

Supporting Statement for
FERC Form 60 Annual Reports for Service Companies (*formerly SEC Form U13-60 Annual Report for the period by a Reporting Company; Preservation of Records for Service Companies Subject to PUHCA (FERC-555A new)*); **FERC-61 Narrative Description of Service Company Functions**

With regard to Regulations Implementing Financial Accounting, Reporting and Records Retention Requirements Under the Public Utility Holding Company Act of 2005
As proposed in Docket No. RM06-11-000
(Final Rule Issued October 19, 2006)

The Federal Energy Regulatory Commission (Commission) (FERC) requests Office of Management and Budget (OMB) review and approval of the Final Rule for the information collections identified above.

The Commission estimates that the annual reporting-burden related to the subject Final Rule will be an additional 2,850 hours for FERC Form 60 (1902-0215), and the addition of 324,000 hours for recordkeeping requirements under FERC-555A a new information collection, for a total of 326,850 additional hours.

In addition, FERC is requesting a place holder of 1 hour for FERC-61 to cover service companies in a holding company system (including special purpose companies) that are currently exempt or granted a waiver of Commission's regulations and therefore would not file FERC Form 60. Instead, they will be required to provide on an annual basis, a narrative description of the service company's functions during the prior calendar year. Because the proposed regulation does not go into effect until January 1, 2008 and this category of service companies do not have to file until May 1, 2008 (and by May 1 each year thereafter), it is difficult to ascertain at this time how many companies will make this filing. Upon receipt of the filings, the Commission will be able to revise its estimates accordingly.

Background

On August 8, 2005, the Energy Policy Act of 2005, Pub. L. No. 109-58, 119 Stat. 594 (2005) was signed in to law. It repealed the Public Utility Holding Company Act of 1935 (PUHCA 1935)¹ and enacted the Public Utility Holding Company Act of 2005 (PUHCA 2005)² Puhca 2005 which with one exception became effective on February 8, 2006 (six months from the date of enactment). Sections 1266, 1272, and 1275 of EAct 2005 directed the Commission to issue certain rules and to provide detailed recommendations to Congress on technical and conforming amendments to federal law within four months after the date of enactment. In addition, EAct 2005 directed the Commission to issue a final rule exempting certain entities from the federal access to books and records provisions of EAct 2005 within 90 days of the effective date of Subtitle F. On December 8, 2005, the Commission issued Order No. 667,

¹ 15 U.S.C. §§ 79a *et seq.* (2000).

² EAct 2005 at §§ 1261 *et seq.*

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adding a new Subchapter U and Part 366 to Title 18 of the Code of Federal Regulations to implement PUHCA 2005.³

Order No. 667 required that, unless otherwise exempted by Commission rule or order, holding companies⁴ and service companies⁵ must maintain and make available to the Commission their books and records.⁶ In addition, Order No. 667 allowed holding companies and service companies that did not currently follow the Commission's records retention requirements to transition to the Commission's requirements by January 1, 2007. Order No. 667 further provided that holding companies would not be required to comply with a Uniform System of Accounts, but that centralized service companies would be required to do so as of January 1, 2007.

The Commission indicated in Order No. 667 that it would initiate a separate rulemaking proceeding to address how the Commission's Uniform Systems of Accounts and records retention requirements in Parts 101, 125, 201 and 225 of its regulations should be modified to adopt or otherwise integrate the relevant parts of the SEC's Uniform System of Accounts and records retention rules. The Commission indicated that it intended to issue a final rule on any appropriate accounting and records retention requirements modifications before January 1, 2007, so that service companies would be able to transition to the Commission's Uniform System of Accounts and records retention requirements and so that holding companies could transition to the Commission's records retention requirements, by that date.

The Public Utility Holding Company Act of 1935 was enacted by Congress as a response to questionable practices of huge holding companies during the 1920s and 30s. These holding companies controlled utilities in complicated pyramid structures, where a few investors at the top held controlling shares of many subsidiary companies. PUHCA 1935 prevented a utility

³ Order No. 667, 70 FR 75592 (Dec. 20, 2005), FERC Stats. & Regs.; Regulations and Preambles 2001-2005 ¶ 31,197 (2005), order on reh'g, Order No. 667-A, 71 FR , FERC Stats. & Regs. ¶ 31,213 (2006).

⁴ As defined in 18 CFR 366.1, holding company means (i) any company that directly or indirectly owns, controls, or holds, with power to vote, 10 percent or more of the outstanding voting securities of a public-utility company or of a holding company of any public-utility company; and (ii) any person, determined by the Commission, after notice and opportunity for hearing, to exercise directly or indirectly (either alone or pursuant to an arrangement or understanding with one or more persons) such a controlling influence over the management or policies of any public-utility company or holding company as to make it necessary or appropriate for the rate protection of utility customers with respect to rates that such person be subject to the obligations, duties, and liabilities imposed by this subtitle upon holding companies.

⁵ As defined in 18 CFR 366.1, service company means any associate company within a holding company system organized specifically for the purpose of providing non-power goods or services or the sale of goods or construction work to any public utility in the same holding company system.

⁶ Order No. 667 also required traditional, centralized service companies to file the newly created Form No. 60, Annual Report for Centralized Service Companies.

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holding company from subsidizing unregulated business activities from profits obtained from their regulated business activities and captive customers. PUHCA 1935 required that all side businesses be kept separate from the regulated companies. Congress repealed PUHCA in response to industry comments that the law was outdated and restricted competition and diversification in the electric industry.

NOPR (Docket No. RM06-11-000)

In Order No. 667, the Commission prescribed uniform accounting requirements for centralized service companies, *i.e.*, service companies that are not special purpose companies, within holding company systems, and records retention requirements for both service companies and holding companies. In that order, the Commission announced its intention to modify the existing Uniform Systems of Accounts for public utilities and licensees and natural gas companies in Parts 101 and 201, respectively, of the Commission's regulations to accommodate centralized service companies' use of those systems. The Commission also announced its intention to similarly modify the existing records retention requirements contained in Parts 125 and 225 of the Commission's regulations.

Since the issuance of Order No. 667, the Commission has examined in greater depth some of the implementation issues associated with revising the Commission's existing Uniform Systems of Accounts and records retention requirements for public utilities and licensees and for natural gas companies to cover service companies and holding companies. After taking into consideration the overall framework of the Commission's regulations and the range of changes that would be required to the Uniform Systems of Accounts and records retention requirements, the Commission has concluded that modifying the existing accounting and records retention requirements to accommodate service companies and holding companies would make understanding and applying the accounting and records retention requirements difficult for users of the systems. Instead, the Commission proposed to adopt a separate Uniform System of Accounts for centralized service companies, *i.e.*, service companies that are not special purpose companies, and separate records retention requirements for service companies and holding companies. While the new regulations in the NOPR appeared lengthy, the Commission believed the detail would actually make it simpler and easier for service companies and holding companies to comply with its requirements.

In developing the proposed regulations, the Commission was guided by three overarching objectives: (1) the new accounting and records retention requirements should mirror the existing requirements contained in Parts 101, 201, 125 and 225 of the Commission's regulations for public utilities and licensees and natural gas companies (*see 1902-0098*) to the maximum extent practicable, but should exclude provisions that are not relevant; (2) the new accounting requirements should allow for the consolidation of service company financial information with

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the financial information of associate public utilities and licensees and natural gas companies as needed for stockholder and SEC reporting; and (3) the new Uniform System of Accounts for centralized service companies should include requirements that reflect aspects of business operations that are unique to such service companies.

Proposed Uniform System of Accounts

The Commission proposed to add as Part 367 of the Commission's regulations a Uniform System of Accounts for Centralized Service Companies. The proposed Uniform System of Accounts for Centralized Service Companies conforms, to the maximum extent practicable, to the Commission's existing Uniform Systems of Accounts for public utilities and licensees and for natural gas companies as set forth in Parts 101 and 201, respectively, of the Commission's regulations. However, there are a number of instances in which the existing requirements contained in Parts 101 and 201 of the Commission's regulations need to be revised or modified to reflect the unique business characteristics of centralized service companies. In some instances, the revisions simply change a word, *e.g.*, substituting "service company" property for "utility" property. In other instances, the changes were more significant. The NOPR identified the sections and explained the basis for the more significant revisions and modifications to the accounting requirements contained in Parts 101 and 201 of the Commission's regulations that the Commission believes is appropriate or necessary to reflect the unique business characteristics of centralized service companies in the proposed Uniform System of Accounts for Centralized Service Companies.

Balance Sheet Accounts

The Commission proposed to adopt in the new Uniform Systems of Accounts for Centralized Service Companies most of the balance sheet accounts contained in Parts 101 and 201 of the Commission's regulations, and primary property Accounts 301 (§ 367.3010), 303 (§ 367.3030) and 389 to 399.1 (§§ 367.3890 to 367.3991). Accounts not adopted are considered not applicable to centralized service companies. In most instances, the non-applicability of those accounts to centralized service companies is apparent from the account instructions and further discussion in the NOPR was provided as to the reason for not adopting them as they are not necessary.

Income Statement Accounts

The Commission proposed to incorporate income statement accounts contained in Parts 101 and 201 of the Commission's regulations. The Commission is modifying the accounts

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related to expenses for non-utility companies⁷ and revenue accounts. The additions, deletions and modifications to the income statement accounts contained in Parts 101 and 201 that are proposed for inclusion in the Uniform System of Accounts for Centralized Service Companies were discussed further in the NOPR.

The Commission proposed to include in the Uniform System of Accounts for Centralized Service Companies the same instructions covering income tax accounting presently contained in Parts 101 and 201 of the Commission's regulations. The Commission was aware that those instructions need to be revised to reflect the liability method of accounting for income taxes that all other Commission jurisdictional companies now follow.⁸ However, the changes needed to integrate the liability method of accounting for income taxes into the Uniform Systems of Accounts and because other Commission regulations are expected to be complex they should be taken up in a separate proceeding.⁹ Until that proceeding can be undertaken, centralized service companies and all other Commission jurisdictional companies should account for income taxes using the same rules as modified by an Accounting Guidance Letter dated April 23, 1993. This will, in the Commission's view, facilitate the preparation of consolidated financial statements.

Proposed Statements of Reports (Schedules)

The Commission proposed to add as Part 369 of the Commission's regulations instructions for filing the Form No. 60. The instructions proposed to require centralized service companies to prepare and file electronically with the Commission an annual report by April 18 for the previous calendar year. Also, the instructions require service companies that do not file Form No. 60 to file annually a narrative description of their functions.

Revised FERC Form No. 60

The proposed changes, as adopted, will require revising the existing schedules in the Form No. 60 filed with the Commission. Revised Form No. 60 was included in Appendix A to the NOPR and as an appendix to this submission. The Commission plans to develop submission software to provide for electronic filing of revised Form No. 60 similar to the software used for electronic filing of the Commission's other annual reporting forms, *i.e.*, Form No. 1 and Form

⁷ A non-utility company is defined in proposed 18 CFR § 367.1 as "a company that is not a utility company."

⁸ See Accounting Guidance Letter AI93-50-000, Accounting for Income Taxes, (April 23, 1993).

⁹ Regulations Implementing Tax Normalization for Certain Items Reflecting Timing Differences in the Recognition of Expenses or Revenues for Ratemaking and Income Tax Purposes, Order No. 144, FERC Stats. & Regs. ¶ 30,254 (1981).

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No. 2.

The proposed revisions to Form No. 60 included:

- (1) The title of the form was changed to “Annual Report of Centralized Service Companies”.
- (2) The format of the schedules was revised consistent with Annual Report Form Nos. 1 and 2 (Form Nos. 1 and 2). Instructions have been added to schedules, where necessary, because they are non-existent in the current Form No. 60. A new cover page is added similar to the cover page for Form Nos. 1 and 2.
- (3) Two instructional pages were added to replace existing instructions. This is consistent with Form Nos. 1 and 2. General Information Item No. III is added to indicate how Form No. 60 is to be submitted. General Instruction No. II is added to indicate that amounts should be reported in whole dollars. The current Form No. 60 instruction allows reporting in whole dollars, thousands of dollars and millions of dollars. This revision is necessary for consistency. General Instruction No. IV is added consistent with the adoption of submission software. General Instruction No. VII is added to indicate the process of how resubmissions are to be filed.
- (4) Page 1 is revised consistent with Form Nos. 1 and 2 and a telephone number and an e-mail address for contact person designated to respond to questions about Form No. 60 has been added. There currently is no contact information except for a correspondence address. A Corporate Officer Certification has been added the same as for Forms 1 and 2 and the Signature Clause page has been deleted.
- (5) The filing date for Form No. 60 was changed to April 18 from May 1. April 18 filing date is consistent with the due date for most of the Commission's annual report forms that contain financial information.
- (6) Schedule I, Comparative Balance Sheet, was revised to include the balance sheet accounts proposed to be adopted herein.
- (7) Schedule II, Service Company Property, was revised to include the property accounts proposed to be adopted in this NOPR.
- (8) Schedule III-A, Summary of Service Company Property and Accumulated Provision for Depreciation and Amortization, was added to distinguish service company property devoted exclusively to utility-related operations and property devoted exclusively to non-utility operations.
- (9) Schedule XI, Proprietary Capital, was revised to include a statement of retained earnings.
- (10) Schedule XV, Comparative Income Statement, was revised to include the income statement accounts proposed to be adopted herein.
- (11) Schedule XV-A, Schedule of Utility Company Operating Expenses is added to disclose operating expenses which were only summarized in Schedule XV,

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- Comparative Income Statement.
- (12) Schedule, Analysis of Billing Associate Companies - Account 457, was revised to only include associate utility companies. This is consistent with proposed Account 457.
 - (13) Schedule, Analysis of Billing Non-associate Companies - Account 458, was revised to only include non-associate utility companies. This is consistent with proposed Account 458.
 - (14) A new schedule, Analysis of Billing Non-Utility Companies - Account 459, was added to Form No. 60. This is consistent with proposed Account 459.
 - (15) Schedule XVI - Analysis of Charges for Service - Associate and Non-associate Companies, was revised to reflect the breakdown of utility companies and non-utility companies proposed for Accounts 457, 458 and 459.
 - (16) Schedule XVII, Expense Distribution by Department or Service Function, is revised by adding all income statement accounts.

Proposed Conforming Revisions to Parts 366 and 375

The Commission proposed to revise §§ 366.21(b), 366.22(a)(1) and (b)(1) and 366.23(a) of the Commission's regulations to conform to the new accounting, and records retention and reporting requirements as proposed in the NOPR.

The Commission also proposed to revise § 375.303(c), (d), (e), (f), (g) and (h) of the Commission's regulations to update the delegations to give to the Chief Accountant or the Chief Accountant's designee certain authorities related to service company financial accounting and reporting matters. These authorities are similar to those that the Chief Accountant has for public utilities and licensees, natural gas companies and oil pipeline companies.

Subject Final Rule (Docket No. RM06-11-000)

On October 19, 2006, the Commission in Docket No. RM06-11-000, issued a final rule to amend its regulations to further implement the Public Utility Holding Company Act of 2005 (PUHCA 2005). The Final Rule is in response to Order No. 667, namely a separate rulemaking proceeding to modify the Uniform System of Accounts for centralized service companies that are not special purpose companies under PUHCA 2005. Specifically, the Commission is adding a Uniform System of Accounts (USofA) for Centralized Service Companies, adding preservation of records requirements for holding companies and service companies, revising FERC Form No. 60, Annual Report of Centralized Service Companies, to provide for financial reporting consistent with the new USofA and providing for electronic filing of the revised FERC Form No. 60. The Final Rule will provide for greater

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accounting transparency for centralized service company operations, and uniform records retention by holding companies and service companies subject to PUHCA 2005. This transparency will protect ratepayers from pass-through of improper service company costs.

The Final Rule adopts, in many respects, the proposals contained in the NOPR, but with certain noted changes to minimize any unnecessary burden. Chief among them, the Commission defers the implementation date by an additional year, to January 1, 2008. The modifications include deleting and modifying certain accounts and instructions in the originally proposed USofA, providing flexibility in the work order system requirements, streamlining and eliminating certain schedules in the FERC Form No. 60, retaining the May 1 filing date for the FERC Form No. 60, and postponing the implementation date of the Final Rule until January 1, 2008. These modifications balance the Commission's need for information to fulfill its regulatory responsibilities with minimizing any unnecessary burden.

A. Justification

1. CIRCUMSTANCES THAT MAKE THE COLLECTION OF INFORMATION NECESSARY

Section 1264 of PUHCA 2005 concerns FERC access to the books and records of holding companies and other companies in holding company systems, and section 1275 of PUHCA 2005 addresses FERC's review and authorization of the allocation of costs for non-power goods or administrative or management services when requested by a holding company system or state commission. Section 1264 and section 1275 of PUHCA supplement the Commission's existing authorities under the Federal Power Act (FPA) and the Natural Gas Act (NGA) to protect customers against improper cross-subsidization or encumbrances of assets, including the Commission's broad authority under FPA section 301 and NGA section 8 to obtain the books and records of regulated companies and any person that controls or is controlled by these companies if relevant to jurisdictional activities.

Sections 1264(a) and (b) of EAct 2005 provide that each holding company and each associate of a holding company, will maintain and make available to FERC "such books, accounts, memoranda, and other records as the Commission determines are relevant to the costs incurred by a public utility or natural gas company that is an associate of such holding company and necessary or appropriate for the protection of the public utility or natural gas company customers with respect to jurisdictional rates."¹⁰ Section 1264(c) empowers FERC to examine the books and records of any company in a holding company system, or any affiliate thereof, that FERC determines are relevant to the costs incurred by a public utility or natural gas

¹⁰ EAct 2005 at §§ 1264 *et seq.*

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company within the holding company system and necessary or appropriate for the protection of public utility or natural gas customers with respect to jurisdictional rates. Further, with respect to the electric industry, Congress has enhanced FERC's existing authorities over public utility mergers, acquisitions and dispositions of jurisdictional facilities.

PUHCA 2005 is primarily a "books and records access" statute and does not give FERC any new substantive authorities, other than the requirement in section 1275 of EAct 2005 that FERC review and determine certain non-power goods and services cost allocations among holding company members upon request. In addition, EAct 2005 does not give FERC authority to pre-approve holding company activities.¹¹ FERC with the exception of reviewing a holding company transaction requiring approval under section 203 of the FPA or a proposed issuance of securities under section 204 of the FPA, will continue to rely primarily on its ratemaking authorities under sections 205 and 206 of the FPA and sections 4 and 5 of the NGA to protect jurisdictional customers against inappropriate cross-subsidization or encumbrances of utility assets on an ongoing basis.

2. HOW, BY WHOM AND FOR WHAT PURPOSE IS THE INFORMATION TO BE USED AND THE CONSEQUENCES OF NOT COLLECTING THE INFORMATION

Since 1935, the Commission has regulated certain electric utility activities under the Federal Power Act (FPA). Under FPA sections 205 and 206, FERC oversees the rates, terms and conditions of sales for resale of electric energy and transmission service in interstate commerce by public utilities. The Commission must ensure that those rates, terms and conditions are just and reasonable, and not unduly discriminatory or preferential. Under FPA section 203, the Commission reviews mergers and other asset transfers involving public utilities.

The Commission's role in the natural gas industry is largely defined by the Natural Gas Act of 1938 (NGA). Under the NGA, the Commission regulates the construction of new natural gas pipelines, liquefied natural gas terminals and related facilities and oversees the rates, terms and conditions of sales for resale and transportation of natural gas in interstate commerce.

The Commission believes that its existing FPA and NGA authorities, in combination with its enhanced authority over public utility mergers, acquisitions, and disposition of jurisdictional facilities, in conjunction with the new authorities under PUHCA 2005 provides a sound framework to protect customers.

¹¹ Section 1289 of EAct 2005 amends section 203 of the FPA to grant FERC expanded approval authority with respects to mergers and the acquisition of securities by holding companies within certain holding company systems.

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In Order No. 667, the Commission prescribed, for an initial transition period, uniform financial accounting and reporting requirements for centralized service companies' requirements within holding companies and record retention requirements for both service companies and holding companies and that the modification of the Commission's Uniform System of Accounts and records retention requirements would be implemented later. However, upon further review, the decision was made to implement a new Uniform System of Accounts and records retention requirements to ensure a smoother transition for service companies and holding companies. The Commission has developed standardized accounting rules. These rules, contained in the new Uniform System of Accounts for Centralized Service Companies, are generally consistent with the accounting standards that must be followed by commercial enterprises. Timely reporting of the information is critical to monitoring the industry to ensure that practices are not discriminatory and that appropriate rates are charged. The official records maintained by the regulated companies are in accordance with schedules already set by the Commission in its regulations and already used by companies as the basis for required filings and reports with the Commission. In addition, the records will be used by the Commission's audit staff during compliance reviews and special analyses as deemed necessary by the Commission. The additional financial transparency required by these requirements will aid the Commission in meeting its oversight and market monitoring obligations and will benefit the public both as ratepayers and investors.

If the collection of data for FERC Form 60 and the records retention requirements were not implemented; the Commission would not be able to meet its statutory responsibilities, under EAct 1992, EAct of 2005 and PUHCA 2005. The Commission would not have all of the regulatory mechanisms necessary to ensure customer protection.

3. DESCRIBE ANY CONSIDERATION OF THE USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN AND THE TECHNICAL OR LEGAL OBSTACLES TO REDUCING BURDEN

There is an ongoing effort to determine the potential and the value of improved information technology to reduce the burden. Specifically, in order to increase the efficiency with which it carries out its program responsibilities, the Commission has been implementing measures to use information technology to reduce the amount of paperwork required in its proceedings. In Order No. 619, FERC established an electronic filing initiative to meet the goals of the Government Paperwork Elimination Act, which directed agencies to provide for optimal use and acceptance of electronic documents and signatures and electronic recordkeeping, where practical, by October 2003. Among the qualified documents that can now be filed electronically are comments on a filing. "Comments on a Filing" is a document filed in response to a FERC public notice or order in a specific FERC docketed proceeding. It includes

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comments on applications, comments filed with environmental documents, protests or statements of positions.

In Order No. 617, July 27, 2000, FERC amended its records' retention regulations to reduce the burden of maintaining records for regulated companies. The Commission did not establish specific media type in order to give the regulated entities the flexibility in the selection of media in order to adapt quickly to changes in technology without the necessity of obtaining FERC approval on the use of media not provided for in the regulations.

The Commission has developed submission software to provide for electronic filing of revised Form No. 60 similar to the software used for electronic filing of the Commission's other annual reporting forms, *i.e.*, Form No. 1 and Form No. 2.

In RM06-25-000, issued concurrently with this rule on October 20, 2006, the Commission is providing for electronic filing of the currently-effective FERC Form No. 60, Annual Report of Centralized Service Companies, as adopted in Order No. 667,¹² for the 2006 and 2007 reporting years, to be filed by May 1, 2007 and May 1, 2008, respectively. No changes are being made to data reported in the currently-effective FERC Form No. 60 itself. Centralized service companies began filing FERC Form No. 60 beginning with the 2005 reporting year, due by May 1, 2006.¹³ They filed FERC Form No. 60 in a paper format because, at the time Order No. 667 was issued, the Commission had not developed the form submission software to permit electronic filing.

In RM06-25-000 the Commission amended its regulations to provide for electronic filing of the currently-effective FERC Form No. 60, Annual Report for Centralized Service Companies, for the 2006 and 2007 reporting years, to be filed on May 1, 2007 and May 1, 2008, respectively. No changes are being made to the information reported in FERC Form No. 60 itself. The FERC Form No. 60 submission software will be available for respondents on the Commission's website under eForms [by February 5, 2007](#). No changes are being made to data reported in the currently-effective FERC Form No. 60. However, minor formatting changes were made to facilitate electronic filing. The minor changes include: placing the instructions at the top of each page for each schedule; updating certain schedules so that the data and information is reported in a structured format on the schedule; renumbering certain pages; and

¹² Order No. 667, 70 FR 75592 (Dec. 20, 2005), FERC Stats. & Regs., Regulations Preambles 2001-2005 ¶ 31,197 (2005), [order on reh'g](#), Order No. 667-A, 70 FR 28446 (May 16, 2006), FERC Stats. & Regs. ¶ 31,213 (2006), [order on reh'g](#), Order No. 667-B, 71 FR 42750 (July 28, 2006), FERC Stats. & Regs., ¶ 31,224 (2006).

¹³ The Commission provided centralized service companies in holding company systems exempted by the SEC from the reporting requirements of PUHCA 1935 a transition period for reporting years 2005 and 2006 during which time they need not file FERC Form No. 60. [See](#) 18 CFR 366.23(b).

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updating the General Instructions to clarify that the respondents will be required to use the form submission software to file the form.

Filers of the FERC Form No. 60 will need an identification number to access the form submission software. To obtain an identification number, please email FERC Online Support at ferconlinesupport@ferc.gov and include your name, company name, company address, and phone number. If you will file for more than one company, please include the names of all companies in the email. You will receive an identification number for each company by return email. The identification number is critical for the electronic filing of the FERC Form No. 60. For security reasons, identification numbers will not be given out over the phone. The FERC Form No. 60 filing for the calendar year 2006 must be filed electronically no later than May 1, 2007. Submittals made using any other format or media will not be compliant with Order No. 685.

The Commission will conduct beta testing on the FERC Form No. 60 submission software in early January 2007. FERC Form No. 60 filers wishing to participate in beta testing should email form60_registration@ferc.gov by December 29, 2006, and provide contact information including company name, company address, phone number, and contact person's email address.

4. DESCRIBE EFFORTS TO IDENTIFY DUPLICATION AND SHOW SPECIFICALLY WHY ANY SIMILAR INFORMATION ALREADY AVAILABLE CANNOT BE USED OR MODIFIED FOR USE FOR THE PURPOSE(S) DESCRIBED IN INSTRUCTION NO. 2.

Commission filings and data requirements are periodically reviewed in conjunction with OMB clearance expiration dates. This includes a review of the Commission's regulations and data requirements to identify any duplication. In anticipation of the transfer of reporting and recordkeeping requirements from the SEC, Commission staff reviewed its recordkeeping requirements in 18 CFR Part 125 and found no duplication of the proposed requirements. There are no similar sources of information available that can be used or modified for use for the purpose described in Item A (1.).

During the July 18 technical conference, panelists indicated that service companies were not in all cases strictly following the SEC Uniform System of Accounts, as the SEC allowed, on a case-by-case basis, service companies in registered holding company systems deviated from the SEC's prescribed accounting requirements. As EEI noted in the conference, these inconsistencies created some information that could not be found in other agency reports. In view of the many inconsistencies as to what was reported to the SEC, the Commission made the determination to have uniformity so that regulators were not left in the position of having to

make comparisons between what one company may have filed and what information another company may not have filed.

As the Commission noted in Order No. 667, Section 1272(1) of EPACT 2005 directs the Commission to issue “such regulations as may be necessary or appropriate to implement PUHCA 2005, including section 1264”. In addition, section 1270 of EPACT 2005 states the Commission shall have the same powers as “set forth in Section 306 through 317 of the Federal Power Act to enforce the provisions of PUHCA 2005”. In this regard, the Commission noted that section 309 of the FPA grants the Commission the power to perform any and all acts and to prescribe by order, rule or regulation, as it may find necessary or appropriate to carry out the provisions of the FPA, “the form of all statements, declarations, applications, and reports to be filed with the Commission.”¹⁴ PUHCA 2005 did not specify the manner in which books and records are to be made available to the Commission, and, in the face of statutory silence on this specific issue and the clear statements in sections 1272 and 1270 of EPAct 2005, the Commission finds that Congress has granted the Commission the discretion to prescribe the manner in which these entities are to “make available” their books and records to the Commission and “the form or forms of all statements, declarations, applications, and reports to be filed with the Commission.”

5. METHODS USED TO MINIMIZE BURDEN IN COLLECTION OF INFORMATION INVOLVING SMALL ENTITIES

The information requirements under FERC Form 60 and the FERC-555A records retention requirements apply to jurisdictional entities. Most holding companies to which the rules proposed in the Final Rule would not fall within the RFA’s definition of small entity.¹⁵

6. CONSEQUENCE TO FEDERAL PROGRAM IF COLLECTION WERE CONDUCTED LESS FREQUENTLY

FERC Form 60, the new FERC-61 and the new FERC-555A are required for statutory purposes and cannot be discontinued nor collected less frequently. Instead of adopting SEC

¹⁴ 16 U.S.C. § 825h (2000); accord 15 U.S.C. § 717o (2000).
¹⁵ 5 U.S.C. 601(3)(2000), citing to section 3 of the Small Business Act, 15 U.S.C. 632 (2000). Section 3 of the Small Business Act defines a “small business concern” as a business that is independently owned and operated and that is not dominant in its field of operation. 15 U.S.C. 632 (2000). The Small Business Size Standards component of the North American Industry Classification System (NAICS) defines, for example, a small electric utility as one that, including its affiliates, is primarily engaged in the generation, transmission, and/or distribution of electric energy for sale and whose total electric output for the preceding fiscal year did not exceed four million MWh. NAICS defines a natural gas pipeline company as one that transports natural gas and whose annual receipts (total income plus cost of goods sold) did not exceed \$6.5 million dollars for the preceding year. 13 CFR 121.201.

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Form U-13-60, FERC proposed streamlined reporting requirements in FERC Form 60 when it was issued thereby streamlining the requirements on respondents.

7. EXPLAIN ANY SPECIAL CIRCUMSTANCES RELATING TO THE INFORMATION COLLECTION

The Commission assumed responsibility for the reporting requirements formerly with the SEC and streamlined those requirements by creating a new information collection that is in conformance with OMB's regulations at 5 CFR 1320.5. The Commission in this Final Rule is proposing recordkeeping requirements to supplement its current requirements. The recordkeeping requirements are based on the Commission's regulations in 18 CFR Parts 125 and 225. As noted in item no. 3 of this submission, these requirements were reviewed and where applicable the retention periods were reduced.

8. DESCRIBE EFFORTS TO CONSULT OUTSIDE THE AGENCY: SUMMARIZE PUBLIC COMMENTS AND THE AGENCY'S RESPONSE TO THESE COMMENTS

The Commission's procedures require that the rulemaking notice be published in the Federal Register, thereby allowing all public utilities, state commissions, federal agencies, and other interested parties an opportunity to submit comments, or suggestions concerning the proposal. The rulemaking procedures also allow for public conferences to be held as required. Comments are due 30 days from publication in the Federal Register.

As directed by the Commission in the NOPR, the Commission staff held a technical conference on July 18, 2006, to provide interested persons an opportunity to discuss the regulations proposed in the NOPR. At the conclusion of the technical conference, staff announced that the record in this docket would remain open until August 8, 2006, to provide interested persons additional time to submit specific recommendations on how the Commission's proposed regulations could be modified to accommodate their concerns.

In general, the National Association of Regulatory Utility Commissioners (NARUC), the American Public Power Association (APPA), the Florida Municipal Power Authority (FMPA), and National Rural Electric Cooperative Association (NRECA) supported the NOPR while Edison Electric Institute (EEI) and individual service companies opposed the NOPR.

Adoption of the Proposed Uniform System of Accounts

The Commission proposed to adopt a new USofA for Centralized Service Companies that generally mirrors the Commission's existing USofA for public utilities and licensees and for

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natural gas companies, with certain modifications to reflect the unique business characteristics of centralized service companies.

Several industry commenters urged the Commission to allow centralized service companies to continue to use their existing systems of accounts.¹⁶ These commenters contend that centralized service companies should not be required to adopt the USofA as proposed in the NOPR. EEI, First Energy, and XES also argued that centralized service companies should be permitted to continue to maintain their financial records in conformance with Generally Accepted Accounting Principles (GAAP) and Sarbanes-Oxley requirements.¹⁷

EEI argued that, to the extent there is some detail the Commission does not currently have, but wants to obtain, rather than requiring centralized service companies to restructure their accounting systems, the Commission could simply add items to FERC Form No. 60 to obtain that information.¹⁸

Progress Energy contends that instituting reporting requirements that are more complicated and time-consuming runs counter to the spirit that prompted the repeal of PUHCA 1935.¹⁹

PSEG Companies maintained that the Commission has substantially underestimated the costs of complying with the NOPR and that it failed to balance the costs associated with implementing the NOPR against the benefits expected to result from implementation.²⁰ PSEG Companies state that the proposals in the NOPR, if adopted, would impose more regulatory burdens than was required under PUHCA 1935. They stated this would be inconsistent with the intent of Congress. PSEG Companies expressed their concern that the increased cost of compliance will be much higher than the Commission has estimated and that the benefits of the rule are non-existent and may be counter-productive.²¹ PSEG Companies requested the Commission to withdraw the requirement that the centralized service companies must adopt the USofA, or, at a minimum, modify the NOPR in such a manner that provides net public benefits.²²

XES claimed that conversion to the new USofA proposed by the Commission would be

16 EEI at 19-20; FirstEnergy Service Company (FirstEnergy) Supplemental Comments at 2; Pepco Holdings, Inc. and PHI Service Company (PHI Companies) jointly-filed Supplemental Comments at 4-5; Progress Energy, Inc. (Progress Energy) at 2; Public Service Enterprise Group Incorporated (PSEG Companies) at 9-10; Xcel Energy Services, Inc. (XES) at 2-3.

17 EEI at 20-21; FirstEnergy Supplemental Comments at 2; XES at 2-3.

18 EEI at 18.

19 Progress Energy at 3.

20 PSEG Companies at 3.

21 *Id.* at 6-7.

22 *Id.* at 12.

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expensive and time consuming, and is unnecessary because the current accounts and accounting systems comply with SEC's requirements and state regulations. Additionally, XES asserted that it does not foresee any additional benefit to federal and state regulatory agencies by conversion to the USofA proposed by the Commission.²³

Southern Company Services and Southern Nuclear Operating Company (Southern) stated that the accounting and work order systems now in place allow the public utility company receiving service company billings to report these expenses using the USofA. They stated, further, that the Commission's proposal for the centralized service companies to use a modified USofA does nothing to enhance that process. They suggest that, if the Commission concludes there must be a conversion to its USofA, there must be flexibility.²⁴ In their supplemental comments, Southern noted that the Commission receives detailed FERC Form No. 1 information from all public utility companies, which is where the service company charges are ultimately placed in the appropriate USofA classification.²⁵

Some commenters expressed their belief that compliance with existing reporting requirements, including GAAP and SEC requirements, along with the Sarbanes-Oxley and state regulatory requirements, will provide adequate information in sufficient detail to ensure transparency and facilitate review of centralized service company charges.²⁶ XES added, further, that existing federal and state requirements ensure the accuracy of records and the adequacy of internal accounting controls.²⁷ As such, these commenters believe the Commission's proposal to adopt the proposed conversion to a USofA is unnecessary.²⁸

Conversely, APPA supports the Commission's effort to develop a comprehensive chart of accounts for centralized service companies. APPA believes that the Commission generally has done an admirable and workmanlike job of developing a comprehensive chart of accounts for centralized service companies. APPA stated that such companies are likely to perform many operations and maintenance services for their public utility affiliates. The costs of these functions should be recorded and accounted for in the same way, regardless of exactly what entity performs them. APPA reported that some of its members that have had to deal with allocations of costs from centralized service companies to their public utility affiliates in the past have reported that accounting for such service company costs was often vague and opaque, recorded in accounts such as "Administrative and General." According to APPA, these accounts could lead to improper allocation of such costs to utility customers. The new chart of accounts should be of material assistance in this regard. Indeed, APPA stated that the

²³ XES at 3-4.

²⁴ Southern at 1.

²⁵ Southern Supplemental Comments at 1.

²⁶ EEI at 17-19; Progress Energy at 2; PSEG Companies at 9-10; XES at 3-4.

²⁷ XES at 3.

²⁸ EEI at 23; XES at 3.

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Commission should make clear its intent to use the greater transparency achieved by the proposed service company accounting requirements to protect ratepayers from the pass-through of improper service company costs—*i.e.*, costs that would not be chargeable to ratepayers consistent with Commission policy if incurred at the operating company level.²⁹

NRECA shared APPA's comments and concerns, and urged the Commission to adopt regulations ensuring just and reasonable rates by prohibiting the pass-through of improper service company costs to jurisdictional public utilities.³⁰

FMPA supported the NOPR and complimented the Commission on the proposed standards, accounting requirements, and new accounts for centralized service companies. FMPA states that the rule provides long-needed transparency and consistency for centralized service companies' accounting. FMPA is of the view that the current method is broken, and there would not have been a need for a staff technical conference on this topic if it were otherwise. FMPA states that the current accounting method undermines the Commission's ability to insure just and reasonable rates and, that without the proposed reforms, the problem will only get worse. FMPA points out that with consolidation and mergers likely to follow the PUHCA repeal, inadequacies in the current accounting systems will face increasing stress leading to consumer harm. FMPA adds that there is growing reliance on formula rates at the Commission that heightens the need for greater transparency and consistency which also aids in their ability to audit and intervene in rate cases. FMPA stated that the new USofA should facilitate scrutiny of costs passed through to customers, particularly as they need proper functionalization of costs under formula rates. FMPA indicated that there are centralized service companies that they deal with and have extreme difficulty getting the information needed to see the transparency. FMPA indicates also that, when they do get access to the information, it is very time consuming to ferret out, purge and find the information needed because there is not consistency of accounting between utilities. FMPA cautioned that the Commission should not be swayed by the GAAP argument. FMPA states that financial reporting under GAAP is oriented toward investors, and that it does not provide sufficient regulatory scrutiny to protect the wholesale and retail ratepayers or to prevent cross-subsidization. FMPA asked that the Commission not water down the NOPR because it would only undermine the transparency and consistency that is needed.³¹

NARUC and the Wisconsin Commission stated that service company costs are an important piece to the ratemaking responsibilities at the state regulatory level. They stated that, typically, costs originating at the service company make up a large and increasing percentage of the operating expenses of the regulated utilities. They pointed out that, as affiliated companies,

²⁹ APPA at 5.

³⁰ NRECA Supplemental Comments at 2.

³¹ See Technical Conference Tr. 111-115 (Mr. Steven Ruppel).

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these transactions are not made on an arms-length basis and, therefore, require additional controls. Therefore, NARUC supports the Commission's effort in attempting to increase transparency in bringing uniformity of these costs.³²

Commission Determination

The Commission concludes that a structured USofA as proposed under new Part 367 of the Commission's regulations is necessary to ensure consistency across the centralized service companies and, equally important, to ensure the Commission has the information necessary to carry out its obligations under PUHCA 2005, the Federal Power Act (FPA), and the Natural Gas Act (NGA).³³ In reaching this conclusion, the Commission is mindful that one of Congress' goals in repealing PUHCA 1935 was to reduce the regulatory burden on holding companies. The Commission, nevertheless, finds that the absence of a structured USofA would impede the Commission's ability to carry out the new regulatory responsibilities imposed by Congress when it adopted PUHCA 2005. Without a structured USofA, the Commission would not have adequate information to be able to ensure just and reasonable jurisdictional rates, discern potential or actual cross-subsidization, or be able to approve cost allocations between holding company affiliates.

Although GAAP and the SEC's accounting rules may be sufficient for some purposes, they alone are not sufficient for fulfilling the Commission's new regulatory responsibilities under PUHCA 2005. In order to carry out its regulatory responsibilities, the Commission needs accounting information that is more "granular," *i.e.*, more detailed, than what is required under GAAP. For example, reporting a single figure for total operation and maintenance expense on an income statement would satisfy GAAP requirements. However, the Commission needs information, among other things, about how much was spent on operations compared to maintenance, how much was spent on transmission compared to distribution, and what one company spent on an activity compared to another for that same activity in order to ensure, for example, just and reasonable jurisdictional rates.

Although flexibility in accounting rules may have enabled the SEC to meet its regulatory responsibilities, such flexibility will not allow the Commission to accomplish its regulatory mandate to ensure just and reasonable rates. There are hundreds of entities subject to the Commission's jurisdiction. The only way the Commission can efficiently carry out this mandate is by requiring these entities to account for transactions in a structured and uniform manner. That is why the Commission adopted and still maintains USofAs for public utilities and licensees and for natural gas companies. A structured USofA for centralized service

³² See Technical Conference Tr. 90 (Mr. Thomas Ferris).

³³ 42 U.S.C. 16451 *et seq.*; 16 U.S.C. 824 *et seq.*; 15 U.S.C. 717 *et seq.*

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companies is an equally essential tool that the Commission needs to carry out its regulatory responsibilities.

Upon further consideration, however, the Commission finds that the USofA proposed in the NOPR for centralized service companies may include some requirements that, in retrospect, may not be needed. Therefore, consistent with the overall objective of not imposing unnecessarily burdensome regulatory requirements under PUHCA 2005, the Commission is adopting the following modifications suggested by the commenters to the proposed USofA to reduce that burden, as discussed below.

Implementation Date

The NOPR proposed to require holding companies and service companies to implement the new accounting, records retention, and reporting requirements on January 1, 2007.

Several commenters argued that the January 1, 2007 implementation date does not allow sufficient time to implement the Final Rule.³⁴ They argued that compliance with the Final Rule, if adopted as proposed, would require time, man hours and company resources to implement software changes, train personnel, to update Sarbanes-Oxley controls, and to receive sign off from internal and external auditors. In addition, Progress Energy argued that reengineering of company processes, procedures and software, remapping of thousands of projects to new Commission accounts, and testing and auditing (internal and external) of revised systems would take many months to ensure error-free implementation.³⁵ The commenters suggest, therefore, that the Commission defer compliance with the Final Rule until January 1, 2008. According to commenters, this deferral also would provide time to issue a Final Rule and an order on rehearing. NARUC and other state commissions had no objections to extension of the implementation date as long as there was no gap between the SEC's regulations and implementation of the Commission's regulations.³⁶

Commission Determination

The Commission agrees with the commenters, and will move the implementation date of the Final Rule from January 1, 2007 to January 1, 2008. As a result, the revised FERC Form No. 60 prescribed in this Final Rule will first be due on May 1, 2009 (reporting data for the

³⁴ EEI at 45-48; XES, at 5; Southern at 2; Progress Energy at 12; National Grid USA (National Grid) at 14-15; NiSource Inc. (NiSource) Supplemental Comments at 3; FirstEnergy Supplemental Comments at 4; PHI Companies Supplemental Comments at 5-6.

³⁵ Progress Energy at 12.

³⁶ See Technical Conference Tr. 97-98 (Mr. Thomas Ferris); Technical Conference Tr. 101 (Mr. Joseph Buckley); Technical Conference Tr. 109 (Mr. James Mitchell).

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2008 reporting year).³⁷ This change will provide companies sufficient time to implement software changes, train personnel, update Sarbanes-Oxley controls, and receive sign off from internal and external auditors. The change in implementation date will reduce the burden and cost to service companies impacted by the Final Rule. Additionally, the Commission will extend the transition periods for holding companies and service companies to comply with the Commission's accounting and recordkeeping requirements.³⁸

FERC Form No. 60 Filing Deadline

In the NOPR, the Commission proposed to change the filing deadline for the FERC Form No. 60 from May 1 to April 18. The proposed April 18 filing date is consistent with the filing date for most of the Commission's other annual report forms that contain financial information.

EI proposed that the Commission retain the current FERC Form No. 60 filing deadline of May 1 because companies have a number of financial reporting requirements with spring due dates affecting the same staff. EI claims accelerating the filing date to April 18 would increase the cost of compliance, and increase company staffing needs.

Commission Determination

The Commission will retain the current FERC Form No. 60 filing date of May 1. Retention of the May 1 date will minimize the burden on service companies that may also be responsible for filing FERC Form Nos. 1, 2 or 6 on behalf of regulated public utility companies and licensees, natural gas pipelines, or oil pipelines. The Commission will also make submission software available to companies, allowing for electronic filing of the revised FERC Form No. 60 for the 2008 reporting year and subsequent reporting years, similar to the submission software used for electronic filing of Form Nos. 1, 2, 2-A, 3-Q, 6, and 6-Q.³⁹

³⁷ The currently effective FERC Form No. 60 due on May 1, 2007 and May 1, 2008 will be the FERC Form No. 60 adopted in Order Nos. 667, 667-A and 667-B. See Repeal of the Public Utility Holding Company Act of 1935 and Enactment of the Public Utility Holding Company Act of 2005, Order No. 667, 70 FR 75592 (December 20, 2005), FERC Stats. & Regs. ¶ 31,197 (2005), order on reh'g, Order No. 667-A, 71 FR 28446 (May 16, 2006), FERC Stats. & Regs. ¶ 31,213 (2006), order on reh'g, Order No. 667-B, 71 FR 42750 (July 28, 2006), FERC Stats. & Regs. ¶ 31,224 (2006).

³⁸ In Order No. 667, the Commission established transition periods for holding companies formerly "registered" under PUHCA 1935 to comply with the Commission's record retention requirements, and for service companies in such holding company systems to comply with the Commission's accounting, records retention, and reporting requirements. See 18 CFR 366.21(b), 366.22(a)(2), 366.22(b)(2) and 366.23(b).

³⁹ The Commission notes that, contemporaneously with this Final Rule, it is issuing, in Docket No. RM06-25-000, a Final Rule providing for the electronic filing of the currently-effective FERC Form No. 60 for 2006 and 2007 reporting years, to be filed on May 1, 2007 and May 1, 2008, respectively.

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Section 367.2 – Companies for which this system of accounts is prescribed

The Commission proposed that the USofA apply to any centralized service company operating, or organized specifically to operate, within a holding company system for the purpose of providing non-power services to any public utility in the same holding company system. However, the Commission also proposed to continue the existing SEC exemptions from the USofA, including: special-purpose service companies, electric or gas utility companies, companies primarily engaged in the production of goods, and service companies that provide services exclusively to a local gas distribution company.

NARUC stated that § 367.2 does not adequately ensure the existence of proper controls in the event of certain possible organization changes. For example, NARUC explained that, in the event that a service company is eliminated, the utility may transfer relevant service company functions to the holding company, a utility within the holding company, or another company within the holding company system. NARUC claims there is a risk that such transfers will result in the elimination of needed accounting controls relating to these functions, because under the proposed rules holding companies and special purpose companies would not be required to comply with the new USofA. NARUC argued that, in order to assure all service companies that provide goods and services to utilities are subject to proper controls, § 367.2 should be revised to (1) eliminate the special purpose service company exemption; (2) clarify that the new USofA applies to the entity that performs service company functions, even if it is a holding company or a company providing electric or gas utility services; and (3) prohibit service company functions from being transferred to a utility in the holding company system. NARUC stated that, in the absence of such modifications the purpose of the Commission's proposed regulations may be thwarted.⁴⁰

Certain commenters, on the other hand, argued that the Commission should maintain its requirement that the new recordkeeping and reporting requirements apply to centralized service companies only.⁴¹ EEI stated that parent holding companies and their subsidiaries may own a variety of assets and undertake a variety of activities. Thus, EEI argued, if the Commission were to extend the requirements beyond centralized service companies, the Commission would need to address a variety of potential scenarios in order to define the circumstances in which the requirements would apply to other companies – which would complicate and increase the accounting and recordkeeping burden.⁴² EEI also argued that the Commission should not adopt requests to impose constraints on whether and how holding companies establish service companies to provide services to their subsidiaries. EEI stated that neither the FPA nor PUHCA

⁴⁰ NARUC at 3-5.

⁴¹ EEI at 38; EEI Supplemental Comments at 19; CMS Energy Corporation and Consumers Energy Company (CMS Energy) Supplemental Comments at 3.

⁴² EEI Supplemental Comments at 21-22.

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2005 gives the Commission authority to regulate holding company structure and operations in such a manner. Additionally, EEI urged the Commission to adopt a new definition for centralized service companies that would limit application of the Final Rule's accounting and reporting requirements to service companies, and to preclude holding companies from being classified as service companies. EEI also suggested the Commission specify that only Parts 367 and 368 apply to service companies.⁴³

For its part, CMS Energy argued that the Commission already has put into place the ability to monitor and respond to any concentration of utility functions within special purpose companies through the FERC-65/⁴⁴ and FERC-61/⁴⁵ reporting requirements established in Order No. 667.⁴⁶ CMS Energy states these reporting requirements require identification of special purpose service companies and annual reporting on the functions of each special purpose company. CMS Energy added that special purpose service companies have a simpler, smaller, more focused nature and the FERC-65 and FERC-61 reporting requirements are well suited to monitor them, without imposing the USofA and FERC Form No. 60 requirements.⁴⁷

Commission Determination

The Commission has decided that the USofA it is adopting herein will apply to centralized service companies only, consistent with Order No. 667.⁴⁸ The Commission agrees with EEI that extending the requirements beyond centralized service companies would be a difficult definitional exercise that could lead to unnecessary regulatory uncertainty. While the Commission shares NARUC's concerns that holding company systems could potentially circumvent the Commission's accounting and reporting requirements for centralized service companies, the Commission does not believe NARUC's recommendations are the best way to address the potential issue. At this time it is preferable to monitor developments in the industry and assess whether the instructions the Commission adopts lead to circumvention of its rules. If centralized service companies begin to decentralize their service functions in an effort to circumvent the Commission's accounting and reporting regulations, the Commission will take the necessary actions to ensure the Commission has the information necessary to carryout its obligations under PUCHA 2005, the FPA, and the NGA. The Commission also will not impose restrictions on holding company systems which prevent centralized service company functions

43 EEI Supplemental Comments at 20.

44 Holding companies that meet the definition of a holding company as defined by § 366.1 must notify the Commission of this status by submitting FERC-65. See 18 CFR 366.4(a).

45 Every service company in a holding company system, including a special-purpose company, which does not file a FERC Form No. 60 must instead file a narrative description of the service company's function during the prior calendar year. See 18 CFR 366.23(a)(2).

46 *Supra* note 5.

47 CMS Energy Supplemental Comments at 8.

48 See Order No. 667 at P 38.

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from being transferred to other companies in the same holding company system. Such restrictions are outside the Commission's statutory authority under the PUCHA 2005, the FPA, and the NGA.

The Commission also clarifies that holding companies are not subject to the rules of this USofA, and the Commission will amend the instructions to § 367.2 to provide for this exemption. Further, the Commission will adopt in § 367.1(a) of the regulations a definition for the term "centralized service company" based on its discussions in Order No. 667.⁴⁹

Departmental Analysis of Salaries Schedule; Methods of Allocation Schedule; and Organizational Chart Schedule

The proposed Departmental Analysis of Salaries Schedule reports the amount of service company salaries billed by department or service function to the parent holding company, associate companies, and non-associate companies and the number of employees. The Methods of Allocation Schedule reports the allocation factors used to allocate indirect costs to each associate company. The Organizational Chart schedule reports how the service company is organized.

EEI stated these schedules involve what it considers organizational reporting and recommends eliminating the schedules because adequate oversight can be accomplished without this level of detail, and accurate comparisons between companies would be very difficult.⁵⁰ If the Methods of Allocation schedule is retained, EEI requested the Commission continue its current practice of allowing companies to list their allocation methods, as they currently do in the FERC Form No. 60, rather than having to elaborate on the methods in the form. EEI indicated companies should not be required to key voluminous formulas, by service rendered, into the automated reporting application.⁵¹

Southern does not see the benefit to the Commission of providing a current Organizational Chart in the FERC Form No. 60 and proposed that this requirement be eliminated. Southern argued it is not required for FERC Form No. 1.⁵²

Commission Determination

The Commission will eliminate the Departmental Analysis of Salaries Schedule. Consistent with its decision to eliminate Schedule XVII, departmental or functional categories,

⁴⁹ See Order No. 667 at P 37.

⁵⁰ EEI at 30.

⁵¹ EEI at 31.

⁵² Southern at 3.

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they are difficult to compare and because they are not standardized. If needed, the information can be obtained from centralized service companies on a case-by-case basis.

The Commission will retain the Methods of Allocation schedule, however, because that is the only means readily available to determine how indirect costs are being allocated to services provided. The current schedule has no instructions and Staff's review of 2005 FERC Form No. 60s indicated poor reporting. The main purpose of the schedule is to disclose what allocation ratios are used and what numerator and denominator were used to create the ratio. We are revising the instruction, accordingly.

The Commission will also continue to require submission of an Organization Chart in the FERC Form No. 60 as proposed. An Organization Chart provides basic information about the hierarchical structure of the service company. It provides useful information to the Commission about how the centralized service company deploys its resources and the relationship between organizational departments within the centralized service company and the allocation of costs to services, functions and projects. The Commission recognizes the FERC Form No. 1 does not require an Organization Chart. However, the Commission needs to know the organizational structure of a centralized service company is greater as opposed to the organizational structure of an electric utility company.

Records Retention Requirements

Order No. 667 required all holding companies and all service companies, which were not granted a waiver or otherwise exempted by the Commission, to follow the Commission's records retention requirements in Parts 125 and 225. The NOPR proposed to establish, as new Part 368 of the Commission's regulations, records retention requirements for all holding companies and all service companies. The records retention requirements proposed were based on the requirements contained in §§ 125.3 and 225.3 of the Commission's regulations,⁵³ with certain modifications considered appropriate for holding companies and service companies.

EI noted that the NOPR is unclear as to whether a holding company that also is a public utility would be subject to both the Commission's holding company and public utility records retention requirements. EI requested that the Commission specify that only one set of records retention requirements apply and allow the company involved to select the most appropriate set to apply. Furthermore, if the holding company is already following the public utility records retention requirements, it should be able to continue to do so without also having to follow the new holding company records retention requirements.⁵⁴

⁵³ See 18 CFR §§ 125.3 and 225.3.

⁵⁴ EI at 39.

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NARUC requested that the records retention general instruction at § 368.2(g) be amended to include the requirement for companies to file a copy of a certified statement of records prematurely lost or destroyed with state commissions to facilitate the state commissions' ability to monitor the activities of service companies.⁵⁵

Southern requested that the records retention requirements be better tailored for a service company. Specifically, Southern proposed that the retention period for accumulated depreciation records should be reduced because the majority of service company property has useful lives significantly less than the 25-year retention period proposed in the NOPR.⁵⁶

Commission Determination

The records retention requirements originally proposed, and as adopted here, generally are based on the requirements contained in Parts 125 and 225 of the Commission's regulations,⁵⁷ with certain minor modifications appropriate for holding companies and service companies. As a result, most retention periods proposed for holding companies and service companies are identical to the retention periods required for public utilities and licensees and natural gas pipelines. Additionally, the general instructions for Parts 125 and 225 and proposed § 368.2(a)(5) make clear that "To the extent that any Commission regulations may provide for a different records retention period, the records must be retained for the longer of the retention periods." If a holding company that is also a public utility has a conflict between the retention period specified for a public utility and the retention period specified for a holding company, the longer of the retention periods must be observed. Therefore, the Commission does not believe it is appropriate to specify that only one set of records retention requirements apply.

The Commission denies NARUC's request to amend the records retention instruction at § 368.2(g) to include a requirement for companies to file a copy of a certified statement of records prematurely lost or destroyed with state commissions. The Commission does not believe it is necessary for the Commission to establish filing requirements for state commissions. All filings of this nature are docketed by the Commission and can be viewed electronically by all interested parties. Accordingly, state commissions will be able to monitor the report of prematurely lost or destroyed records without imposing an additional reporting burden on companies. The Commission notes that this is the same treatment applied to public utilities, licensees, and natural gas companies under the Commission's regulations in Parts 125 and 225.

⁵⁵ NARUC at 12.

⁵⁶ Southern at 6.

⁵⁷ See 18 CFR 125.2(a)(3) and 225.2(a)(3).

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The Commission agrees with Southern's observation related to holding and service company property, and will tailor the schedule of records retention periods. Specifically, we will reduce the retention period for accumulated depreciation records reflecting the service life of property at § 368.3 – Item 24, Records of accumulated provisions for depreciation and depletion from 25 years to 3 years after retirement or disposition of property.

FERC Form No. 60

Use of GAAP Financial Statement instead of Structured FERC

Form No. 60

The Commission proposed a structured reporting format in proposed FERC Form No. 60 in the NOPR. Under the structured format, a centralized service company must report in specified data fields the financial information called for in the report.

Comments

In its supplemental comments, in contrast to its initial comments,⁵⁸ EEI suggested the FERC Form No. 60 be based on the original FERC Form No. 60 set out in the Commission's December 8, 2005 Order No. 667 Final Rule (December 2005 FERC Form No. 60), with additional changes EEI requested to streamline the form. EEI believes a streamlined version of the December 2005 FERC Form No. 60, together with data the Commission receives directly from public utilities and the Commission's new FPA section 203 regulations,⁵⁹ should suffice to enable the Commission to perform its regulatory responsibilities.⁶⁰ In its supplemental comments, EEI further encouraged the Commission to work with a streamlined version of the December 2005 FERC Form No. 60 with changes EEI has requested to further streamline the Form.⁶¹ Southern, PHI Companies, and FirstEnergy support EEI's comments that the FERC Form No. 60 be a streamlined version of the December 2005 FERC Form No. 60. These commenters, together with EEI, believe this streamlined FERC Form No. 60 provides the transparency and uniformity that the Commission desires without imposing undue burden. However, Southern also suggests that the Commission should allow companies the option of submitting their audited GAAP financial statements instead of FERC Form No. 60.⁶²

⁵⁸ In its initial comments to the NOPR, EEI proposed the Commission rely on information provided in the SEC Forms 10-K and 10-Q supplemented by selected additional information the Commission may need instead of the new FERC Form No. 60.

⁵⁹ See 18 CFR part 33.

⁶⁰ EEI Supplemental Comments at 2.

⁶¹ *Id.*

⁶² Southern at 2.

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Conversely, APPA thinks that the revised FERC Form No. 60 will be very useful in auditing and understanding centralized service company cost allocations to public utility operating companies.⁶³

Commission Determination

The December 2005 FERC Form No. 60 is essentially the SEC's old Form U13-60 for service companies with certain streamlining changes adopted in Order No. 667. The December 2005 FERC Form No. 60, like the old SEC Form U13-60, is a non-structured reporting format that permits filers wide latitude and flexibility in how they report required financial information. While the Commission understands the centralized service companies' desire to have flexibility in reporting, the Commission believes that it is necessary to have a structured reporting system. A structured report format results in disclosure and display of predetermined financial information in a uniform manner by all centralized service companies. This promotes comparability of the data not only between entities but also between accounts prescribed. Increasing the comparability of the data makes the information inherently more useful. Moreover, a structured report format allows for the creation of a financial data base that can be used for more complex and sophisticated analysis of the information. These items are important to allow the Commission to perform its duties. It also will facilitate electronic submission using Commission-supplied software. This system will help ensure the integrity of the data and make completing the FERC Form No. 60 easier.

In response to Southern's suggestion, the Commission does not believe that audited GAAP financial statements would be sufficient for carrying out the Commission's regulatory responsibilities. GAAP financial statements are prepared primarily for investors, and do not provide information in enough detail to ensure that jurisdictional rates charged are just and reasonable or to review cost allocations under section 1275 of PUHCA 2005⁶⁴ if called upon to do so. Therefore, the Commission will not modify the proposed requirement for a structured FERC Form No. 60.

9. EXPLAIN ANY PAYMENT OR GIFTS TO RESPONDENTS

There are no payments or gifts to respondents in the requirements contained in the proposed rule.

10. DESCRIBE ANY ASSURANCE OF CONFIDENTIALITY PROVIDED TO RESPONDENTS

⁶³ APPA at 3.

⁶⁴ *Supra* note 5.

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Section 1264(d) of EPACT 2005 forbids any member, officer, or employee of the Commission from divulging any fact or information that has come to his or her knowledge during the course of the examination of books and records, except as directed by FERC or a court of competent jurisdiction. In addition, there are comparable confidentiality provisions in section 301(b) of the FPA (16 U.S.C. §825) and in the NGA at section 8(b) (15 U.S.C. § 717g).

The Commission’s procedures in section 388.112 provide that any person submitting a document to FERC may request privilege treatment of some or all of the information contained in a particular document and is exempt from the public disclosure requirements of the Freedom of Information Act, 5 U.S.C. 552 and should be withheld from public disclosure.

11. PROVIDE ADDITIONAL JUSTIFICATION FOR ANY QUESTIONS OF A SENSITIVE NATURE

There are no questions of a sensitive nature associated with the reporting and recordkeeping requirements proposed in the subject Final Rule.

12. ESTIMATED BURDEN COLLECTION OF INFORMATION

DATA REQUIREMENT (FORM Form 60)	CURRENT OMB INVENTORY*	PROPOSED IN NOPR	PROPOSED N FINAL	NEW OMB INVENTORY#
Estimated number of respondents :	65	38	38	103
Estimated number of responses per respondent:	1	1	0	1
Estimated number of responses per year :	65	38	38	103
Estimated number of hours per response :	8	10	75	32.72
Total estimated burden (hours per year) :	520	380	2,850	3,370
Program change in industry burden hours : 900		+ 2,850		
Adjustment change in industry burden hours :		-0-		

*OMB Inventory as of 7/31/06

RECORDKEEPING REQUIREMENT (FERC-555A)	CURRENT OMB INVENTORY	PROPOSED IN NOPR	PROPOSED IN FINAL	NEW OMB INVENTORY#
Estimated number of respondents :	0	300	300	300
Estimated number of responses per respondent:	0	1	1	1
Estimated number of responses per year :	0	300	300	300
Estimated number of hours per response :	0	1,080	1,080	1,080
Total estimated burden (hours per year) :	0	324,000	324,000	324,000
Program change in industry burden hours :		+ 324,000		
Adjustment change in industry burden hours :		-0-		

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Total annual hours for the information collections in the proposed rule = +327,371 hours (an additional 326,851 hours to OMB's current inventory of 520 hours).

FERC-61. As noted above, the Commission is also requesting a place holder of 1 hour to cover those entities service companies in a holding company system (including special purpose companies) that are currently exempt or granted a waiver of Commission's regulations and therefore would not have to file FERC Form 60. Instead, they will be required to file on an annual basis a narrative description of the service company's functions during the prior calendar year. These entities will file with the Commission by May 1, 2008 and by May 1 for each successive year, a narrative description (FERC-61) of the service company's functions during the prior calendar year. In complying with this section, a holding company may make a single filing on behalf of all of its service company subsidiaries. The Commission will revise its estimates once these filings are made with the Commission.

Reasons for Increase:

Additional Entities: In Order No. 667 required that, unless otherwise exempted by Commission rule or order, holding companies and service companies must maintain and make available to the Commission their books and records. In addition, Order No. 667 allowed holding companies and service companies that did not currently follow the Commission's records retention requirements to transition to the Commission's requirements by January 1, 2007. Order No. 667 further provided that holding companies would not be required to comply with a Uniform System of Accounts, but that centralized service companies would be required to do so as of January 1, 2007. The Commission indicated in Order No. 667 that it would initiate a separate rulemaking proceeding to address how the Commission's Uniform Systems of Accounts and records retention requirements in Parts 101, 125, 201 and 225 of its regulations should be modified to adopt or otherwise integrate the relevant parts of the SEC's Uniform System of Accounts and records retention rules. The Commission indicated that it intended to issue a final rule on any appropriate accounting and records retention requirements modifications before January 1, 2007, so that service companies would be able to transition to the Commission's Uniform System of Accounts and records retention requirements and so that holding companies could transition to the Commission's records retention requirements, by that date. This final rule responds to that directive and reflects the addition of service companies (38) who must now comply with the Uniform System of Accounts and records retention requirements in Parts 101, 125, 201 and 225 of the Commission's regulations.

Additional Burden: The Commission sought comments on both the burden estimates and corresponding costs. It should be noted that the Commission's initial estimates were based on its review of the SEC's burden estimates and its first year of experience in implementing the FERC Form No. 60 reporting requirement. The Commission received one comment specifically addressing the burden estimate for completing the revised FERC Form No. 60. The commenter,

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Southern, provided an estimate for completion of the revised FERC Form No. 60 prior to the Commission's adoption of the requirements as contained in the Final Rule. The Commission notes that Southern has significant operations, and it is to be expected that its estimates would exceed the average projected by the Commission. Otherwise, the majority of the commenters, while not providing specific comments on the estimates, in general opposed the Commission's proposal of establishing new accounting and reporting requirements for centralized service companies. These objections were also repeated in the staff technical conference where some participants stated that the NOPR's proposed requirements would be burdensome and costly to implement as changes would have to be made to their accounting systems. The Commission did not receive any specific comments concerning the estimates for the recordkeeping requirements. However, in view of Southern's comments and the general comments of others, the Commission reevaluated its initial burden estimates as reflected in the final rule.

13. ESTIMATE OF TOTAL ANNUAL COST OF BURDEN TO RESPONDENTS

When FERC Form 60 was implemented in Order No. 667, the Commission estimated that the costs would be \$1,497,600 (3 staff @ \$120 per hour). To that the Commission is proposing impose additional requirements in this Final Rule for an additional cost of \$1,026,000 for a total of \$2,523,600. (The initial costs included costs for legal, technical and support staff).

These additional requirements to Form 60 include:

- (1) General Instruction No. II is added to indicate that amounts should be reported in whole dollars. The current Form No. 60 instruction allows reporting in whole dollars, thousands of dollars and millions of dollars. This revision is necessary for consistency.
- (2) A Corporate Officer Certification has been added the same as for Forms 1 and 2.
- (3) Schedule I, Comparative Balance Sheet, was revised to include the balance sheet accounts as adopted in the Final Rule.
- (4) Schedule II, Service Company Property, was revised to require centralized companies provide information about construction projects.
- (5) Schedule IV, Investments –provide detailed information on service company investments in associate companies and temporary cash investments.
- (6) Schedule VI, Fuel Stock Expenses Undistributed- centralized service companies are required to report labor and expenses incurred during the year with respect to fuel stock and the amounts attributable to each associate company.
- (7) Schedule X, Research, Development or Demonstration Expenses- description of all research, development and demonstration projects engaged in by the centralized and by the related costs incurred during the year.
- (8) Schedule XI, Proprietary Capital, discloses common and preferred stock shares authorized, outstanding, par or stated value and revised to include a statement of

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- retained earnings.
- (7) Schedule XV, Comparative Income Statement, was revised to include the income statement accounts adopted in the Final Rule including revenues, expenses, gains and losses for current and prior year by account.
 - (8) Schedule, Analysis of Billing Associate Companies - Account 457, was revised to only include associate utility companies. This is consistent with proposed Account 457.
 - (9) Schedule, Analysis of Billing Non-associate Companies - Account 458, was revised to only include non-associate utility companies. This is consistent with proposed Account 458.
 - (10) Schedule XVI - Analysis of Charges for Service - Associate and Non-associate Companies, was revised to reflect the breakdown of associate company vs. non associate company expense separation as proposed for Accounts 457, and 458.
 - (11) Schedule XVII, Expense Distribution by Department or Service Function, is revised by adding all income statement accounts.
 - (12) Departmental Analysis of Salaries Schedule: Methods of Allocation Schedule and Organizational Chart Schedule-reports the amount of service company salaries billed by department or service function to the parent holding company, associate companies, non-associate companies and the number of employees. The Methods of Allocation Schedule reports the allocation factors used to allocate indirect costs to each associate company.

Because FERC Form 60 is already in place, the Commission estimates that to implement the changes will only require technical and support staff (3) @40 an hour).

FERC-555A = The Commission projects an annualized average cost of all respondents as 324,000 hours at \$68 an hour (\$17 an hour, an average of 4 staff) = \$22,032,000 (staffing) + \$6,696,000 (storage) = \$28,728,000. These costs assume that the average office storage space cost is \$7,440 for retaining records on-site. (Usually records after the initial years are transferred to off-site location where the storage costs drop to \$925 (on average). As these requirements are being approved for an initial three year period, the assumption was made that during that period the records would be retained on-site.) These costs used as an example 120 cubic feet (20 four drawer file cabinets) and include the cubic feet of storage plus the cost of floor space plus the costs for records storage cartons. Greater savings can be accomplished if documents are stored electronically, *i.e.*, one file cabinet (four drawer) (10,000 pages on average) = 500 MegaBytes (MByte) = one CD ROM. The Commission seeks comments on the costs to comply with these requirements.

Total costs (reporting and recordkeeping) = \$31,251,600. However, because many of these companies will already have staff employed for purposes of recordkeeping, only the cost of

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\$6,696,000 for obtaining additional space for maintaining records pursuant to the Commission’s Uniform System of Accounts should be considered as additional costs.

FERC-61, see discussion in item no. 12 above.

14. ESTIMATED ANNUALIZED COST TO FEDERAL GOVERNMENT:

The estimated annualized cost to the Federal government related only to the data collections/requirements as proposed in the subject Final Rule are shown below:

<u>Data Requirement Number</u>	<u>Analysis of Data (FTEs)</u>	x	<u>Estimated Salary per Year</u>	=	<u>Total Cost Year's Operation</u>
FERC Form 60	3.0*		\$117,321		\$351,963
FERC-61			to be determined		to be determined
Forms review					
<u>And clearance</u>					<u>\$6,239</u>
Total					\$358,202

*The Commission estimates that one analyst will devoted full time to processing these filings. In addition, a second analyst will be needed to review the initial filings because of the variations in the filings. It is estimated that 60% of the second analyst’s time will be devoted to these initial filings. As more filings are received electronically providing for a uniform format and researchable database, then the amount devoted by the second analyst will be reduced. The third FTE cost is allocated to a supervisory analyst who will be responsible for oversight of the two other analysts and also preparation of documents that could result in Commission orders to correct deficiencies in the filings.

15. REASONS FOR CHANGES IN BURDEN INCLUDING THE NEED FOR ANY INCREASE

On August 8, 2005, the Energy Policy Act of 2005, Pub. L. No. 109-58, 119 Stat. 594 (2005) was signed in to law. It repealed the Public Utility Holding Company Act of 1935 (PUHCA 1935)⁶⁵ and enacted the Public Utility Holding Company Act of 2005 (PUHCA

⁶⁵ 15 U.S.C. §§ 79a et seq. (2000).

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2005)⁶⁶ PUHCA 2005 which with one exception became effective on February 8, 2006 (six months from the date of enactment). Sections 1266, 1272, and 1275 of EAct 2005 directed the Commission to issue certain rules and to provide detailed recommendations to Congress on technical and conforming amendments to federal law within four months after the date of enactment. In addition, EAct 2005 directed the Commission to issue a final rule exempting certain entities from the federal access to books and records provisions of EAct 2005 within 90 days of the effective date of Subtitle F. On December 8, 2005, the Commission issued Order No. 667, adding a new Subchapter U and Part 366 to Title 18 of the Code of Federal Regulations to implement PUHCA 2005.⁶⁷

Order No. 667 required that, unless otherwise exempted by Commission rule or order, holding companies⁶⁸ and service companies⁶⁹ must maintain and make available to the Commission their books and records.⁷⁰ In addition, Order No. 667 allowed holding companies and service companies that did not currently follow the Commission's records retention requirements to transition to the Commission's requirements by January 1, 2007. Order No. 667 further provided that holding companies would not be required to comply with a Uniform System of Accounts, but that centralized service companies would be required to do so as of January 1, 2007.

The Commission indicated in Order No. 667 that it would initiate a separate rulemaking proceeding to address how the Commission's Uniform Systems of Accounts and records retention requirements in Parts 101, 125, 201 and 225 of its regulations should be modified to adopt or otherwise integrate the relevant parts of the SEC's Uniform System of Accounts and records retention rules. The Commission indicated that it intended to issue a final rule on any appropriate accounting and records retention requirements modifications before January 1, 2007,

⁶⁶ EAct 2005 at §§ 1261 *et seq.*

⁶⁷ Order No. 667, 70 FR 75592 (Dec. 20, 2005), FERC Stats. & Regs.; Regulations and Preambles 2001-2005 ¶ 31,197 (2005), order on reh'g, Order No. 667-A, 71 FR , FERC Stats. & Regs. ¶ 31,213 (2006).

⁶⁸ As defined in 18 CFR 366.1, holding company means (i) any company that directly or indirectly owns, controls, or holds, with power to vote, 10 percent or more of the outstanding voting securities of a public-utility company or of a holding company of any public-utility company; and (ii) any person, determined by the Commission, after notice and opportunity for hearing, to exercise directly or indirectly (either alone or pursuant to an arrangement or understanding with one or more persons) such a controlling influence over the management or policies of any public-utility company or holding company as to make it necessary or appropriate for the rate protection of utility customers with respect to rates that such person be subject to the obligations, duties, and liabilities imposed by this subtitle upon holding companies.

⁶⁹ As defined in 18 CFR 366.1, service company means any associate company within a holding company system organized specifically for the purpose of providing non-power goods or services or the sale of goods or construction work to any public utility in the same holding company system.

⁷⁰ Order No. 667 also required traditional, centralized service companies to file the newly created Form No. 60, Annual Report for Centralized Service Companies.

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so that service companies would be able to transition to the Commission's Uniform System of Accounts and records retention requirements and so that holding companies could transition to the Commission's records retention requirements, by that date.

On October 19, 2006, the Commission in Docket No. RM06-11-000, issued a final rule to amend its regulations to further implement the Public Utility Holding Company Act of 2005 (PUHCA 2005). The Final Rule is in response to Order No. 667, namely a separate rulemaking proceeding to modify the Uniform System of Accounts for centralized service companies that are not special purpose companies under PUHCA 2005. Specifically, the Commission is adding a Uniform System of Accounts (USofA) for Centralized Service Companies, adding preservation of records requirements for holding companies and service companies, revising FERC Form No. 60, Annual Report of Centralized Service Companies, to provide for financial reporting consistent with the new USofA and providing for electronic filing of the revised FERC Form No. 60. The Final Rule will provide for greater accounting transparency for centralized service company operations, and uniform records retention by holding companies and service companies subject to PUHCA 2005. This transparency will protect ratepayers from pass-through of improper service company costs.

16. TIME SCHEDULE FOR PUBLICATION OF DATA

Beginning on January 1, 2008 (unless otherwise exempted or granted a waiver by Commission rule or order in accordance with §§ 366.3 and 366.4 of the regulations), all holding companies must comply with the Commission's records retention requirements for holding companies and service companies as prescribed in part 368 of the regulations. Until December 31, 2006, holding companies registered under the Public Utility Holding Company Act of 1935 (15 U.S.C. 79a *et seq.*) may follow either the Commission's records retention rules for public utilities and licensees or for natural gas companies, as appropriate (parts 125 and 225 of the regulations), or the Securities and Exchange Commission's record retention rules in 17 CFR part 25.

Also on January 1, 2008 (or as noted above, as exempted or granted a waiver by Commission rule or order in accordance with §§ 366.3 and 366.4 of the regulations), every service company must maintain and make available to the Commission books, accounts, memoranda, and other records as prescribed and maintain them for the periods identified by the Commission in part 368 of its regulations, in sufficient detail in order to permit examination, audit, and verification, as necessary and appropriate for the protection of utility customers with respect to jurisdictional rates.

Centralized Service Companies. Beginning on January 1, 2008 (unless exempted or granted a waiver by Commission rule), every centralized service company must maintain and

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make available to the Commission books, accounts, memoranda, and other records as the Commission prescribes in part 367 of its regulations, in sufficient detail to permit examination, audit, and verification, as necessary and appropriate for the protection of utility customers with respect to jurisdictional rates. Every service company must maintain and make available these books, accounts, memoranda, and other records in a manner as prescribed in part 367 of the regulations, and must keep no other records with respect to the same subject matter except:

- (i) Records other than accounts;
- (ii) Records required by federal or state law;
- (iii) Subaccounts or supporting accounts which are not inconsistent with the accounts required either by the Uniform System of Accounts for Centralized Service Companies in part 367 of the regulations; and
- (iv) Any other accounts that may be authorized by the Commission.

FERC Form No. 60. Unless otherwise exempted or granted a waiver by Commission rule or order pursuant to §§ 366.3 and 366.4, every centralized service company (See § 367.2 of the regulations) in a holding company system must file an annual report, FERC Form No. 60, as provided in § 369.1 of the regulations. Every report must be submitted on the FERC Form No. 60 then in effect and must be prepared in accordance with the instructions incorporated in that form. Service companies in holding company systems exempted from the requirements of the Public Utility Holding Company Act of 1935 (15 U.S.C. 79a *et seq.*) need not file an annual report, FERC Form No. 60, for calendar years 2005 through 2007, after which they must comply with the provisions of §366.23 of the regulations.

17. DISPLAY OF EXPIRATION DATE

After OMB has reviewed and approved FERC Form 60, the Commission will print the OMB control and expiration date on the form. The Commission has printed the disclaimer that respondents will not be subject to a penalty if a valid OMB control number is not displayed on the modified FERC Form 60 and in the preamble of the NOPR. For FERC-555A, the recordkeeping requirements, these records are to be retained by the respondents and therefore do not provide a format for the display of the OMB control number nor the disclaimer.

The FERC-61 when filed, will not be in a structured format that would make it applicable for posting the OMB Control No. and the expiration date.

18. EXCEPTIONS TO THE CERTIFICATION STATEMENT

There is an exception to the Paperwork Reduction Act statement. The Commission will not be using statistical survey methodology for these information collections.

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B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not Applicable. Statistical methods are not employed for these data collections.