

Schedules	Public utilities and licensees	Natural gas companies	Oil pipeline companies
22 Oil Barrels Delivered	(1)	(1)	✓

¹ Not applicable.

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 that 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.¹⁸ 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 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

¹⁸ Sarbanes-Oxley Act of 2002, Pub. L. No. 107-204, section 302, 116 Stat. 777 (2002). (codified at 15 U.S.C. 7241 (2000)).