UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Revisions to Financial Forms Reporting and Filing Requirements	Docket No. RM26-12-000

COMMENTS OF
THE AMERICAN PUBLIC POWER ASSOCIATION AND
TRANSMISSION ACCESS POLICY STUDY GROUP

The American Public Power Association ("APPA") and Transmission Access Policy Study Group ("TAPS") appreciate the opportunity to comment on the Notice of Proposed Rulemaking ("NOPR")[1] issued by the Federal Energy Regulatory Commission (the "Commission" or "FERC").

The NOPR proposes both technical and substantive changes to multiple forms on which electric utilities, gas pipelines, and oil pipelines report financial data. Of particular interest to APPA and TAPS, the Commission seeks comment on its proposal to eliminate seventeen pages from Form 3-Q on which electric utilities report quarterly financial data.[2] In these comments, APPA and TAPS identify the pages of Form 3-Q on which its members rely and explain why it is critical that the Commission retain them to ensure just, reasonable, and not unduly discriminatory rates.

Over the past few decades, utilities have increasingly turned to formula rates to annually update their transmission cost of service, rather than filing rate cases with the Commission. Although the Commission performs comprehensive audits of a handful of regulated utilities every year, it plays a very limited role with respect to formula rate

[1] *Revisions to Financial Forms Reporting and Filing Requirements*, 195 FERC ¶ 61,206 (2026) ("NOPR").
[2] *Id.* PP 38-39.

annual updates. Annual updates are implemented by utilities without Commission review to confirm a utility's compliance with the formula and the Commission's ratemaking policies.[3] Instead, review of annual updates is left to customers and other interested parties. Customers have only a few months to review and ask the utility questions about the update to determine whether a challenge is warranted.

The disclosures provided by Form 3-Q are important to this crucial customer review process, which is the primary mechanism for ensuring that updated transmission rates are just, reasonable, and not unduly discriminatory. They provide a baseline for asking questions about the annual update. Moreover, the Form 3-Q reporting requirement assures that utilities consistently compile and maintain data that customers need to thoroughly evaluate the update. Eliminating reporting requirements will not only make it more difficult for customers to obtain this information, but it may also result in utilities not creating this information in the first place—foreclosing discovery and undermining effective customer review and oversight.

Because Form 3-Q provides information essential to customers as they review formula rate updates, APPA and TAPS support the NOPR's proposal (P 38 and App. C, tbl. 2) to retain the following Form 3-Q pages:

- Pages 108-109, Important Changes During the Quarter;
- Pages 110-113, Comparative Balance Sheet;
- Pages 114-117, Statement of Income for the Quarter;
- Pages 118-119, Statement of Retained Earnings for the Quarter;

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[3] *See, e.g.*, *Midwest Indep. Transmission Sys. Operator, Inc.*, 139 FERC ¶ 61,127, P 9 (2012) ("MISO Protocols Investigation").

- Pages 120-121, Statement of Cash Flows;
- Pages 122-123, Notes to Financial Statements; and
- Page 122a, Statements of Accumulated Comprehensive Income, Comprehensive Income, and Hedging Activities.

In addition, the Commission should retain the following pages of Form 3-Q that the NOPR (P 39) proposes to delete:

- Pages 200-201, Summary of Utility Plant and Accumulated Provisions for Depreciation, Amortization, and Depletion;
- Page 208, Electric Plant In Service and Accumulated Provision for Depreciation by Function;
- Page 232, Other Regulatory Assets (Account 182.3);
- Page 278, Other Regulatory Liabilities (Account 254);
- Pages 300-301, Electric Operating Revenues;
- Page 324, Electric Production, Other Power Supply Expenses, Transmission and Distribution Expenses;
- Page 325, Electric Customer Accounts, Service, Sales, Administrative and General Expenses;
- Page 338, Depreciation, Depletion and Amortization of Electric Plant (Accounts 403, 403.1, 404, and 405); and
- Page 400, Monthly Transmission System Peak Load.

INTERESTS OF APPA AND TAPS

APPA is the voice of not-for-profit, community-owned utilities that power 2,000 towns and cities nationwide. Public power utilities are in every state except Hawaii. They collectively serve over 55 million people in 49 states and five U.S. territories, and account for 15 percent of all sales of electric energy (kilowatt-hours) to end-use consumers.

TAPS is an association of transmission-dependent utilities in thirty-nine states promoting open and non-discriminatory transmission access.[4] As municipal, cooperative, and investor-owned load-serving entities, TAPS members (and their members) are responsible for providing reliable and affordable electric service to the consumers and businesses that rely on them.

As entities entirely or predominantly dependent on transmission facilities owned and controlled by others, TAPS members recognize the importance of a robust grid and have long supported Commission initiatives to provide not unduly discriminatory open access, at just and reasonable rates. To that end, TAPS has been actively involved in all major rulemaking proceedings regarding the development of the open access transmission tariffs and associated rates.

APPA and TAPS previously filed comments on Form 3-Q in *Notice of Information Collections and Request for Comments,* Docket No. IC25-7-000.[5]

A large majority of the transmission owners on which APPA and TAPS members rely recover their costs through formula rates. Every year, APPA and TAPS members review the annual updates to these formula rates by obtaining detailed financial information from utilities. The quarterly reports filed with the Commission, Form 3-Q, are a critical source of such financial information because they are available far in advance of the Form 1 annual reports, indicate when costs are incurred, and provide

[4] *See* TAPS, *About Us*, https://www.tapsgroup.org/about-us/ (last visited Aug. 17, 2026). Jane Cirrincione, Northern California Power Agency, is the TAPS Chair; Mike Peters, WPPI Energy, is the Vice Chair. Tom Heller is TAPS's Executive Director. TAPS, *Leadership Team*, http://tapsgroup.org/about-us/leadership-team/ (last visited Aug. 17, 2026).

[5] *See* Comments of the American Public Power Association and the Transmission Access Policy Study Group, *Notice of Information Collections & Request for Comments*, Docket No. IC25-7 (July 21, 2025), eLibrary No. 20250801-4002.

disaggregated data that may not otherwise be available.[6] Thus, the Commission's proposal to revise utilities' reporting obligations in Form 3-Q will significantly impact TAPS members' ability to review formula rate updates.

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[6] While some utilities may point to a lack of information requests on Form 3-Q (*see* Comments of the PPL Companies at 5 (Aug. 14, 2026), eLibrary 20260814-5168), that is not evidence that the quarterly reports do not provide useful information. If anything, the lack of questions is consistent with APPA's and TAPS's position that the quarterly reports provide relevant information that reduces the need for more extensive discovery during the annual update process.

[7] APPA and TAPS request that the Commission waive Rule 203(b)(3) of its Rules of Practice and Procedure, 18 C.F.R. § 385.203(b)(3), to allow each of the individuals listed below to be placed on the official FERC service list in order to avoid delays in receipt of notices and responses to pleadings.

COMMENTS

I. FORM 3-Q PROVIDES FINANCIAL INFORMATION NECESSARY FOR ENSURING THAT FORMULA RATES PRODUCE JUST AND REASONABLE CHARGES TO CONSUMERS.

A. The Commission has long recognized the essential role played by Form 3-Q.

The Commission has rightly determined that Form 3-Q provides critical financial information that is necessary for the effective review of the rates charged by public utilities. In 2008, the Commission issued a notice of proposed rulemaking to consider, among other things, changes to Form 3-Q.[8] The 2008 NOPR responded to comments to the preceding notice of inquiry that urged the elimination of Form 3-Q, stating:[9]

> The Commission believes that the *increased frequency of financial information* provided in Form 3-Q *is important*. The quarterly reports allow for *more timely evaluations of existing rates and improve the transparency and currency of financial information* submitted to the Commission. Thus, at this time, the Commission will not propose the elimination of Form 3-Q.

In response to the 2008 NOPR, several commenters complained about the burden imposed by Form 3-Q.[10] In Order No. 715, the Commission rejected those concerns and retained Form 3-Q for the reasons stated in the 2008 NOPR.[11]

The "transparency and currency of financial information" afforded by Form 3-Q is even more important today, given the Commission's regular acceptance of formula

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[8] *Revisions to Forms, Statements, and Reporting Requirements for Electric Utilities and Licensees*, Notice of Proposed Rulemaking, 122 FERC ¶ 61,036 (2008) ("2008 NOPR").

[9] *Id.* P 61 (emphasis added).

[10] *Revisions to Forms, Statements and Reporting Requirements for Electric Utilities and Licensees*, Order No. 715, 124 FERC ¶ 61,273, P 104 (2008).

[11] *Id.* P 105 (citing 2008 NOPR P 61).

transmission rates in lieu of stated rates. In its 2012 order initiating the MISO Protocols Investigation, the Commission stressed the importance of transparency to formula rates, concluding that "safeguards need to be in place to ensure that the input data is the correct data, that calculations are performed consistent with the formula, that the costs to be recovered in the formula rate are reasonable and were prudently incurred, and that the rates are just and reasonable."[12] The MISO Protocols[13] and other formula rate annual update processes were subsequently crafted based on a foundation of transparency that includes the existing Form 3-Q. If, as proposed in the NOPR, the disclosure provided by Form 3-Q is reduced by removing the pages APPA and TAPS identify below as essential, existing formula rate protocols (including those based on the MISO Protocols) could be rendered insufficiently transparent and unjust and unreasonable.[14]

The Commission staff's view of Form 3-Q as a foundational disclosure of financial data supporting formula rates was recently highlighted at the May 12, 2026, Formula Rate Workshop. Staff's presentation specifically identified Form 1, as well as Order No. 715, as "Data Sources & Reporting Requirements" for the annual calculation of rates pursuant to formula rates.[15] The NOPR's proposed elimination of key pages from the version of Form 3-Q preserved by Order No. 715, threatens to undermine the annual update review process necessary to ensure that formula rates are just and reasonable.

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[12] MISO Protocols Investigation P 9.

[13] MISO Tariff, Attach. O, Formula Rate Protocols ("MISO Protocols").

[14] In the Commission staff presentation at the recent Staff-Led Workshop on Transmission Formula Rate Processes, Docket No. AD26-5 ("Formula Rate Workshop"), the staff stated "[t]he MISO orders set a standard for what formula rate protocols should and should not contain." FERC Staff, *Transmission Formula Rates Workshop* at 22 (May 12, 2026), https://www.ferc.gov/media/formula-rate-workshop-presentation ("Formula Rate Workshop Presentation").

[15] *Id.* at 11.

B. The Commission's reliance on customers to review formula rates makes retention of Form 3-Q pages essential to just and reasonable rates.

Under the formula transmission rates accepted by this Commission, customers and other interested parties play a key role in ensuring that the rate is just and reasonable. The Commission's role in reviewing annual updates is limited. As the Commission noted in the MISO Protocols Investigation, utilities do not make an FPA section 205 filing to update their rates,[16] so the Commission does not rule on the annual update. Rather, the generic MISO Protocols, which have been used as a model by other utilities and the Commission, provide that MISO publishes rate change information on or before June 1, and the updated rate goes into effect on June 1.[17] The utility using the formula rate does not make any filing with the Commission until March 15 of the following year.[18] That filing, however, is informational, and the Commission does not issue an order accepting or approving it. The generic MISO Protocols establish an active role for the Commission only if there is a formal challenge.[19]

The Commission has also explicitly found that access to information and transparency are essential for "interested parties" to play this vital role in assisting the Commission to ensure that rates are just and reasonable. The Commission explained in its order initiating the MISO Protocols Investigation that:[20]

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[16] MISO Protocols Investigation P 9.

[17] MISO Protocols § II.A-B.

[18] *Id.* § VI.

[19] *Id.* § IV.G. The Commission may review formula rates as part of a comprehensive audit. But it audits only a handful of public utilities per year. *See, e.g.*, FERC, *Audits* (Aug. 13, 2026), https://www.ferc.gov/audits (showing that the Commission issued audits on six electric utilities in 2025). Those audits are a broad effort to "ensure compliance with the Commission's statutes, rules, regulations, and orders," *id.*, however, not focused enforcement of formula rates.

[20] MISO Protocols Investigation P 12.

> We also find that, to assist the Commission in performing its duty to ensure just and reasonable rates, it may be necessary for MISO and the MISO transmission owners to provide the Commission all such information reasonably necessary to review and evaluate the implementation of the formula rate and the costs that would flow through the formula rate. To afford adequate opportunity for participation and access to information, the MISO formula rate protocols may need to be revised to provide all interested parties and the Commission access to information about the annual updates.

The Commission's follow-on order concluded that the MISO Protocols were unjust and unreasonable and should be modified to "include all interested parties in information exchange and review processes, including but not exclusive to customers under the Tariff, state utility regulatory commissions, consumer advocacy agencies, and state attorney generals."[21] Given the key role that customers and other interested parties play in ensuring that rates are just and reasonable, it is critical that the Commission ensure that utilities continue to provide the disclosures included in the existing Form 3-Q identified by APPA and TAPS below.

Form 3-Q provides important information about when a cost is incurred, assists customers to determine which costs to investigate, and provides additional support for costs sought to be recovered through the formula rate. The Form's quarterly financial data helps to unmask sub-components (some of which may not be properly included in rates) and intra-year changes that are obscured by the annual totals reported in Form 1. Information in the quarterly reports highlights areas where customers should ask additional questions to ensure only recoverable costs are included in rates. By linking the

[21] *Midwest Indep. Transmission Sys. Operator, Inc*., 143 FERC ¶ 61,149, P 34 (2013), *reh'g denied*, 146 FERC ¶ 61,209 (2014).

quarterly reports to other available information about utility costs and business activities, customers can also be made aware that certain costs need to be probed in discovery.

Form 3-Q's importance is further increased because of timing—it is a source of data that is available to customers long before the data is used in an annual update. For example, with projected formula rates, the quarterly data is available before the true-up occurs.[22] Customers can use the data to estimate the true-up and better plan for future rate changes, mitigating rate shock from a surcharge.[23] Particularly since an annual update can go into effect as early as the day it is submitted[24]—in contrast to the 60-day notice period (and potential five-month suspension) afforded by a Federal Power Act ("FPA") section 205 filing—this additional time can make a big difference.

In addition, Form 3-Qs give customers a head-start in the time-limited annual update process, providing a better understanding of costs at the start of the review period. Without the Form 3-Q reporting requirement, formula rate customers will need to ask for that information in the annual update process and wait for the utility's response before crafting additional questions. Because most formula rates permit the utility fifteen *business* days, i.e., three weeks, to respond, a significant amount of the review period will elapse before interested parties will have the same information they now have at the start of the annual update process. And the period allowed under formula rate protocols varies,

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[22] Quarterly reports are filed *during* the rate year, while the true-up of the rate year begins *after* the Form 1 is filed (i.e., a minimum of 5 months after the rate year ended).

[23] As the Commission has explained, its "statutory mandate under the FPA entails protecting consumer interests, which includes protecting consumers and the market from excessive capacity prices, sudden, significant capacity price increases, *and the impacts of rate shock*." *New England Power Generators Ass'n v. ISO New England Inc.*, 146 FERC ¶ 61,039, P 52 (2014) (emphasis added) (footnote omitted), *reh'g denied*, 150 FERC ¶ 61,064 (2015), *pet. for review granted on other grounds sub nom., New England Power Generators Ass'n v. FERC*, 881 F.3d 202 (D.C. Cir. 2018).

[24] Under the MISO Protocols, the new rates must be posted on or before June 1 (MISO Protocols § II.B) and the rate year begins June 1 (*id.* § II.A).

with some quite short.[25] Customers cannot afford, and the Commission should not force customers, to lose three weeks of that period to wait for information now available from Form 3-Q before the annual update process begins. Indeed, if Form 3-Q is modified as proposed in the NOPR, it may well be necessary to revisit and amend existing formula rate protocols to assure that they allow sufficient time for this additional step.

Even worse, the data currently reported in Form 3-Q may not be available to customers *at all* if important pages of Form 3-Q are eliminated. In the absence of a reporting requirement, utilities may no longer perform the analyses and calculations or maintain the records that underlie those pages. While formula rate customers may still request copies of data and analyses, if the data and analyses do not exist, they will not be provided, because under the general rules of discovery followed by the Commission, a utility is not required to perform a new study or create new analyses. Thus, the Form 3-Q reporting obligation is crucial to ensuring key data will continue to be available.

In sum, eliminating the portions of Form 3-Q identified in Part III below will prejudice ratepayers and decrease the transparency of formula rates, undermining the Commission's ability to rely on the formula rate process to meet its obligation to ensure just and reasonable transmission rates.

II. APPA AND TAPS SUPPORT THE RETENTION OF FORM 3-Q PAGES AS PROPOSED IN THE NOPR.

APPA and TAPS strongly support the NOPR's proposal (P 38 and App. C, tbl. 2), to retain certain pages of Form 3-Q.

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[25] For example, the Duke Energy Florida protocols permit only 90 days to ask questions. Joint Open Access Transmission Tariff of Duke Energy Carolinas, LLC, Duke Energy Florida, LLC, and Duke Energy Progress, LLC, Schedule 10-A.1 (Protocols) § 2.c., https://www.ferc.duke-energy.com/Tariffs/Joint_OATT.pdf.

1. Pages 108-109, Important Changes During the Quarter

Pages 108-109 of Form 3-Q provide a comprehensive narrative of significant quarterly developments, including the effects of new pronouncements from the Financial Accounting Standards Board ("FASB") and new generally accepted accounting principles ("GAAP"), FERC orders, audit findings, litigation, and state commission actions that affect formula rate calculations. As noted in Part I above, because Form 3-Q is a quarterly report, it establishes a three-month window as to when a reported event occurred. A customer can use the reported cost information, along with other information about the company (for example, an announcement of an acquisition), to understand whether the cost change affects rates, how it affects rates, and whether it should be includable in rates. The impact of an individual event is more difficult to isolate in an annual report.

To illustrate, APPA and TAPS are aware of a utility that adopted ASC 842 (lease accounting) mid-year. The utility reclassified operating leases onto the balance sheet. Because the utility had to provide Form 3-Q, customers identified the change and the timing of the change. With this information, customers could determine that the utility's increase in rate base assets was driven by the accounting change, not new capital investment. Thus, the Form 3-Q helped customers verify whether costs were properly included in the formula rate.

2. Pages 110-113, Comparative Balance Sheet

Pages 110-113 of Form 3-Q enable customers to perform a quarterly comparison of assets, liabilities, and equity by FERC account. Customers also use this information to perform trend analyses and identify material changes in the balance sheet. The key to this analysis is multiple data points during the year. A single data point from an annual report is insufficient.

For example, APPA and TAPS are aware of an instance when a utility's reports showed a material quarter-over-quarter increase in Account 186 (Miscellaneous Deferred Debits). The change prompted additional questions that revealed the utility had deferred storm restoration costs that were later challenged as non-recoverable in the annual formula rate proceeding. Without the quarter-over-quarter information, customers would not have known to probe such costs.

3. Pages 114-117, Statement of Income for the Quarter

Pages 114-117 of Form 3-Q provide details of the utility's interest expenses (long-term, intercompany debt with associated companies, other interest, and Allowance for Funds Used During Construction ("AFUDC")), operations and maintenance expenses, depreciation, amortization, taxes other than income taxes, non-utility income, and Account 426.1–426.5 expenses by account. This information enables customers to monitor these items for unusual fluctuations between quarters. The quarterly income statement provides them with the detail needed to independently verify trends.

For example, APPA and TAPS are aware of an annual update process in which the quarterly data was used to trace the overstatement of AFUDC back to the specific quarter it began, suggesting an error in the calculation of AFUDC rates. Importantly, the Commission has identified issues with the calculation of AFUDC in multiple recent audits including PA21-3, FA21-5, and FA22-5.[26] These pages of Form 3-Q provide important information to verify that calculation in formula rates.

[26] *See* Formula Rate Workshop Presentation at 42.

4. Pages 118-119, Statement of Retained Earnings

Pages 118-119 of Form 3-Q require the utility to document quarterly changes in retained earnings. The quarterly information provides transparency into dividend distributions, net income impacts, and equity adjustments; it is necessary to understand changes in capital structure, to verify that the capital structure is properly calculated, and to verify that the capital structure is not improperly manipulated. Because the capital structure significantly affects the weighted average cost of capital, which is used to determine the return on capital, these pages of Form 3-Q are very important to ensuring that rates are just and reasonable.

5. Pages 120-121, Statement of Cash Flows

Form 3-Q pages 120-121 track quarterly cash flow activity by category—operating, investing, and financing—including parent company capital contributions that affect the formula rate. As with pages 118-119, this information is important to ensure that a utility does not recover an improper return through the annual formula rate update.

The quarterly statement of cash flows in the Form 3-Q has become especially important as the industry has evolved over the past several years. The Commission has seen an unprecedented wave of newly organized, single- or limited-purpose transmission-only entities seeking formula rate authority in advance of, or contemporaneous with, their first transmission investments.[27]

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[27] *See, e.g.*, Docket Nos. ER25-1633 and EL25-77 (Valley Link Transmission Maryland, LLC, Valley Link Transmission Virginia, LLC, and Valley Link Transmission West Virginia, LLC); Docket Nos. ER24-2564 and EL24-137 (Mid-Atlantic Offshore Development, LLC); Docket Nos. ER26-1655 and EL26-76 (Grid Growth Ohio, LLC); Docket Nos. ER26-1734 and EL26-81 (Kammer Juniata Transmission, LLC); Docket Nos. ER24-766 and EL24-75 (Viridon California LLC); Docket Nos. ER24-726 and EL24-67 (Viridon New York Inc.); Docket Nos. ER24-506 and EL24-60 (Viridon Mid-Atlantic LLC); Docket No. ER26-2728 (California Grid Holdings LLC); and Docket Nos. ER18-2342 and EL19-29 (GridLiance Heartland LLC).

When a new entity's formula rate is set for hearing, Form 3-Q provides critical data useful in determining just and reasonable transmission rates. These newly organized entities lack operating history, including Form 1 annual reports, the Commission's primary source of data about an entity's actual, as-built capital structure, debt costs, and rate base composition. In such cases, the participants to hearing or settlement must evaluate proposed formula rate protocols, hypothetical capital structures, and incentive ROE adders based largely on the applicant's own projections. Form 3-Q fills this informational gap because it provides interim balance sheet, income statement, and capitalization data between annual Form 1 filings. For a newly formed entity that is actively drawing on parent-company or third-party financing to construct a large-scale transmission asset over a multi-year construction period, the quarter-to-quarter Form 3-Q data is the only available record that can show:

1. Whether the debt/equity ratio actually being employed matches the capital structure (hypothetical or actual) underlying the proposed formula rate;
2. Whether intervening capital contributions, credit facility draws, or refinancing transactions have altered the entity's leverage since the date of its initial filing; and
3. Whether representations made in the initial filing or in settlement negotiations concerning projected capitalization remain accurate as the record develops.

The quarterly financial information on pages 120-121 also provides important information about utilities authorized to use a hypothetical capital structure. It provides the most recent actual financial data available. Parties to a settlement proceeding rely on this information to evaluate whether the proposed rate is just and reasonable. Without access to Form 3-Q data, intervenors and other parties must evaluate and potentially settle on a capital structure and associated revenue requirement based on either: (1) stale data (if Form 1 data is available); or (2) the utility's projected representations, the validity of which cannot be tested. Such a hypothetical capital structure may then be used in rates for an extended period of time until the next Section 205 or 206 filing is made. Thus, retaining pages 120-121 is a vital underpinning of just and reasonable transmission rates.

6. Pages 122-123, Notes to Financial Statements and Page 122a, Statements of Accumulated Comprehensive Income, Comprehensive Income and Hedging Activities

Pages 122-123 of Form 3-Q include the details of the important changes during the quarter with additional detail and context on material developments disclosed during the quarter. While annual reports will contain similar data, providing this information every quarter assists customers because it is more current and provides needed insight into changes over time. The quarterly updated notes to financial statements assist customers to link events with costs. They are essential for customers to identify material adjustments that affect both current-period and future transmission rates.

III. THE COMMISSION SHOULD RETAIN ADDITIONAL FORM 3-Q PAGES BECAUSE THEY PROVIDE CRITICAL FINANCIAL INFORMATION FOR THOROUGHLY REVIEWING THE ANNUAL UPDATES TO FORMULA RATES.

The NOPR states that the Commission has performed a "comprehensive review," but does not provide a specific explanation for why it proposes to delete seventeen pages of Form 3-Q.[28] APPA and TAPS carefully evaluated the NOPR's proposed deletion list to determine the value of those pages to customers and their contribution to ensuring just and reasonable transmission rates. While APPA and TAPS agree that several of the pages can be deleted, the pages identified below remain important to the review of formula rate annual updates. As we demonstrate, retaining the information reported on these pages is

[28] NOPR PP 38-39.

consistent with the Commission's goal that "information collected from filers is useful and useable,"[29] and part of the essential foundation on which formula rates rest. Absent retention, the ability of customers to scrutinize formula rates updates will be severely impaired, undermining the Commission's ability to rely on that annual review process to ensure the justness and reasonableness of formula rates.

APPA and TAPS strongly urge the Commission to retain the following Form 3-Q pages:

1. Pages 200-201, Summary of Utility Plant and Accumulated Provisions for Depreciation, Amortization and Depletion

Pages 200-201 of Form 3-Q summarize total utility plant balances in conjunction with accumulated provisions for depreciation, amortization, and depletion. This information provides an updated and consolidated view of net plant that directly impacts the rate base used in transmission formula rate calculations. Although annual reports provide cumulative information, they mask the changes that occurred during the year.

For example, a utility undergoing a Commission audit reported in its Form 3-Q that it had reclassified certain capital assets to operating expenses. The quarterly reports helped customers understand the accounting in each quarter and to verify that the restated utility plant balances were accurately reflected in the formula rate calculation. An annual report that nets the effects of such reclassifications with all the other plant additions and retirements that occur over the normal course of a year, would mask the issue and is not a substitute for pages 200-201 of Form 3-Q.

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[29] *Id.* P 38.

2. *Page 208, Electric Plant In Service and Accumulated Provision for Depreciation by Function*

Page 208 of Form 3-Q tracks quarterly changes to electric plant in service and accumulated depreciation by function (e.g., production, transmission, distribution, general). The page also enables customers to identify any significant changes in a timely manner. It is especially important to obtain this information quarterly (as opposed to annually) because the large size of the annual plant additions number will mask smaller additions that may have been improperly recorded.

For example, APPA and TAPS are aware of a utility that placed the construction of a new headquarters building into electric plant in service during a quarter in which the facility was still under construction and not yet occupied. The quarterly reports showed that the increase in plant did not coincide with the building's used and useful date. The Form 3-Q page enabled customers to identify the significant increase in the Account 390 balance in the quarter the asset was recorded, compare it against discovery responses related to occupancy permits and occupancy rates, and challenge the premature inclusion of the asset in the transmission formula rate base until it was demonstrated to be in service and used and useful. In contrast, an annual report would simply have shown that the plant was added during the year. Customers would not have had sufficient knowledge to ask the questions that were prompted by the information provided in the Form 3-Q, and the utility would have prematurely included the cost, improperly inflating transmission rates.

The quarterly information in Form 3-Q also enables customers to tie balance sheet changes with public information about additions of plant. Especially for facilities that serve multiple functions and have costs that are divided among functions, the quarterly reports enable customers to determine if the utility has properly functionalized the cost. As utilities build new facilities to serve large new loads, cost allocation is going to become an even more critical part of annual updates. The quarterly information provided in Form 3-Q will be crucial for customers to ascertain whether utilities have properly allocated the costs of new investment.

3. Page 232, Other Regulatory Assets (Account 182.3)

Page 232 of Form 3-Q enables customers to monitor changes in other regulatory assets (Account 182.3) by regulatory body, ensuring proper classification and recoverability through FERC and state commission proceedings. This page can help customers verify when new regulatory assets—such as deferred storm costs approved by a state commission—are established, and ensure those costs are not being double-recovered by also being included as expenses impacting accounts within a transmission formula rate.[30]

4. Page 278, Other Regulatory Liabilities (Account 254)

Page 278 of Form 3-Q enables interested parties to monitor changes in other regulatory liabilities (Account 254) by regulatory body. This information helps interested parties ensure that obligations are accurately reflected and, if applicable, refunded through FERC and state commission proceedings. For example, when a state enacts a change in its corporate income tax rate, utilities must remeasure their accumulated deferred income tax ("ADIT") balances to reflect the new rate. If the state tax rate was reduced, the difference between the previously recorded ADIT and the remeasured

[30] Although regulatory assets are also reported in the annual report, fewer regulatory assets will be identified in a quarterly report, enabling customers to link costs to regulatory assets and ensure proper treatment of the underlying costs in rates.

amount is typically recorded as a regulatory liability in Acct 254, representing the excess deferred taxes that must be returned to customers. This page allows customers to verify that the remeasurement was properly recorded and that the utility is amortizing the balance back to customers on the schedule required by the applicable FERC or state commission order.

While Form 1 also includes data in Account 254, it only reports beginning- and end-of-year balances. If a state makes a tax rate change in the middle of the year, customers must have the quarterly report to verify that the resulting regulatory liability was established in the correct quarter. In addition, because Form 3-Q provides customers the data before the annual update process begins, they can ask more focused questions earlier in the process, providing for more thorough understanding of the complicated issues surrounding the implementation of corporate taxes. A streamlined discovery process is a more efficient and less expensive process, promoting just and reasonable rates.

5. Pages 300-301, Electric Operating Revenues

Form 3-Q pages 300-301 provide the utility's revenue detail by FERC account. This information enables customers to identify changes in revenue streams that may impact the transmission formula rate calculations. The annual data is insufficient because year-over-year changes will mask the detail of what has happened during the year. The quarterly data will reveal short-term fluctuations and prompt customers to ask questions about increases and declines in revenue and determine whether revenue is properly reflected in the formula rates.

For example, APPA and TAPS are aware of an annual update following a utility merger in which the quarterly data revealed an accounting change that was not otherwise reported. In that case, the utility shifted certain wholesale transmission revenues from Account 456 (an account included in the formula rate) to Account 454 (an excluded account). Because customers had access to the quarterly revenue detail by account, customers detected the reclassification, which prompted additional questions regarding accounting alignment after the merger. Neither the annual report nor other documents provided sufficient information to understand the reclassification; it was only the information in the Form 3-Q that triggered further investigation. The reclassification was significant because it improperly reduced formula rate revenue credits. Therefore, the quarterly information assisted customers to challenge rates and ensure that rates are just and reasonable.

6. *Page 324, Electric Production, Other Power Supply Expenses, and Transmission and Distribution Expenses*

Page 324 of Form 3-Q breaks down production, transmission, and distribution expenses by FERC account. This information enables customers to assess expense trends and verify consistency with projected formula rate amounts. Quarterly reports are useful both because they provide more data and do so closer in time, so that customers can plan for rate changes, mitigating rate shock. In contrast, an annual report merely shows the year-over-year change; it cannot show the trend during the year. In addition, as more utilities shift to a "projected" formula rate with an after-the-fact true-up, the quarterly data shows whether the utility is on pace with its projections. The quarterly data may show that a utility is substantially undercollecting rates. If a customer recognizes this undercollection, it can modify its own rates or otherwise plan for a substantial true-up obligation. Because the true-up process does not even begin until months after the rate year has ended, there is simply no substitute for the quarterly reports.

The quarterly data from this page of Form 3-Q also helped customers understand utility accounting changes triggered by a Commission audit, which directly affected charges under its formula rate. In that case, the utility reported in its Form 3-Q that it had begun reclassifying its transmission capital assets to operating expenses. This reclassification caused a significant increase in reported expenses shown on page 324. The quarterly expense detail by FERC account enabled customers to detect the unusual increase, trace it to the reclassification, and then to challenge whether the reclassified costs were appropriate for recovery through the transmission formula rate.

7. *Page 325, Electric Customer Accounts, Service, Sales, Administrative and General Expenses*

Page 325 of Form 3-Q provides details regarding a utility's customer service and administrative & general ("A&G") expenses by FERC account. This information enables customers to assess expense trends and verify consistency with projected formula rate amounts. As with page 324, Form 3-Q page 325 can provide data for multiple points during the year that will enable a customer to perform trend analyses. The annual report and discovery processes during the annual update do not enable customers to understand trends. In addition, the quarterly information enables ratepayers to refine estimates about the size of the eventual true-up and take proactive actions to prepare for the true-up.

The quarterly information related to expenses shown on page 325 can be particularly useful if a utility reorganizes or has other significant merger or acquisition transactions during the year. For example, following a utility's divestiture of its generation business, a customer used the quarterly information to evaluate how the service company's shared costs were reallocated among the remaining operating utilities during the reorganization. The customer found that the reorganization resulted in a significant increase in expenses allocated to the A&G accounts that began in the second quarter (*i.e.*, the quarter corresponding with the transaction date) and continued in subsequent periods. Thus, the quarterly information enabled the customer to identify the timing and magnitude of the increase, link it directly to the divestiture, and challenge whether the revised allocation methodology was reasonable and consistent with the hold harmless commitment. In contrast, if the customer had access only to annual information, the customer would have been unable to determine whether the increase in A&G expenses was due to ordinary business activity or was related to the reorganization.

8. *Page 338, Depreciation, Depletion and Amortization of Electric Plant Accounts 403, 403.1, 404, and 405*

On page 338 of Form 3-Q, the utility itemizes depreciation, depletion, and amortization by account. The quarterly data better enables customers to verify whether asset retirement obligations and costs are being amortized with proper FERC authorization. As with information on other pages, annual data masks changes which have occurred during a specific quarter. For example, a customer used the quarterly reports to determine that a utility began depreciating asset retirement costs for a generation facility before receiving FERC approval. This page allowed the customer to identify the premature amortization and exclude it from the transmission formula rate until proper authorization was obtained. This single change would not have been separately identifiable from all of the other changes that are reflected in an annual report.

9. *Page 400, Monthly Transmission System Peak Load*

Page 400 of Form 3-Q provides support for load forecasting and rate impact analysis. Equally important to the costs that go into a revenue requirement, the loads across which the costs are spread are equally important. The quarterly reports provide data points during the rate year to help customers identify trends. In addition, with more timely information available before the formula rate year ends, customers can refine estimates as to whether the ultimate true-up will result in a surcharge or refund and plan for rate changes to minimize the potential for rate shock to the ultimate consumer, rendering the wholesale rate more just and reasonable.

In a recent merger, the utility projected material changes in transmission system peak load. The quarterly peak load data from page 400 of Form 3-Q enabled customers to independently verify those projections by comparing actual pre-merger peak loads for each system against the forecasted combined peak. In other words, customers had a data source to provide timely data enabling them to anticipate the impact on their rates and prepare accordingly. Data obtained from an annual report and through the annual update process is provided months after the end of the rate year, much too late for customers to utilize in the setting of their own rates. Thus, Form 3-Q page 400 provides an irreplaceable, timely source of data. The Commission should not eliminate it.

CONCLUSION

For the reasons set forth above, the Commission should continue to require utilities to provide the information on Form 3-Q pages 108-109, 110-113, 114-117, 118-119, 120-121, 122-123, and 122(a)(b) as proposed in the NOPR, and the Commission should not delete Form 3-Q pages 200-201, 208, 232, 278, 300-301, 324, 325, 338, and 400.

Respectfully submitted,

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