

**UNITED STATES OF
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Notice of Information Collections and)
And Request for Comments)
)

Docket No. IC25-7-000

COMMENTS OF AMERICAN ELECTRIC POWER SERVICE CORPORATION

American Electric Power Service Corporation, on behalf of American Electric Power Company, Inc. (AEP), is submitting these comments in response to the above-referenced Notice of Information Collection (NOIC) which the Federal Energy Regulatory Commission (FERC or Commission) issued on February 3, 2025, and published at 90 Fed. Reg. 9151 on February 27, 2025. In the NOIC, the Commission is soliciting public comment on the requirements and information collection burden associated with Forms No. 1, 1-F, and 3-Q. Specifically, comments are invited on: (1) whether the collections of information are necessary for the proper performance of the functions of the Commission, including whether the information will have practical utility; (2) the accuracy of the agency's estimates of the burden and the cost of the collections of information, including the validity of the methodology and assumptions used; (3) ways to enhance the quality, utility, and clarity of the information collections; and (4) ways to minimize the burden of the collections of information on those who are to respond, including the use of automated collection techniques or other forms of information technology.

In summary, AEP recommends that the filing requirements of the Form 3-Q be eliminated in full. As less preferable alternatives, the filing requirements of the Form 3-Q should be either reduced to a single mid-year report for the six months ended June 30 of each respective calendar year or reduced to a basic set of financial statements only (Comparative Balance Sheet,

Statement of Income and Retained Earnings, Statement of Cash Flows, Statement of Other Comprehensive Income, and accompanying Notes to the Financial Statements). AEP has no objection to the renewal of Form No. 1 and offers no comments related to Form No 1-F. Responses to each comment request regarding Form No. 3-Q are provided below.

AEP Background

AEP is one of the largest investor-owned electric public utility holding companies in the United States. AEP's electric utility companies provide generation, transmission and distribution services to more than five million customers in Arkansas, Indiana, Kentucky, Louisiana, Michigan, Ohio, Oklahoma, Tennessee, Texas, Virginia and West Virginia. AEP also partially owns entities who own transmission facilities in states outside of its service territories. In total AEP is responsible for the filing of 23 Form No. 3-Q reports each quarter, more than 10% of the total electric utility filings.¹

AEP files large quantities of financial, operational, facility, and other information with the Commission and other federal and state agencies, including the Energy Information Administration (EIA), Environmental Protection Agency (EPA), Internal Revenue Service (IRS), Securities and Exchange Commission (SEC), and state utility commissions and regulatory agencies. These filings give a detailed picture of company finances and operations.

The compilation, verification, and reporting of the information that AEP files on the Form Nos. 1 and 3-Q, other FERC forms and filings, and filings with other agencies involve substantial work and costs. AEP invests substantial staff labor, computer software and hardware, and other resources to provide this information, resulting in costs that are borne by utility

¹ AEP submits 23 of the listed 218 Electric Form 3-Q filings (Source: Notice of Information Collection in Docket No. IC25-7-000).

jurisdictional customers, including wholesale customers receiving FERC-regulated service. Often these filings are due in short and overlapping time frames, and when AEP is busy closing the accounting books and preparing other financial reports, thus compounding the burden on company staff and accounting and reporting systems. Reducing reporting requirements that provide little known value will reduce the burden and costs ultimately passed to customers.

Recognizing that reporting does involve substantial costs, the Paperwork Reduction Act (PRA) requires federal agencies to strive to minimize the reporting burden and avoid duplicative reporting requirements. 44 U.S.C. §§ 3501 et seq. The PRA requires each agency to undertake a triennial review, in consultation with the Office of Management and Budget (OMB), to demonstrate that information collections are as reasonable and streamlined as possible. In regard for Form No. 3-Q, consideration of initial intent of the quarterly reporting requirements established in 2004 should be compared to the actual use of the reports with 21 years of history as a guide. As a result of this comparison, AEP is requesting that the Commission determine that the Form No. 3-Q has limited value in accomplishing FERC's oversight mission and should either be eliminated, or its frequency or scope reduced, as explained below.

AEP Responses to Commission Questions

- 1. Whether the collections of information are necessary for the proper performance of the functions of the Commission, including whether the information will have practical utility.*

Response:

On February 11, 2004, the Commission issued Order No. 646 establishing new quarterly reporting (Form No. 3-Q) for jurisdictional entities. The objective of the new filing requirement was to:

- a. Improve the usefulness and transparency of financial information submitted to the Commission;
- b. Help the Commission identify and evaluate emerging trends, business conditions and financial issues affecting reporting entities;
- c. Identify the economic effects of significant transactions and events, allow more timely evaluations of the adequacy of existing cost-based rates, and aid in the development of needed changes to existing regulatory initiatives; and
- d. Help the Commission achieve its goal of vigilant oversight over reporting entities.

AEP is fully supportive of the Commission's overall objective to achieve vigilant oversight of reporting entities. We believe that the Commission meets this objective through the extensive data presently collected in the annual Form No. 1. The Form No. 1 has proven to be an important reference tool for a vast amount of information about company operations and is the basis for calculation of formula rates for FERC jurisdictional customers. The Form No. 3-Q, on the other hand, is seldom, if at all, referenced. We believe the Form No. 3-Q has had little to no effect on improving usefulness and transparency of the respondents' financial information. In fact, there appears to be little actual benefit from obtaining such data, and we believe the burden on respondents to prepare the Form No. 3-Q filings clearly outweighs any perceived benefit. Additionally, it is unclear exactly how and to what extent the FERC uses the quarterly data in its oversight capacity.

AEP has performed an analysis of all data requests logged in our regulatory work management system from 2020 through 2024. With more than 44,000 requests logged from FERC, state commissions, and other intervening parties to regulatory proceedings, there were

more than 1,000 references to Form No. 1. In comparison, only one request involved data from a Form No. 3-Q. This request was from a 2021 retail rate proceeding in Texas made by Public Utility Commission of Texas staff and asked about a balance from the first quarter 2020 Comparative Balance Sheet for AEP subsidiary Southwestern Electric Power Company. There is no record of any reference to Form No. 3-Q in any FERC formula rate proceeding in the past five years. For the five-year period AEP, would have prepared and submitted 345 quarterly reports for its 23 filers. The lack of questions posed to AEP regarding Form No. 3-Q calls into question the current usefulness of the reports as proposed from Order No. 646 (see part a. above).

Further, we believe that the second and third purposes from Order No. 646 (b. and c. above) cannot be accomplished by Form No. 3-Q. Because each Form No. 3-Q covers only three months of data and may contain large seasonal variations, each Form No. 3-Q by itself provides an incomplete glimpse into a company's expected annual results. The information collected for each individual report does not lend itself to identifying emerging trends as the individual quarterly reports do not cover a sufficient timeframe or enough intervals to establish emerging trends or overall business conditions. Additionally, new accounting requirements are generally adopted at the beginning of a reporting cycle, instead of during a year.

With respect to evaluating cost-based rates, the Form No. 1 is the principal document used, almost universally, to establish formula rates, not the Form No. 3-Q which does not provide the data used to determine the adequacy of rates. As highlighted by the AEP five-year analysis, FERC jurisdictional customers appear to have little, if any, interest in the data presented in the Form No. 3-Q.

For example, the FERC Staff's Guidance on Formula Rate Updates specifically references that formula rates require adjustments from the Form No. 1 account balances consistent with both Commission policies for certain costs and the individual requirements of the respective formula rates. Thus, obtaining quarterly data using Form No. 3-Q has no bearing on formula rate determination which is done annually.

From a practical standpoint, FERC jurisdictional customers access data presented in Form No. 1 in mid-April of each year. Interested parties spend a great deal of time reviewing the Form No. 1 data and the impacts on formula rates. This process extends through much of the remaining calendar year. Pausing this effort to try to review quarterly information for future formula rate filings seems to be an unlikely occurrence.

The Commission has commented in prior NOICs that Form No. 3-Q is used to validate the debt and equity information of filings under Part 34 of the Commission's regulations when the most recent 12-month filing occurred more than 4 months prior to the application under Part 34. Given the lack of use by any other parties known by AEP, it would seem the burden of providing full Form No. 3-Q filings to validate debt and equity balances could be met through simpler methods. Data requests could be made of companies in these circumstances to provide such information. Since the Form No. 3-Q does not include an audit opinion, responses provided by companies directly would seemingly support the goal of reviewing updated debt and equity balances.

In summary, while the filing of Form No. 3-Q pursuant to Order No. 646 was intended to fulfill laudable purposes, upon closer examination using multiple years of actual data, we believe that the Form No. 3-Q is neither necessary nor useful for achieving such purposes. Additionally, the administrative burden and resulting costs associated with preparing and filing Form No. 3-Q

are ultimately passed to ratepayers. We therefore believe that the collections of information are not necessary for the proper performance of the functions of the Commission, and that the information does not have practical utility.

2. *The accuracy of the agency's estimates of the burden and cost of the collections of information, including the validity of the methodology and assumptions used.*

Response

Overall, AEP supports the FERC calculation of approximately 168 hours as the annual effort of preparing the Form No. 3-Q. There is some difference between vertically integrated respondents and transmission only respondents, but the average is reasonable for AEP's 23 filers. However, these filings result in total annual costs of around \$1 million for AEP to prepare the Form 3-Q for 23 filers, a cost that is ultimately borne by jurisdictional customers. In addition to the cost of preparation, AEP incurs additional cost to maintain a software package to support the filing requirements including XBRL tagging. This additional cost is due to the retirement of the Commission's filing software which then placed an additional burden on the industry to purchase or develop software capable of producing the required filings.

The overriding concern is whether the information collected is useful to stakeholders, including the FERC for the cost incurred to provide it. As discussed above, the burden and cost of completing the Form No. 3-Q does not appear to produce information that is meaningful to the Commission, its Staff, or jurisdictional customers. Where specific information may be required, simpler methods such as direct data requests is a much more cost-effective approach.

3. *Ways to enhance the quality, utility and clarity of the information collections*

Response:

Given the focus on the need for the Form 3-Q, AEP has no comments to offer for this question.

4. *Ways to minimize the burden of the collections of information on those who are to respond, including the use of automated collection techniques or other forms of information technology*

Response:

Although AEP believes that the incremental costs to prepare the Form No. 3-Q outweigh its benefit to the Commission as well as to jurisdictional customers, if the Commission believes that some form of interim reporting should be retained, we propose two alternative approaches.

The filing of a single interim Form No. 3-Q annually following the completion of the second quarter of each utility's respective fiscal year would provide FERC insight into financial matters of the utility companies and still enable it to be consistent with the expressed purposes of Order No. 646. We believe that this approach would be a reasonable compromise that could provide FERC with the insight needed for oversight and transparency if it deems an interim report is necessary but would also provide significant and immediate relief to respondents from the tangible and measurable burden of preparing multiple quarterly filings.

If the Commission believes that quarterly information is ultimately necessary, AEP proposes to limit the report to the basic set of financial statements discussed in Order 646. The proposed filing would include the Comparative Balance Sheet, the Statement of Income and Retained Earnings, the Statement of Cash Flows, the Statement of Other Comprehensive Income, and accompanying Notes to the Financial Statements. If there is value in identifying trends and

reviewing debt and equity balances these financial statements would provide sufficient information to do so. The creation of financial statements is not overly burdensome. The creation of the notes to the financial statements requires extensive effort but the overall burden would be greatly reduced by no longer preparing the supplemental schedules.

Conclusion

AEP appreciates the opportunity to provide these comments. We believe that the Form No. 1 already collects substantial information for the FERC Staff to use in discharging their responsibilities and for jurisdictional customers to use in evaluating rates. By contrast, the Form No. 3-Q appears to provide little or no incremental information that the Commission or jurisdictional customers find useful. Accordingly, we strongly encourage the Commission to eliminate the requirement for filing the Form No. 3-Q, given that it is very costly to prepare and appears to be of very limited value. However, if the Commission decides to continue the collection of interim information via the Form No. 3-Q, we recommend that the Commission adopt a mid-year only report frequency or a limited scope report, thus minimizing redundancy and the reporting burden of the respondents.

With more than 20 years of history in submitting Form No. 3-Q and the lack of any meaningful questions arising from the filings or tangible benefits versus the burden to create the reports, a reduction in this reporting burden would align with the broader federal government efforts to reduce inefficiency.

If the Commission needs additional information or has any questions, please contact Jeff Hoersdig, Assistant Controller, at (614) 917-7644 or jwhoersdig@aep.com.

Respectfully,

s/ Kate Sturgess

Kate Sturgess
Senior Vice President, Controller & Chief Accounting Officer
American Electric Power Service Corporation