

FEDERAL ENERGY REGULATORY COMMISSION
Washington, D.C. 20426

In Reply Refer To:
Office of Enforcement
Docket No. AI14-1-000
February 20, 2014

TO ALL JURISDICTIONAL PUBLIC UTILITIES AND LICENSEES

Subject: Accounting and Reporting Guidance for New Electric Storage Technologies

In Order No. 784, the Federal Energy Regulatory Commission (FERC or Commission) issued a Final Rule revising certain aspects of its current market-based rate regulations, ancillary services requirements under the *pro forma* open-access transmission tariff, and accounting and reporting requirements under its Uniform System of Accounts (USofA) for public utilities and licensees and forms, statements, and reports, contained in FERC Form No. 1, Annual Report of Major Electric Utilities, Licensees and Others (Form No. 1), FERC Form No. 1-F, Annual Report for Nonmajor Public Utilities and Licensees (Form No. 1-F), and FERC Form No. 3-Q, Quarterly Financial Report of Electric Utilities, Licensees, and Natural Gas Companies (Form No. 3-Q, collectively FERC Forms).¹ The accounting and reporting revisions in the Final Rule adopted new, and revised existing, electric plant accounts and associated Operation and Maintenance (O&M) expense accounts, including a purchased power account. In addition, the Commission adopted new schedules in the Form Nos. 1 and 1-F and revised existing schedules in the FERC Forms.

The Commission explained in the Final Rule that the newly adopted energy storage accounts are necessary to accommodate the increasing availability of new energy storage resources for use in public utility operations and to ensure that the activities and costs of new energy storage operations are sufficiently transparent to allow effective oversight.² The Commission also acknowledged that due to software limitations the newly adopted and revised schedules in the FERC Forms, that would contain the energy storage accounts, will not be available to filers of the forms for use as of the effective

¹ *Third-Party Provision of Ancillary Services; Accounting and Financial Reporting for New Electric Storage Technologies*, Order No. 784, 78 Fed. Reg. 46,178 (July 30, 2013), FERC Stats. & Regs. ¶ 31,349 (2013) (Final Rule).

² Final Rule at P5.

Docket No. AI14-1-000

date of the Final Rule.³ Consequently, the Commission stated that utilities with energy storage assets and those that acquire the assets at a later date must continue or begin, as appropriate, using the existing schedules in the FERC Forms to report energy storage assets pending availability of the new and revised schedules. Furthermore, the Commission directed the Chief Accountant to issue interim guidance for utilities to report to the Commission the costs of energy storage operations contemplated in the Final Rule until the new and revised schedules are available. The following guidance provides the appropriate financial reporting and disclosures required for filers with energy storage assets and operations that must be implemented until the new and revised schedules in the FERC Forms adopted in the Final Rule are available, unless otherwise authorized by the Commission.

Comprehensive disclosure and consistent, comparable accounting for energy storage operations are critical facets in the Commission's and other users' of the FERC Forms ability to transparently review and oversee public utility energy storage operations. Because a software platform is not currently available to report data in the new and revised form schedules, filers must use the existing accounts to report the cost of energy storage assets and operations and must disclose the accounts used and associated costs in footnotes to the existing schedules as detailed further below. In addition, filers must submit adopted schedule pages 414-416, Energy Storage Operations (Large Plants), and 419-420, Energy Storage Operations (Small Plants), as part of schedule pages 122-123, Notes to Financial Statements, or through the Commission's eLibrary under this docket as detailed further below.

This guidance is for FERC financial accounting and reporting purposes only and is without prejudice to the ratemaking practice or treatment that may be afforded the items addressed herein.

ACCOUNTING AND REPORTING FOR ENERGY STORAGE OPERATIONS

1. Electric Plant Accounts

Background: In the Final Rule, the Commission adopted new Account 348, Energy Storage Equipment-Production, and Account 351, Energy Storage Equipment-Transmission, and revised Account 363, Energy Storage Equipment-Distribution, to record the installed cost of energy storage assets based on the function or purpose the asset serves.

³ *Id.* at P184.

Docket No. AI14-1-000

Question: How should energy storage costs recorded in the adopted new and revised plant accounts be reported within the existing schedules in the FERC Forms?

Response: The installed cost of energy storage assets must be reported in the existing functional plant accounts based on the function or purpose the asset serves. The account used and associated cost must be disclosed in a footnote to the account on schedule pages 204-207, Electric Plant in Service. In addition, the filer must include a disclosure (e.g., data table) in schedule pages 122-123, Notes to Financial Statements, that identifies the account(s) it reports energy storage assets, the installed cost of energy storage assets by account, and the applicable energy storage account(s) that the costs would have been reported.

2. Power Purchased Account

Background: In the Final Rule, the Commission adopted Account 555.1, Power Purchased for Storage Operations, to report the cost of: (1) power purchased and stored for resale; (2) power purchased that will not be resold but instead consumed in operations during the provisioning of services; (3) power purchased to sustain a state of charge; and (4) power purchased to initially attain a state of charge, with item 4 being capitalized as a component cost of initially constructing the asset.

Question: How should the cost of power purchased for energy storage operations recorded in the adopted new power purchase account be reported within the existing schedules in the FERC Forms?

Response: The cost at point of receipt by the utility of electricity purchased for use in energy storage operations must be reported in the existing functional operating expense account(s) based on the function and purpose of the related asset. The account used and associated cost must be disclosed in a footnote to the account on schedule pages 320-323, Electric Operations and Maintenance Expenses, and schedule page 324, Electric Production, Other Power Supply, Transmission, Regional Market, and Distribution Expenses. In addition, the filer must include a disclosure (e.g., data table) in schedule pages 122-123, Notes to Financial Statements, that identifies the account(s) that it recorded energy storage-related purchased power costs, the associated cost of electricity purchased by account, and the applicable energy storage account that the costs would have been recorded.

In existing schedule pages 326-327, Purchased Power (Account 555), megawatt hours purchased for energy storage must be reported in column G separate from other power

Docket No. AI14-1-000

purchased for non-storage operations, and a footnote must be provided disclosing the amounts as energy storage-related. In existing schedule page 397, Amounts Included in ISO/RTO Settlement Statements, net purchases for energy storage operations must be separately reported under Other Items on the schedule, with a description of the item (e.g., net purchases for storage) and the account the amounts are reported disclosed in column A. In addition, in existing schedule page 401a, Electric Energy Account, megawatt hours purchased for energy storage operations must be reported on line 10 with other power purchases and the amount related to energy storage operations must be disclosed in a footnote. Further, energy stored as of the reporting date of the form must be reported in schedule page 401a on line 27 with energy losses and amounts reported on the line related to stored energy must be disclosed in a footnote.

3. Operation and Maintenance Expense Accounts

Background: In the Final Rule, the Commission adopted new Account 548.1, Operation of Energy Storage Equipment, and Account 553.1, Maintenance of Energy Storage Equipment, to record O&M expenses associated with energy storage plant classified as production; Account 562.1, Operation of Energy Storage Equipment, and Account 570.1, Maintenance of Energy Storage Equipment, to record O&M expenses associated with energy storage plant classified as transmission; and Account 584.1, Operation of Energy Storage Equipment, and Account 592.2, Maintenance of Energy Storage Equipment, to record O&M expenses associated with energy storage plant classified as distribution, to the extent that the existing O&M expense accounts do not adequately support recording of the cost.

Question: How should energy storage O&M expenses recorded in the adopted accounts be reported within the existing schedules in the FERC Forms?

Response: The cost of labor, materials used, and expenses incurred in the operation and maintenance of energy storage plant must be reported in the existing functional O&M expense account(s) based on the function and purpose of the related asset. The account used and associated cost must be disclosed in a footnote to the account on schedule pages 320-323, Electric Operations and Maintenance Expenses, and schedule page 324, Electric Production, Other Power Supply, Transmission, Regional Market, and Distribution Expenses. In addition, the filer must include a disclosure (e.g., data table) in schedule pages 122-123, Notes to Financial Statements, that identifies the account(s) that it reports energy storage-related O&M expenses, the related amounts expensed by account, and the applicable energy storage O&M expense account(s) that the costs would have been reported.

Docket No. AI14-1-000

4. Form Nos. 1 and 1-F, Revised Schedule Pages 408-409, Pumped Storage Generating Plant Statistics (Large Plants)

Background: In the Final Rule, the Commission adopted revisions to line 38 of schedule pages 408-409, Pumped Storage Generating Plant Statistics (Large Plants), changing the description from “Expenses per KWh (line 37/line 9)” to read “Expenses per KWh of Generation (line 37/line 9)” and added new line 39, which reads “Expenses per KWh of Generation and Pumping (line 37/(line 9 + line 10)).” The revision to line 38 clarifies that the calculation provides for reporting the expenses per kilowatt hour of generation. The revision to line 38 does not require filers to perform a new calculation or provide new previously unreported information on the line. However, adopted line 39 requires filers to calculate and report information that was not required prior to adoption of the requirement in the Final Rule.

Question: How should information to be reported on the newly adopted line 39 in schedule pages 408-409 be reported within the existing FERC Forms?

Response: The expenses per kilowatt hour of generation and pumping activities to be reported on the newly adopted line 39 must be calculated as directed in the Final Rule and disclosed in a footnote to line 38 of existing schedule pages 408-409.

5. Form Nos. 1 and 1-F, New Schedule Pages 414-416, Energy Storage Operations (Large Plants) and Schedule Pages 419-420, Energy Storage Operations (Small Plants)

Background: In the Final Rule, the Commission adopted new schedule pages 414-416, Energy Storage Operations (Large Plants), and pages 419-420, Energy Storage Operations (Small Plants), to provide for reporting operational and statistical information on new types of energy storage assets. Filers with energy storage assets having a rated capacity of 10,000 kilowatts or more must report operations of the assets on schedule pages 414-416, and filers with energy storage assets having a rated capacity of less than 10,000 kilowatts must report operations of the assets on schedule pages 419-420.

Question: How should energy storage operational and statistical information to be reported in the newly adopted schedule pages 414-416 and 419-420 be submitted to the Commission?

Response: Operational and statistical information to be reported in the newly adopted schedule pages 414-416 and 419-420 must be submitted as part of schedule pages 122-123, Notes to Financial Statements. If filers are unable to submit the required

Docket No. AI14-1-000

information as part of schedule pages 122-123, they are permitted to submit this information through the Commission's eLibrary system under this docket.⁴ The information must be formatted and reported as required in the schedules. Filers can copy and populate the schedules, which are available on eLibrary in MS Word format in Appendix C of the Final Rule, or filers can develop similar schedules using a different format (e.g., MS Excel). If the schedules are submitted through eLibrary, the schedules are due to be filed on the same date as the Form Nos. 1 and 1-F, on April 18 of each year, and must be submitted concomitant with the submittal of the filer's Form Nos. 1 or 1-F, as applicable. In addition, filers must disclose in schedule pages 122-123 that the annual financial reports include schedule pages 414-416 and 419-420 separately submitted through the Commission's eLibrary.

The Commission delegated authority to act on this matter to the Director of the Office of Enforcement or his designee under 18 C.F.R. § 375.311 (2013). The Director has designated this authority to the Chief Accountant. This guidance letter constitutes final agency action. Your company may file a request for rehearing with the Commission within 30 days of the date of this order under 18 C.F.R. § 385.713 (2013).

Bryan K. Craig
Director and Chief Accountant
Division of Audits and Accounting
Office of Enforcement

⁴ Instructions for e-filing are provided on the Commission's web site at www.ferc.gov/docs-filing/efiling.asp.

Document Content(s)

Electric Storage Guidance Letter - AI14-1.DOCX.....1-6