
FEDERAL ENERGY REGULATORY COMMISSION



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NEWS RELEASE

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RTO COSTS TO BE REFLECTED IN ACCOUNTING RULES

The Federal Energy Regulatory Commission today revised its Uniform System of Accounts and financial reporting requirements to provide greater transparency and uniformity regarding costs incurred by public utilities – including regional transmission organizations (RTOs) and independent system operators (ISOs).

The final rule approved today responds to changes in the electric industry making open-access transmission services available and increasing competition in wholesale bulk power markets. The accounting changes will provide additional information on transmission service, market-related services and generator interconnection studies. They will enhance the transparency and consistency of accounting and financial reporting for the costs of RTO assets, expenses and revenues.

“The RTO accounting and financial reporting rule will make RTO costs more transparent, and enable a cost comparison among RTOs, as well as between RTOs and traditional public utilities,” said Commission Chairman Joseph T. Kelliher. “This final rule is a necessary step, but there probably is a limit to what can be accomplished through greater transparency alone. The Commission likely must take further action to meet its duty to assure RTO costs are just and reasonable,” Chairman Kelliher added.

In addition to the Uniform System of Accounts, the new rules will change the FERC Form No. 1, Annual Report for Major Electric Utilities, Licensees and Others (Form 1); FERC Form No. 1-F, Annual Report for Nonmajor Public Utilities and Licensees (Form 1-F); and FERC Form No. 3-Q, Quarterly Financial Report of Electric Utilities, Licensees, and Natural Gas Companies (Form 3-Q).

The rule provides for, among other things, the recording of costs of regional transmission and market operations; accounts to record amounts billed by RTOs to their members; new schedules to the quarterly and annual financial reports to report the revenue collected by RTOs for services performed pursuant to approved tariffs; a separate new expense account for expenses incurred in managing and monitoring

regional market activity; three sub-accounts for use by public utilities to record their share of costs billed to them by RTOs; and a new revenue sub-account to record revenues public utilities receive for providing transmission services.

The amended regulations go into effect 30 days after publications in the Federal Register and the accounting and financial reporting changes and updates become effective January 1, 2006.

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