

assets, liabilities, debt and equity used in its business.¹⁸ 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 assesses the effects 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 2002.¹⁷

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 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.

| Schedules | Public utilities and licensees | Natural gas companies | Oil pipeline companies |
|---|--------------------------------|-----------------------|------------------------|
| 1 Important Changes During the Period | ✓ | ✓ | ✓ |
| 2 Comparative Balance Sheet | ✓ | ✓ | ✓ |
| 3 Statement of Income and Retained Earnings | ✓ | ✓ | ✓ |
| 4 Statement of Cash Flows | ✓ | ✓ | ✓ |
| 5 Statement of Accumulated Comprehensive Income and Hedging Activities | ✓ | ✓ | ✓ |
| 6 Notes to the Financial Statements | ✓ | ✓ | ✓ |
| 7 Summary of Utility Plant and Accumulated Provisions for Depre., Amort. and Depletion | ✓ | ✓ | ✓ |
| 8 Electric Plant in Service Not by Function | ✓ | (1) | (1) |
| 9 Accumulated Provision for Depreciation | ✓ | ✓ | ✓ |
| 10 Public Utility and Licensee Revenues | ✓ | (1) | (1) |
| 11 Natural Gas Company Revenues | (1) | ✓ | (1) |
| 12 Oil Pipeline Company Revenues | (1) | (1) | ✓ |
| 13 Electric Prod., Other Power Supply Exp., and Transmission and Distribution Exp. | ✓ | (1) | (1) |
| 14 Gas Production and Other Gas Supply Exp. | (1) | ✓ | (1) |
| 15 Natural Gas Storage, Terminating, Processing, Transmission and Distribution Expenses | (1) | ✓ | (1) |
| 16 Oil Carrier Expenses | (1) | (1) | ✓ |
| 17 Customer Accounts, Service, Sales, Administrative and General Expenses | ✓ | ✓ | (1) |
| 18 Other Regulatory Assets | ✓ | ✓ | (1) |
| 19 Other Regulatory Liabilities | ✓ | ✓ | (1) |
| 20 Transmission of Electricity for Others | ✓ | (1) | (1) |
| 21 Transmission of Electricity by Others | ✓ | (1) | (1) |

¹⁷ Supra note 6.