

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.¹⁹

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:

Quarterly period covered	FERC quarterly report filing due on or before
1 Covered 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

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

¹⁹ 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.

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.