

HEADLINES

Staff Presentation | Accounting and Reporting Treatment of Certain Renewable Energy Assets

July 28, 2022

Docket Nos. RM21-11-000

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Good morning, Mr. Chairman and Commissioners.

Item E-3 is a Notice of Proposed Rulemaking, or NOPR, that proposes to update the Commission's Uniform System of Accounts, or USofA. The USofA was created by the Federal Power Commission to facilitate the Commission's ratemaking responsibilities and uniformly capture financial and operational information. The USofA has been modified over time to account for changing technological, legal, and market conditions. These proposed revisions to the USofA are intended to address many of the current technological and economic developments, such as the growth in non-hydro renewable generating facilities and renewable energy credits, or RECs.

The NOPR proposes four changes to the USofA for public utilities and licensees:

First, the NOPR proposes to create dedicated production accounts for wind, solar, and other non-hydro renewable assets. Currently, the USofA does not contain unique accounts for non-hydro renewable generation, and instead utilities use a broad category of accounts referred to as "other production" to record these assets and related activities. Creating new accounts for renewable generation should help make reporting practices more uniform and provide for more transparent reporting.

Second, the NOPR proposes to establish one new functional class for energy storage accounts. Currently, utilities must re-allocate costs between the production, transmission, and distribution accounts based on usage of the storage assets. However, based on Commission staff analysis, industry outreach, and our review of industry comments, the NOPR preliminarily finds that the current energy storage accounting requirements create a significant burden and prove to be impractical. The NOPR also preliminarily finds that creating a new dedicated storage function would allow utilities to avoid burdensome accounting practices and also provide for the use of traditional and meaningful ratemaking allocation methodologies.

Third, the NOPR proposes to codify the accounting treatment of renewable energy credits and other similar financial instruments. Based on industry input, the Commission's prior guidance on emissions allowances, and in order to promote uniformity in practice, the NOPR proposes that dedicated inventory accounts be created to record renewable energy credits.

Fourth, the NOPR proposes to create dedicated accounts for computer hardware, software, and communications equipment to promote uniformity in practice. The NOPR also seeks comment on whether the Commission should create such accounts for natural gas pipelines, oil pipelines, and service companies.

The NOPR also proposes corresponding changes to the relevant FERC Forms to reflect the new accounts.

Lastly, the NOPR seeks comment on whether the Chief Accountant should issue guidance on accounting for hydrogen that would apply to both public utilities and licensees and natural gas companies.

These proposed reforms are intended to modernize the USofA and add functional detail needed to inform the Commission's ratemaking responsibilities.

This concludes our presentation, and we are happy to answer any questions you might have.

Contact Information

News Media

Email: MediaDL@ferc.gov

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