



Regulatory Reporting in New York

Mark Reeder, Chief, Office of
Accounting, Finance & Economics
NYPSC



Regulatory Reporting in New York

Subjects to be covered:

- USA Financial Reporting Requirements
- Electric & Gas (E&G) Utility Regulation
- Regulatory Accounting
- Regulatory Reporting Requirements
- Rate Filing Requirements
- Confidential Information



Regulatory Reporting in New York

USA Financial Reporting Requirements:

- USA has a capital market system
- Utilities are investor owned enterprises competing for capital in the market
- Investors need information to make decisions in the market



Regulatory Reporting in New York

USA Financial Reporting Requirements:

- Securities Exchange Commission (SEC) regulates the public capital market by requiring among other things:
 - Compliance with US Generally Accepted Accounting Principles (US GAAP)
 - Filing of Annual and Quarterly Financial Statements



Regulatory Reporting in New York

USA Financial Reporting Requirements:

- US GAAP is established by the Financial Accounting Standards Board (FASB) through a public hearing process
- Basic US GAAP financial statements are:
 - Balance Sheet
 - Income Statement
 - Cash Flow Statement
 - Stockholder's Equity Statement



Regulatory Reporting in NY

E&G Utility Regulation:

- E&G utilities are regulated by federal (Federal Energy Regulatory Commission; FERC) and State regulators
 - FERC regulates interstate wholesale functions (production & transmission) and rates
 - States regulate intrastate retail functions (resale & delivery) and rates



Regulatory Reporting in NY

E&G Utility Regulation:

- Functions that are competitively provided have market based prices:
 - Electric Production
 - Natural Gas Production
- Non-competitive functions have regulated prices based on cost of service:
 - Includes all costs to provide service including return on investment
 - Return must be sufficient to allow utility to compete for capital in the US capital market



Regulatory Reporting in NY

Regulatory Accounting:

- FERC and States require utilities maintain regulatory accounting systems to provide financial information for cost based rates
 - For example the NY Public Service Law (NYPSL) Sec. 66(4) states "The Commission shall have power, in its discretion, to prescribe methods of keeping accounts, books and records, to be observed by gas and electric corporations.."
- FERC established E&G Uniform System of Accounts (USOA) <http://www.ferc.gov/legal/acct-matts/usofa.asp#skipnavsub> that most States, like NY, have adopted with minor differences



Regulatory Reporting in NY

Regulatory Accounting:

- USOA establishes regulatory accounting that all utilities must comply with
- Several levels of USOA based on revenue class size of utility with higher class requiring more detail. For example NY Electric USOA's
 - Class A \geq \$2.5 M revenues
 - Class B $<$ \$2.5 M and \geq \$1 M revenues
 - Class C $<$ \$1 M and \geq \$150,000 revenues
 - Class D $<$ \$150,000 and \geq \$25,000 revenues



Regulatory Reporting in NY

Regulatory Accounting:

- USOA's accounting based on USA GAAP
- USOA's include:
 - List of account numbers & titles
 - Definition of each account & types of transactions to be recorded in it
 - General instructions & definitions for use including:
 - Maintenance of records
 - Required audit trails
 - Retention periods for various accounting records



Regulatory Reporting in NY

Regulatory Accounting:

- For example NY class A electric USOA account numbering system:

Account #	Types of Account Balances
100-199	Assets & other Debits
200-299	Liabilities & other credits
300-399	Utility Plant in Service
400-432, 434-435	Income Statement
433, 436-439	Retained Earnings
440-459	Utility Operating Revenue
500-599	Production, Transmission and Distribution Expenses
900-949	Customer Accounting, Service & Informational, Sales. General & Administration Expenses



Regulatory Reporting in NY

Regulatory Accounting:

- Under USOA the Plant assets & O&M expenses are booked to accounts classified by functional areas:
 - Production
 - Transmission
 - Distribution
- Classification provides assignment of costs to jurisdictions and performance of cost of service studies to set various customer rates



Regulatory Reporting in NY

Regulatory Accounting:

- Important characteristics of USOA for cost of service rate setting:
 - Separate asset, revenue and expense accounts for utility and non-utility transactions
 - Original cost basis of accounting for utility plant assets
 - Ability to create PSC approved regulatory assets & liabilities:
 - Provides for utility to defer a transaction and reflect in future rates



Regulatory Reporting in NY

Regulatory Accounting:

- Application of the USOA by utilities provides for:
 - Regulatory accounting based financial statements
 - Used for setting rates
 - Regulatory reports to regulator & the public



Regulatory Reporting in NY

Regulatory Reporting Requirements:

- FERC and many States require annual & quarterly reporting by E&G utilities
 - For example the NYPSL sec. 66(6) states, “The Commission shall require every person and corporation and it shall be the duty of every such person and corporation to file with the Commission an annual report...”
- Most States have adopted the FERC report forms for their utilities
 - NY has adopted the FERC annual report form with supplemental schedules specific to NY utilities



Regulatory Reporting in NY

Regulatory Reporting Requirements:

- FERC report forms are:
 - Electric Utilities Annual report: FERC Form 1
<http://www.ferc.gov/docs-filing/eforms.asp#3Q>
 - Natural Gas Utilities Annual Report: FERC Form 2
<http://www.ferc.gov/docs-filing/eforms.asp#2>
 - Quarterly report for both E&G utilities: FERC Form 3Q <http://www.ferc.gov/docs-filing/eforms.asp#3Q-gas>
 - NYPSC has instead adopted SEC form 10-Q as meeting the quarterly filing requirements for its E&G utilities



Regulatory Reporting in NY

Regulatory Reporting Requirements

- Annual report provides both financial & operational information with quarterly reports providing interim financial information
- Reports must contain:
 - Certification by utility officer that information is accurate
 - Report by Certified Public Accountant that accounting and financial statements comply with USOA requirements



Regulatory Reporting in NY

Regulatory Reporting Requirements:

- Annual report includes:
 - General corporate information:
 - Those owning/controlling utility & corporations utility owns
 - Identification of officers & directors and their compensation
 - Financial Statements
 - Supporting schedules for major financial statement accounts
 - Utility statistical data schedules



Regulatory Reporting in NY

Regulatory Reporting Requirements:

- Benefits of uniform USOA accounting & reporting is to provide public accountability:
 - Comparison of cost of service among utilities to establish causes of difference in rates
 - Comparison of costs of service of a utility over time to explain change in rates



Regulatory Reporting in NY

Rate Filing Requirements:

- Requirements established in NYPSL Sec. 20; rules & regs 16 NYCRR Part 61
- Major requirements are:
 - Utility has burden of proof to support rate change with testimony in a public hearing
 - Utility must provide detail of costs of service to support the new rates



Regulatory Reporting in NY

Rate Filing Requirements:

- NYPSC requires forecasted rate period filing by utilities
 - Historic test year revenue requirement
 - Based on USOA accounting
 - Showing revenues, expenses & plant investment
 - Expense detailed by cost elements (labor, benefits, rents, materials & supplies, etc.)
 - Revenue requirement must be projected to a future 12 month period of new rates
 - Change in each element of revenue requirement must be explained by changes in price or volumes required to provide service



Regulatory Reporting in NY

Confidential Information:

- FOIL-Freedom of Information Act
- The public has the right to review the documents & statistics that are used to decide matters. “The public...should have access to the records of government.”
- NY Public Service Law sec. 15 & Public Officers Law sec. 74 however require that employees protect confidential information



Regulatory Reporting in NY

Confidential Information:

- Key exceptions to public's access are:
 - inter or intra agency materials other than statistical or factual data, instructions to staff affecting the public, final agency policy or determinations or external audits
 - trade secrets or confidential information which if disclosed would cause competitive harm
 - If disclosed could endanger the life or safety of any person
 - several other exceptions



Regulatory Reporting in NY

Confidential Information:

- Normal procedure for a utility to file confidential information:
 - Utility files information with Agency's Records Access Officer along with request to be kept confidential & reasons justifying the need for protection
 - Agency insures information is protected; stored in locked space
 - Agency staff can obtain, but must be signed out & kept locked up
 - Public may request information. Utility is given opportunity to defend the need to keep it confidential. Records Access Officer makes decision; can be appealed to Secretary of the NYPSC



Regulatory Reporting in NY

Confidential Information:

- Procedure used during regulatory proceedings:
 - Same as normal procedure except that the Administrative Law Judge (ALJ) acts as the records Access Officer
 - ALJ decides which subset of parties can or cannot see the information. If it is deemed confidential the public cannot obtain access.
 - In some instances, the lawyer and/or consultants for a party are granted access to the information but not their client. More common in telecommunications cases, less in electric & gas.