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March 28, 2007

Via Electronic Filing

Ms. Philis J. Posey, Acting Secretary
Office of the Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: Docket No. RM07-9-000
Assessment of Information Requirements for FERC Financial Forms

Dear Ms. Posey:

Enclosed for filing in the above-captioned case is an original electronically transmitted copy of the **COMMENTS OF THE MISSOURI PUBLIC SERVICE COMMISSION**.

Thank you for your attention to this matter.

Sincerely yours,

A handwritten signature in cursive script that reads "Lera L. Shemwell".

Lera L. Shemwell
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LLS:jf
Enclosure
cc: Counsel of Record

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

Assessment of Information Requirements for FERC Financial Forms)))	Docket No. RM07-9-000
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**COMMENTS OF THE
MISSOURI PUBLIC SERVICE COMMISSION**

The Missouri Public Service Commission ("MoPSC") hereby responds to the Notice of Inquiry ("NOI") issued by the Federal Energy Regulatory Commission ("Commission") on February 15, 2007, and published in the Federal Register on February 26, 2007.¹ The Commission is initiating an inquiry into the need for changes or additions to the financial information reported in quarterly and annual report forms, FERC Forms Nos. 1, 1-F, 2, 2-A, 3-Q, 6 and 6-Q ("Financial Forms"). Specifically, the Commission seeks comments on whether the Commission's annual and quarterly financial forms provide sufficient information to the public to permit an evaluation of the filers' jurisdictional rates, and whether these forms should otherwise be modified to improve their usefulness.

The MoPSC is a governmental agency created under the laws of the State of Missouri, §386.040 MO. REV. STAT. (2002 SUPP), with jurisdiction to regulate rates and charges for the sale or distribution of natural gas to consumers in the State. §386.250 MO. REV. STAT. (2002 SUPP). It is, therefore, a "State Commission" within the meaning of Section 1.101(k) of the Commission's general regulations.

I. SERVICE

Service of orders, pleadings, and other communications should be directed to the following persons:

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II. MoPSC'S COMMENTS

The MoPSC is responding to the general questions contained in part V of the Commission's NOI regarding FERC Forms Nos. 1, 2 and 2-A. The MoPSC does not review the FERC Form 6 and 6-Q on a regular basis and therefore has limited knowledge regarding the relevance of the information provided. The MoPSC responses and comments follow:

A. SPECIFIC QUESTIONS IDENTIFIED BY THE COMMISSION

1. Do the annual and quarterly Financial Forms provide sufficient data for the public to permit an evaluation of the filers' jurisdictional rates?

While the annual and quarterly Financial Forms (1, 2, 2-A and 3-Q) provide data that is useful in understanding the overall operational costs and the revenue recovery of the reporting public utility, there is additional, detailed information that would better aid the user in evaluating the filer's rates for its various FERC jurisdictional services. Moreover, the availability of such information would also assist the state in its own jurisdictional analysis. By way of background, the MoPSC requires all Missouri regulated electric and natural gas companies to submit the FERC Forms 1, 2 and 2-A along with supplemental pages with Missouri jurisdictional

¹ Federal Register Vol.72, No. 37, pages 8316 - 8318.

information as part of the companies' Missouri annual report filing. The MoPSC staff and the public subsequently are provided access through the Missouri Electronic Filing and Information System ("EFIS"). The MoPSC staff compiles data from the FERC Forms 1, 2 and 2-A to assess revenue, expense and earnings trends over multiple years of data. The MoPSC staff also reviews the FERC Forms 2 and 2-A information filed by interstate pipelines and their affiliated gas storage companies to determine revenue, expense and earnings trends. The MoPSC staff has authority during case proceedings under the jurisdiction of the MoPSC to request additional data not contained within the FERC Forms to gain further more detailed information. This would include general ledger sub account details by transaction for the period under review, vendor information, quantification of affiliate transactions and other related support for the financial information reported in the FERC Form so that an analysis can be completed to normalize and/or annualize revenues and expenses. Outside a FERC case proceeding, there is no obligation for a utility company to provide additional data.

2. If not, what additional data is needed to conduct such an evaluation? Please specify the form (or forms) to which your suggestions pertain.

The MoPSC has the following suggestions for enhancing the Financial Forms in order to facilitate the review of revenue, expenses and earnings data needed to determine if a Section 5 complaint is warranted.

a. Suggestions Specifically for FERC Forms 1 and 2

**i. *Corporations Controlled by Respondents, FERC Forms 1 and 2*
*page 103***

The MoPSC would suggest that the all of the "doing business as" ("dba") names be included on page 103, *Corporations Controlled by Respondents*. This would facilitate better understanding of the affiliates are that are related to the public utility.

ii. *Depreciation, Depletion, and Amortization Expenses (154.312 Schedule H-2) FERC Form 1 pages 200-207 and 219, FERC Form 2 pages 200-201 and 219*

The FERC Forms 1 and 2 provide only a tax year-end snapshot for the various depreciation, depletion and amortization expenses. Further details should be provided regarding any adjustments occurring during the year. For example, such details would include information explaining that there was a reclassification of expensed items to capitalized costs.

iii. *Income Taxes by State (154.312 Schedule H-3) FERC Forms 1 and 2 pages 262-263*

In the standard form used by FERC to determine the Overall Cost of Service, State Taxes are reflected as a percentage of Federal Taxes. Further information is needed to determine how the taxes reflected on Form 2 are calculated (i.e., are the state taxes based on actual costs or statutory requirements and if not what is the basis for any allocation factor utilized?). The MoPSC would like this information to be included at page 263.

iv. *Other Revenues (154.312 Schedule G-5) FERC Form 1 pages 300-301 and FERC Form 2 pages 300-301 and 308*

The FERC Forms 1 and 2 provide only a cumulative total for the reporting year of the various “Other Revenues” at the time of the filing of the FERC. Generally, utilities provide no details explaining the “Other Revenues”. An explanation should be provided for each type of revenue identified (i.e., revenues received from the pipeline’s release of transportation capacity held on other pipeline systems, revenues from the sale of excess system or imbalance gas, cashout revenues...).

v. *Other Taxes (154.312 Schedule H-,) FERC Forms 1 and 2 pages 262-263*

In some instances, the FERC Forms 1 and 2 provides only a cumulative total for the reporting year of “Other Taxes”. All utilities should be required to identify separately all

income, franchise and property taxes by state and by tax year. Any taxes that are being disputed by the utility should be explained in a footnote. Moreover, any refunds in any tax year should be reported separately (rather than netted with the current year's information).

vi. *Functionalization of Cost of Service (154.312 Schedule I-2)*

The standard forms used by the Commission for calculating the Cost of Service and the Rate of Return include schedules to functionalize the Cost of Service between storage, transmission, and incremental facilities. Depending on the company's rate structure, there may be further functionalization of the cost of service between the production area, the field area, and the market area that would be of assistance. The utilities also should be required to provide the allocation methodology used to assign joint and common costs and the rate of return and taxes (as provided in a Cost of Service and Revenue Study). All of this information is needed in order to assist the user in designing rates and to identify the services contributing the most to earnings.

b. Suggestions Specifically for FERC Form 2-A

Major pipelines are required to report several accounts in the FERC Form 2 that smaller pipelines are not required to report in the FERC Form 2-A. Some of this information can be as significant to the investors and customers of a small pipeline as the information reported by a major pipeline is to its investors and customers. The MoPSC makes the following suggestions regarding the FERC Form 2-A.

i. *Detail on Miscellaneous Current and Accrued Liabilities Is Needed*

Account 242, which appears on page 268 of FERC Form 2, typically captures liabilities associated with gas imbalances, fuel retention, payables for various employee benefits, and certain customer refunds. The FERC Form 2 instructions for this page indicate that minor items (less than \$250,000) may be grouped together.

As gas prices increase, the Commission, as well as customers, have become more interested in a pipeline's management of imbalance and fuel activity. Similarly, with fluctuations in returns on Wall Street and rising medical care costs, a pipeline's current obligations with respect to employee benefits can also be an important item in evaluating a pipeline's financial condition. If a pipeline has significant activity in this account, disclosure of the specific elements recorded is useful and important regulatory information, which provides perspective as to the economic value of these types of obligations.

The MoPSC requests the Commission add this page to the FERC Form 2-A reporting requirements with a lower threshold for the reporting of specific elements of \$50,000 or \$100,000 .

ii. *Detail of Revenues from Gathering, Transmission, Storage and Other Is Needed*

Accounts 489.1, 489.2, 489.4, and 495, that appear on pages 302 through 308 of the FERC Form 2, are used by major pipelines to report, for both the current year and the previous year, the revenues and Dth of gas delivered by zone of delivery and rate schedule, with surcharges being separately identified. Major pipelines also report Other Gas Revenues, which include such things as gains on imbalance settlements and cash-out penalties. Although cash-out penalties are to be separately reported, other items of less than \$250,000 may be grouped together.

Without the breakdown of revenues and volumes by zone and rate schedule for non-major pipelines, interested parties are unable to detect trends or develop meaningful analysis of pipeline revenue levels. This information, along with the separately filed quarterly customer index, is fundamental for properly evaluating the need for a Section 5 complaint. With the increasing number of new service offerings by pipelines, this information becomes even more

important. The Commission and interested parties also need to be cognizant of pipeline penalty revenues and gains on imbalance and fuel recovery settlements.

The MoPSC requests the Commission add this page to the FERC Form 2-A reporting requirements with a lower threshold for the reporting of specific elements of \$50,000 or \$100,000 at most.

iii. *Detail of Miscellaneous General Expenses Is Needed*

Account 930.2, found on page 335 of the FERC Form 2, is used by major pipelines to list miscellaneous general expense items of \$250,000 or more separately, with lesser amounts being grouped together. While minimal amounts are typically contained in this account, allocated overhead and other “general and administrative” expenses from parent and/or associated companies are charged here. If significant amounts of allocated expenses are coming from affiliates, all pipelines should be required to identify and report this in detail, because further investigation or inquiry may be warranted.

The MoPSC requests the Commission add this page to the FERC Form 2-A reporting requirements with a lower threshold for the reporting of specific elements of \$50,000 or \$100,000 at most.

iv. *Detail of Charges for Outside Professional and Other Consultative Services Is Needed*

Major pipelines are required to report the name(s) of each outside professional and other consultative service provider receiving payments of \$250,000 or more from the pipeline on page 358 of the FERC Form 2. The total amount paid to each vendor is reported along with an indication of whether the vendor is an associated company. Non-major natural gas companies that file the FERC Form 2A also utilize outside professional and other consultative services, however, they currently are not required to provide such detailed information. While these costs

may not rise to the level that the major pipelines incur, items that are relatively large for the smaller pipelines should be identified and described so that trends, unusual, non-recurring and/or unreasonable items may be detected

The MoPSC requests the Commission add this page to the FERC Form 2-A reporting requirements with a lower threshold for the reporting of specific elements of \$50,000 or \$100,000 at most.

3 Do the financial reports provide sufficient data to the public to determine revenues attributable to the sale of excess fuel retention? If not, what additional data is needed to conduct such an evaluation?

MoPSC has no response to this question.

4. Is the information included in the financial reports sufficient to audit formulaic rates?

No. There are not enough details provided in the financial reports to be able audit the formulaic rates. Additional information would be required. The MoPSC would refer the reader to its response to question 2 above. The MoPSC also suggests the Commission require the reporting company to provide written explanations of any significant changes from the prior year to the current year. (These suggestions are for information much like information required by the Securities and Exchange Commission's form 10-Q.) The MoPSC proposes the Commission include a requirement to file interim financial reports in the case of unexpected or extraordinary events, or if reporting errors are subsequently discovered. Since the purpose of requiring financial reporting is to allow interested persons to judge a company's financial position based on that data, it is important for major subsequent events to be reported on a timely basis, as well as corrections to previously reported data. The MoPSC also proposes that non-financial changes be reported as soon as the changes occur. Such non-financial changes include, but are not limited to changes in officers, changes in organizational structure, and changes in ownership.

5. **Should the Commission require reporting of information on demand response initiatives (interruptible, load control, etc.), including demand and peak demand impacts, associated costs and savings, and the number of advanced meters installed?**

The MoPSC has no response to this question.

6. **Please explain how this additional data will be useful to users of the Financial Forms.**

The MoPSC has no response to this question.

7. **How burdensome would any requirement for additional information be to filers of Financial Forms?**

The MoPSC does not have first hand knowledge of the time and financial costs associated with compiling the proposed additional information. The MoPSC would assume that most, if not all of the additional information being proposed for the FERC Forms is already being maintained by the utilities in some form for internal business analysis purposes. Therefore, the only time and financial costs are in transferring the information to the appropriate lines and pages in the FERC Forms and this should not be burdensome on the utilities.

8. **Are there specific reporting requirements that are no longer necessary or unduly burdensome that should be deleted?**

The MoPSC is not aware of any information currently being reported in the FERC Forms 1, 2 and 2-A that do not provide relevant facts to the financial report reviewers. Whether the reporting requirements are unduly burdensome, is something that the MoPSC is not aware of.

9. **What technical revisions, if any, need to be made to the Financial Forms? For example, identify any suggested changes in instructions, desirable software upgrades, and whether there are errors embedded in the forms which need to be corrected.**

The MoPSC is not aware of any technical revisions that need to be made to the financial forms.

10. **Should the Commission require electric utilities, licensees and interstate natural gas and oil pipeline companies to provide notification when their**

total sales or transactions fall below the minimum thresholds established in the Commission's regulations such that they are no longer subject to these filing requirements?

The MoPSC believes that this would be highly appropriate and would allow the Commission and the general public to determine immediately if a report is late or not.

11. Should the Commission require a showing of good cause before granting an extension of time in which to file the required forms?

The MoPSC believes a requirement that utilities file an extension request showing good cause for filing these financial reports out of time is appropriate. Any delay in the processing of the financial reports delays access to the financial information that by April 15th is already over 100 days old.

As a sideline to the issue of showing good cause for filing Financial Reports out of time there appears to be an on-going inequity in penalties imposed on natural gas companies versus electric power companies when these reports are filed late without an extension request approval.

- Sec. 315 (a) of the Federal Power Act (16 U.S.C.) states that any regulated electric power company “which willfully fails...to file any report required under...any rule or regulation of the Commission...shall forfeit...an amount not exceeding \$1,000...”
- Sec. 21(b) of the Natural Gas Act (15 U.S.C.) states that any regulated natural gas pipeline “who willfully and knowingly violates any rule, regulation, restriction, condition, or order made by the Commission...shall...be punished...by a fine of not exceeding \$500 for each and everyday during which such offense occurs.”

Although the MoPSC recognizes this inequity cannot necessarily be corrected via a Commission rule, it hopes the Commission will actively seek legislative modifications to correct this inconsistency. The fine for failure to file, by either an electric company or natural gas company, should increase for each and everyday a required report is late. The penalties should also be large enough to serve as a true incentive to make timely filings.

If a utility is intent on delaying or avoiding public scrutiny at a particular point in time, the existing fines are not severe enough to serve as an effective deterrent for failing to comply with the Commission's financial reporting rules.

12. Are these concerns of sufficient importance to warrant a rulemaking and, if so, what rules should the Commission promulgate?

Yes, the Commission should institute a rulemaking to promulgate any necessary regulations to implement the suggestions set forth herein and to incorporate any other comments the Commission deems appropriate.

B. CONCLUSION

WHEREFORE, the MoPSC believes that the suggestions made above will strengthen the proposed rule, and thereby improve the transparency of financial information made available to the public. Accordingly, the MoPSC respectfully requests that the Commission seriously consider and adopt the suggestions offered herein.

Respectfully submitted,



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CERTIFICATE OF SERVICE

Pursuant to Rule 2010 of the Commission's Rules of Practice and Procedure, I hereby certify that I have this day served a copy of the foregoing document on all persons designated on the official service list compiled by the Secretary in this proceeding.

Dated at Jefferson City, Missouri, this 28th day of March 2007.



Lera L. Shemwell