both balance sheet and income statement accounts;
- In 2000-2001, ISO Controllers met several times with FERC to suggest improvements in the USoA to provide more consistent reporting by ISOs and allow better comparability between ISO Form 1's. No substantive changes to Form 1 resulted from these meetings;
- On several occasions from 2002-2005, FERC sent auditors from the Office of Market Oversight and Investigations to the ISOs/RTOs to review financial reporting practices. No findings resulted from these audits;
- In 2003, FERC mandated CFO certifications for Form 1, shortened reporting deadlines for Form 1, and established quarterly version of Form 1 (FERC Form 3-Q).

# **Summary of FERC Ruling on Financial Reporting**

## **FERC ruling on Accounting and Financial Reporting for Public Utilities, Including RTOs:**

- Issued on December 16, 2005;
- Provided an implementation date of January 1, 2006 (subsequently extended to April 1, 2006);
- Essentially no change from concepts proposed in NOPR;
- Main purpose is to improve the USoA, allowing better transparency & consistency in RTO financial reporting for use in benchmarking RTO costs;
- Significant changes include:
  - ISO/RTO Capital accounts created;
  - ISO/RTO Revenue accounts created;
  - Detailed unbundling of ISO/RTO Expense accounts;
  - Requirement for ISOs/RTOs to submit “Schedule of Transmission of Electricity for Others”;
  - Requirement for ISOs/RTOs to provide MPs with allocation of ISO/RTO budget for use by MPs in their Form 1 submissions.