Except for editorial changes this amendment is that proposed in the notice.

The Rule

This amendment to Subpart G of Part 71 of the Federal Aviation Regulations (14 CFR Part 71) designates the Cameron, La., transition area. This action provides controlled airspace from 700 feet above the ground for the protection of helicopters executing a new instrument approach procedure to the ERA landing area near Cameron, La.

Adoption of the Amendment

Accordingly, pursuant to the authority delegated to me by the Administrator, Subpart G of Part 71 of the Federal Aviation Regulations (14 CFR Part 71) as republished (45 FR 445) is amended, effective 0901 GMT, September 4, 1980, as follows.

In Subpart G, 71.181 (45 FR 445), the following transition area is added:

Cameron, La.

That airspace extending upward from 700 feet above the surface within 2.5 miles each side of the 197° radial of the Lake Charles VORTAC extending 3.5 miles north and 2 miles south of latitude 29°46'31.4"N., longitude 93°14'03.4"W.

(Sec. 307(a), Federal Aviation Act of 1958 (49 U.S.C. 1348(a); and Sec. 6(c), Department of Transportation Act (49 U.S.C. 1655(c)))

Note.—The FAA has determined that this document involves a regulation which is not significant under Executive Order 12044, as implemented by DOT Regulatory Policies and Procedures (44 FR 11034; February 26, 1979). Since this regulatory action involves an established body of technical requirements for which frequent and routine amendments are necessary to keep them operationally current and promote safe flight operations, the anticipated impact is so minimal that this action does not warrant preparation of a regulatory evaluation.

Issued in Fort Worth, Tex., on June 26, 1980.

F. E. Whitfield,

Acting Director, Southwest Region.

[FR Doc. 80-20484 Filed 7-9-80; 8:45 am]

BILLING CODE 4910-13-M

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14 CFR Part 71

[Airspace Docket No. 80-ASW-22]

Designation of Transition Area: Pauls Valley, Oklahoma

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Final rule.

SUMMARY: The nature of the action being taken is to designate a transition area at Pauls Valley, Okla. The intended effect of the proposed action is to provide controlled airspace for aircraft executing a new instrument approach procedure to the Pauls Valley Municipal Airport. The circumstance which created the need for the action is the proposed establishment of a nondirectional radio beacon (NDB) located on the airport. Coincident with this action the airport is changed from Visual Flight Rules (VFR) to Instrument Flight Rules (IFR).

EFFECTIVE DATE: September 4, 1980.

FOR FURTHER INFORMATION CONTACT: Kenneth L. Stephenson, Airspace and Procedures Branch (ASW-535), Air Traffic Division, Southwest Region, Federal Aviation Administration, P.O. Box 1689, Fort Worth, Texas 76101; telephone 817-624-4911, extension 302.

SUPPLEMENTARY INFORMATION:

History

On May 19, 1980, a notice of proposed rule making was published in the **Federal Register** (45 FR 32705) stating that the Federal Aviation Administration proposed to designate the Pauls Valley, Okla., transition area. Interested persons were invited to participate in this rule making proceeding by submitting written comments on the proposal to the Federal Aviation Administration. Comments were received and one commentor objected to the proposal.

Discussion of Comments

The Department of the Air Force commented negatively to the proposed rule. The commentor objected because of the possible effect the proposal might have on Military Training Route IR-114. The main concern is that the transition area and the instrument approach procedures associated with the proposal could infringe upon the military route. IFR traffic in controlled airspace will be separated by the appropriate air traffic control facility. Since the anticipated IFR traffic operating to or from the Pauls Valley Municipal Airport will not be of sufficient numbers to impact other IFR operations, the Federal Aviation Administration has determined that there will be no significant impact on IR-114. Except for editorial changes, this amendment is that proposed in the notice.

The Rule

This amendment to Subpart G of Part 71 of the Federal Aviation Regulations (14 CFR Part 71) designates the Pauls Valley, Okla., transition area. This action provides controlled airspace from 700 feet above the ground for the protection of aircraft executing a new proposed instrument approach procedure to the Pauls Valley Municipal Airport.

Adoption of the Amendment

Accordingly, pursuant to the authority delegated to me by the Administrator, Subpart G of Part 71 of the Federal Aviation Regulations (14 CFR Part 71) as republished (45 FR 445) is amended, effective 0901 GMT, September 4, 1980, as follows.

In Subpart G, 71.181 (45 FR 445), the following transition area is added:

Pauls Valley, Okla.

That airspace extending upward from 700 feet above the surface within a 6.5-mile radius of the Pauls Valley Municipal Airport (latitude 34°42'45" N., longitude 97°13'30" W.) and within 3 miles each side of the 169° bearing from the NDB (latitude 34°42'55" N., longitude 97°13'44" W.) extending from the 6.5-mile radius area to 8.5 miles south of the NDB.

(Sec. 307(a), Federal Aviation Act of 1958 (49 U.S.C. 1348(a)); and Sec. 6(c), Department of Transportation Act (49 U.S.C. 1655(c)))

Note.—The FAA has determined that this document involves a regulation which is not significant under Executive Order 12044, as implemented by DOT Regulatory Policies and Procedures (44 FR 11034; February 26, 1979). Since this regulatory action involves an established body of technical requirements for which frequent and routine amendments are necessary to keep them operationally current and promote safe flight operations, the anticipated impact is so minimal that this action does not warrant preparation of a regulatory evaluation.

Issued in Fort Worth, Tex., on June 26, 1980.

F. E. Whitfield,

Acting Director, Southwest Region.

[FR Doc. 80-20485 Filed 7-9-80; 8:45 am]

BILLING CODE 4910-13-M

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14 CFR Part 71

[Airspace Docket No. 80-SO-33]

Alteration of Transition Area, Southern Pines, N.C.

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Final rule.

SUMMARY: This rule alters the description of the Southern Pines, North Carolina, Transition Area by changing the name of the Pinehurst-Southern Pines Airport to Moore County Airport.

EFFECTIVE DATE: 0901 GMT, August 10, 1980.

ADDRESS: Federal Aviation Administration, Chief, Air Traffic Division, P.O. Box 20636, Atlanta, Georgia 30320.

FOR FURTHER INFORMATION CONTACT: Harlen D. Phillips, Airspace and

Procedures Branch, Federal Aviation Administration, P.O. Box 20636, Atlanta, Georgia 30320; telephone: 404-763-7646.

SUPPLEMENTARY INFORMATION: In the Southern Pines, North Carolina, Transition Area described in § 71.181 (45 FR 445), the name of the airport is listed as "Pinehurst-Southern Pines Airport." On February 17, 1980, the Moore County Commissioners changed the name of the airport to "Moore County Airport." Therefore, it is necessary to alter the transition area description to reflect the change in airport name.

As this alteration is editorial in nature, notice and public procedure hereon are unnecessary.

Adoption of the Amendment

Accordingly, Subpart G, § 171.181 (45 FR 445) of Part 71 of the Federal Aviation Regulations (14 CFR Part 71) is amended, effective 0901 GMT, August 10, 1980, by altering the Southern Pines, North Carolina, Transition Area as follows:

"* * * Pinehurst-Southern Pines Airport * * *" is deleted and "* * * Moore County Airport * * *" is substituted therefor.

(Sec. 307(a) of the Federal Aviation Act of 1958, as amended (49 U.S.C. 1348(a)) and Sec. 6(c) of the Department of Transportation Act (49 U.S.C. 1655(c)))

Note.—The Federal Aviation Administration has determined that this document involves a regulation which is not significant under Executive Order 12044, as implemented by DOT Regulatory Policies and Procedures (44 FR 11034, February 26, 1979). Since this regulatory action involves an established body of technical requirements for which frequent and routine amendments are necessary to keep them operationally current and promote safe flight operations, the anticipated impact is so minimal that this action does not warrant preparation of a regulatory evaluation.

Issued in East Point, Georgia, on June 27, 1980.

George R. LaCaille

Acting Director, Southern Region.

[FR Doc. 80-20486 Filed 7-9-80; 8:45 am]

BILLING CODE 4910-13-M

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14 CFR Part 71

[Airspace Docket No. 80-AAL-9]

Alteration of Transition Area at Gustavus, Alaska

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Final rule.

SUMMARY: This amendment alters the transition area at Gustavus, Alaska, to provide additional controlled airspace for aircraft holding at BERGS intersection and for aircraft climbing northwest bound from Juneau and Gustavus until reaching continental control area. A need for this action was created when holding was authorized at BERGS intersection and a minimum crossing altitude of 13,000 feet was established northwest bound at BERGS intersection.

EFFECTIVE DATE: 0901 G.M.T., September 4, 1980.

FOR FURTHER INFORMATION CONTACT: John Costello, Operations, Procedures, and Airspace Branch, Air Traffic Division, Federal Aviation Administration, 701 C Street, Box 14, Anchorage, Alaska 99513, telephone (907) 271-5902.

SUPPLEMENTARY INFORMATION: On May 29, 1980, a Notice of Proposed Rulemaking was published in the **Federal Register** (45 FR 36093) stating that the Federal Aviation Administration proposed to expand the 1,200-foot floor portion of the Gustavus, Alaska, transition area and designated a 12,500-foot floor transition area to provide controlled airspace for aircraft holding at BERGS intersection and for aircraft climbing northwest bound from over BERGS intersection. Interested persons were invited to participate in this rulemaking process by submitting written comments on the proposal to the FAA. The only comment received was a concurrence with the proposal.

Accordingly, pursuant to the authority delegated to me by Subpart G, § 71.181 of Part 71 of the Federal Aviation Regulations (14 CFR Part 71) as republished (45 FR 445), is amended as follows:

After "48 miles SE of the RBN." add "and within 22 miles SW of the 325° bearing from the Gustavus RBN, extending from 16 miles NW to 26 miles NW; and that airspace extending upward from 12,500 feet MSL within 5 miles each side of the Sisters Island VORTAC 302° radial extending from the NW boundary of the 1,200-foot portion transition area to 59 miles NW of the VORTAC, thence widening to 6 miles each side of the 302° radial at 69 miles NW of the VORTAC."

(Sec. 307(a), Federal Aviation Act of 1958, as amended (49 U.S.C. 1348(a)); sec. 6(c), Department of Transportation Act (49 U.S.C. 1655(c)); and 14 CFR 11.69)

Note.—The FAA has determined that this document involves a regulation which is not significant under Executive Order 12044, as implemented by DOT Regulatory Policies and Procedures (44 FR 1134, February 26, 1979). Since this regulatory action involves an established body of technical requirements for which frequent and routine amendments are necessary to keep them operationally current and promote safe flight operations, and anticipated impact is so minimal that this action does not warrant preparation of a regulatory evaluation.

Issued in Anchorage, Alaska, on July 2, 1980.

Robert L. Faith,

Director, Alaska Region.

[FR Doc. 80-20579 Filed 7-9-80; 8:45 am]

BILLING CODE 4910-13-M

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14 CFR Part 71

[Airspace Docket No. 80-AAL-5]

Designation of Transition Area, Valdez, Alaska

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Final rule.

SUMMARY: This amendment designates a 1,200-foot transition area at Valdez, Alaska, to provide controlled airspace for aircraft conducting an instrument approach procedure to the Valdez Airport. This action will also provide controlled airspace to enable ATC to more efficiently control aircraft operations using radar control procedures from an en route radar facility on Middleton Island, Alaska. This action is made necessary by a recently approved instrument approach procedure to the Valdez Airport and the imminent establishment of an en route radar facility on Middleton Island.

EFFECTIVE DATE: 0901 G.m.t., September 4, 1980.

FOR FURTHER INFORMATION CONTACT: John Costello, Operations, Procedures, and Airspace Branch, Air Traffic Division, Federal Aviation Administration, 701 C Street, Box 14, Anchorage, Alaska 99513, telephone (907) 271-5902.

SUPPLEMENTARY INFORMATION: On May 22, 1980, a Notice of Proposed Rulemaking was published in the **Federal Register** (45 FR 34289) stating that the Federal Aviation Administration proposed to establish a 1,200-foot transition area at Valdez, Alaska to provide controlled airspace for aircraft conducting an instrument approach procedure and also to provide controlled airspace to allow air traffic control to more efficiently handle aircraft operations using radar control procedures from an en route radar facility soon to be established on Middleton Island, Alaska. Interested persons were invited to participate in this rulemaking process by submitting written comments on the proposal to the

FAA. The only comment received concurred with the proposal.

Accordingly, pursuant to the authority delegated to me Subpart G, § 71.181 of Part 71 of the Federal Aviation Regulations (14 CFR Part 71) as republished (45 FR 445) is amended by adding the following:

Valdez, Alaska

That airspace extending upward from 1,200 feet above the surface within an area beginning at latitude 60°43'11.7"N., longitude 147°50'36.3"W., thence north along the 85-mile radius arc centered on the anchorage VORTAC to latitude 61°27'37"W., longitude 147°44'10"W., thence east to latitude 61°16'05"N., longitude 146°13'04"W., thence south along the west boundary of V–481 to the north boundary of V–319, thence west along the north boundary of V–319 to the point of beginning.

(Sec. 307(a), Federal Aviation Act of 1958, as amended (49 U.S.C 1348(a)); sec. 6(c) of the Department of Transportation Act (49 U.S.C. 1655(c)); and 14 CFR 11.69)

Note.—The FAA has determined that this document involves a regulation which is not significant under Executive Order 12044, as implemented by DOT Regulatory Policies and Procedures (44 FR 1134, February 26, 1979). Since this regulatory action involves an established body of technical requirements for which frequent and routine amendments are necessary to keep them operationally current and promote safe flight operations, and anticipated impact is so minimal that this action does not warrant preparation of a regulatory evaluation.

Issued in Anchorage, Alaska, on June 30, 1980.

Robert L. Faith,

Director, Alaska Region.

[FR Doc. 80–20580 Filed 7–9–80; 8:45 am]

BILLING CODE 4910–13–M

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14 CFR Part 71

[Airspace Docket No. 80–NE–2]

Designation of Federal Airways, Area Low Routes, Controlled Airspace, and Reporting Points; Alteration of Transition Areas

Correction

In FR Doc. 80–19371 appearing on page 43698, in the issue of Monday, June 30, 1980 make the following correction:

On page 43698, third column, the 27th line of the second complete paragraph should have read:

"Mass., Municipal Airport (Lat. 41°45'15"N.,".

BILLING CODE 1505–01–M

FEDERAL TRADE COMMISSION

16 CFR Part 13

[Docket C–3024]

Morton-Norwich Products, Inc., et al.; Prohibited Trade Practices, and Affirmative Corrective Actions

AGENCY: Federal Trade Commission.

ACTION: Final order.

SUMMARY: In settlement of alleged violations of federal law prohibiting unfair acts and practices and unfair methods of competition, this consent order requires, among other things, a Chicago, Ill. manufacturer of pharmaceutical products to cease making any misrepresentations of the efficacy or novel performance characteristics of its vaginal contraceptive suppository products. The order specifically prohibits any exaggerated efficacy claims for the products such as "highly" or "extremely" effective. Additionally, respondent is prohibited from making claims of efficacy without a reasonable basis consisting of a consistent body of valid and scientific evidence. Respondent is also required to distribute an information pamphlet discussing the advantages and disadvantages of various over-the-counter contraceptive methods as well as setting for the specifically required affirmative disclosures.

DATES: Complaint and order issued June 19, 1980.*

FOR FURTHER INFORMATION CONTACT: Leroy Richie, Director, 8R, New York Regional Office, Federal Trade Commission, 2243–EB Federal Bldg., 26 Federal Plaza, New York, N.Y. 10007. (212) 264–1207.

SUPPLEMENTARY INFORMATION: On Wednesday, March 5, 1980, there was published in the **Federal Register,** 45 FR 14226, a proposed consent agreement with analysis In the Matter of Morton-Norwich Products, Inc., a corporation, and Eaton-Merz Laboratories, Inc., a corporation, for the purpose of soliciting public comment. Interested parties were given sixty (60) days in which to submit comments, suggestions or objections regarding the proposed form of order.

Comments were filed and considered by the Commission. The commission has ordered the issuance of the complaint in the form contemplated by the agreement, made its jurisdictional findings and entered its order to cease and desist, as set forth in the proposed consent agreement, in disposition of this proceeding.

*Copies of the Complaint, and Decision and Order filed with the original document.

The prohibited trade practices and/or corrective actions, as codified under 16 CFR Part 13, are as follows: Subpart—Advertising Falsely or Misleadingly: § 13.135 Nature of product or service; § 13.170 Qualities or properties of product or service; 13.170–18 Contraceptive; 13.170–58 Non-irritating; § 13.195 Safety; § 13.205 Scientific or other relevant facts; § 13.280 Unique nature or advantages. Subpart—Corrective Actions and/or Requirements: § 13.533 Corrective actions and/or requirements; 13.533–10 Corrective advertising; 13.533–20 Disclosures; 13.533–45 Maintain records; 13.533–45(k) Records, in general. Subpart—Disseminating advertisements, etc.: § 13.1043 Disseminating advertisements, etc. Subpart—Misrepresenting Oneself and Goods-Goods: § 13.1685 Nature; § 13.1710 Qualities or properties; § 13.1740 Scientific or other relevant facts; § 13.1770 Unique nature or advantages. Subpart—Neglecting, Unfairly or Deceptively, To Make Material Disclosure: § 13.1863 Limitations of product; § 13.1870 Nature; § 13.1890 Safety; § 13.1895 Scientific or other relevant facts.

(Sec. 6, 38 Stat. 721; 15 U.S.C. 46. Interprets or applies sec. 5, 38 Stat. 719, as amended; 15 U.S.C. 45, 52)

Carol M. Thomas,

Secretary.

[FR Doc. 80–20576 Filed 7–9–80; 8:45 am]

BILLING CODE 6750–01–M

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16 CFR Part 13

[Docket 9104]

Sears, Roebuck & Co.; Prohibited Trade Practices, and Affirmative Corrective Actions

AGENCY: Federal Trade Commission.

ACTION: Modifying order.

SUMMARY: This order modifies a previous order to cease and desist issued April 28, 1980, 45 FR 36372, against a Chicago, Ill. department store chain, by adding the terms "dehumidifiers" and "freezers" to the definition of "major home appliances" contained in order Paragraph I(1).

DATES: Decision issued April 28, 1980. Modifying order issued June 10, 1980.

FOR FURTHER INFORMATION CONTACT: FTC/PA, Robert L. Barton, Jr., Washington, D.C. 20580. (202) 724–1499.

SUPPLEMENTARY INFORMATION: In the Matter of Sears, Roebuck and Co., a corporation and J. Walter Thompson

Co., a corporation. Codification under 16 CFR Part 13, appearing at 45 FR 36372, remains unchanged.

(Sec. 6, 38 Stat. 721; 15 U.S.C. 46. Interprets or applies sec. 5, 38 Stat. 719, as amended; 15 U.S.C. 45)

The Order Correcting Inadvertent Omission From Final Order is as follows:

By motion filed May 21, 1980, complaint counsel have requested that the Commission modify its final order in this matter to add the terms "dehumidifiers" and "freezers" to the definition of "major home appliances" contained in the order.

Complaint counsel are correct in their suggestion that the omission of these two terms from the order was inadvertent. At page 18 of the Commission's decision it indicated its desire to adopt the definition proposed by Judge Hanscom, with the omission of the catch-all provision ("and any other product that falls into the category of major home appliances") and with the addition of the terms "stoves" and "ovens". The final order appended to the decision omits mention of dehumidifiers and freezers, even though these were contained in Judge Hanscom's order as recited on page 17 of the Commission's decision. To correct this inadvertent omission, the final order will be modified. Therefore,

It is ordered that Paragraph I(1) of the Final Order in this matter be modified to read:

"Major home appliances" means air conditioning units (room or built-in), clothes washers, clothes dryers, disposers, dishwashers, trash compactors, refrigerators, refrigerator/freezers, freezers, ranges, stoves, ovens (including microwave ovens), humidifiers, and dehumidifiers.

By the Commission.

Carol M. Thomas,

Secretary.

[FR Doc. 80-20578 Filed 7-9-80; 8:45 am]

BILLING CODE 6750-01-M

SECURITIES AND EXCHANGE COMMISSION

17 CFR Part 200

[Release Nos. 33-6220; 34-16953; 35-21648; 39-575; IC-11241; IA-727]

General Organization; Establishment of Counsel for Professional Responsibility

AGENCY: Securities and Exchange Commission.

ACTION: Final rule.

SUMMARY: The Commission is amending its rules respecting its general organization to establish a new position, the Counsel for Professional Responsibility, to oversee compliance with the Commission's Conduct Regulation.

EFFECTIVE DATE: Immediately upon publication in the **Federal Register**.

FOR FURTHER INFORMATION CONTACT: Theodore S. Bloch, Office of the General Counsel, Securities and Exchange Commission, Washington, D.C. 20549 (202) 272-2454.

SUPPLEMENTARY INFORMATION: Accordingly, 17 CFR Part 200 is amended by adding § 200.21a to read as follows:

PART 200—ORGANIZATION; CONDUCT AND ETHICS; AND INFORMATION AND REQUESTS

§ 200.21a Counsel for professional responsibility.

(a) The Counsel for Professional Responsibility within the Office of the General Counsel of the Commission shall oversee compliance with the Regulation Concerning Conduct of Members and Employees and Former Members and Employees, §§ 200.735-1–200.735-18 of this chapter and shall, when appropriate, investigate allegations of violation of that Regulation and the Commission's Canons of Ethics, §§ 200.50–200.72 of this chapter and the Code of Behavior Concerning Ex Parte Communications Between Persons Outside the Commission and Decisional Employees, §§ 200.110–114 of this chapter.

(b) The Counsel's responsibilities, subject to the oversight of the General Counsel or his or her delegate, shall include: (1) receiving and reviewing information containing allegations of misconduct by a Commission employee; (2) referring those matters which involve management questions to Division Directors, Office Heads or Regional Administrators; (3) investigating or overseeing investigations into those allegations of misconduct which, in the judgment of Counsel, require investigation; (4) referring complaints which appear to involve a violation of federal criminal statutes, after a preliminary investigation has determined that the complaint is not frivolous, to the Chairman or most senior Commissioner who would be proper, for transmission to the Department of Justice in accordance with the provisions of 28 U.S.C. 535; (5) acting as liaison with the Department of Justice with respect to such matters as have been referred; or with state or local authorities to whom matters may on occasion be referred; (6) preparing for submission to the General Counsel reports of completed investigations wth recommendations for disposition; (7) arranging for the review of articles and speeches as required by § 200.735-4(e) of this chapter; (8) giving counseling under, and preparing interpretations or opinions with respect to, provisions of the Commission's regulations governing the conduct of employees; and (9) referring findings of professional misconduct to the appropriate state professional boards or societies.

* * * * *

The Commission finds that this amendment relates solely to rules of agency procedure or practice and accordingly, that notice and prior publication for comments under the Administrative Procedure Act 5 U.S.C. 551 *et seq.*, are unnecessary. *See* 5 U.S.C. 553(b).

By the Commission.

George A. Fitzsimmons,

Secretary.

July 2, 1980.

[FR Doc. 80-20698 Filed 7-9-80; 8:45 am]

BILLING CODE 8010-01-M

DEPARTMENT OF ENERGY

Federal Energy Regulatory Commission

18 CFR Parts 35 and 36

[Docket No. RM79-64; Order No. 91]

Revised Requirements for Filing Changes in Electric Rate Schedules and for the Preparation and Submission of Supporting Data

Issued June 27, 1980.

AGENCY: Federal Energy Regulatory Commission.

ACTION: Final rule.

SUMMARY: The Federal Energy Regulatory Commission (Commission) is adopting a revised regulation governing the filing of changes in the electric rate schedules of public utilities under the Federal Power Act. The revised § 35.13 requires filed rate schedule changes to be supported by 37 cost-of-service statements, unless the rate schedule change is of a size or type that permits abbreviated cost support. The revised cost-of-service statements contain both the data expressly required to be filed under existing § 35.13 and the data routinely requested following the initial application for a change in a rate schedule. The rulemaking also makes conforming changes in § 35.12

concerning abbreviated filing requirements and in § 36.2(g) which deals with filing fees.

The Commission takes this action in the belief that revision of § 35.13 will contribute to the general goal of more expeditious disposition of wholesale rate change cases by providing a full cost-of-service analysis to intervenors and other parties early in the ratemaking procedure, by encouraging more settlements and less litigation, by reducing prehearing discovery if a rate case is litigated, and by permitting greater use of computerized or otherwise standardized information.

EFFECTIVE DATE: The revised § 35.13 and amended §§ 35.12 and 36.2 will be effective for any electric rate schedule change tendered for filing 180 days from the date of issuance of the final rule (June 27, 1980) or thereafter.

FOR FURTHER INFORMATION CONTACT: William Longenecker, Office of Electric Power Regulation, 825 N. Capitol Street, N.E., Washington, D.C. 20426, (202) 357-5389.

The Federal Energy Regulatory Commission (Commission) is adopting regulations governing the filing of changes in the electric rate schedules of public utilities under the Federal Power Act. The Commission takes this action in the belief that revision of § 35.13 will contribute to the general goal of more expeditious disposition of wholesale rate change cases by providing a full cost-of-service analysis to intervenors and other parties early in the ratemaking procedure, by encouraging more settlements and less litigation, by reducing prehearing discovery if a rate case is litigated, and by permitting greater use of computerized or otherwise standardized information. The revision consolidates the data expressly required to be filed under existing § 35.13 with the data routinely requested following the initial filing of a change in rate schedule. A limited amount of data required to be filed under the revised § 35.13 are not now filed in rate change proceedings. The rulemaking also makes conforming changes in § 35.12 and in § 36.2(g).

I. Background

On September 26, 1963, the Commission's predecessor agency, the Federal Power Commission (FPC), issued Order No. 271 [1] which required the filing of cost-of-service statements in support of major electric rate increases. Order No. 271 also established cost-of-service data Statements A through O.[2] The FPC believed that these statements provided sufficient information upon which to decide whether to investigate any of the then-infrequent wholesale rate increase filings further. In a major subsequent amendment to § 35.13, the FPC established, in addition to submittal of twelve months of actual cost data, a requirement that utilities submit future test year cost data based on estimates. The historical twelve-month period of actual data was denominated Period I; Period II constituted a twelve-month period of estimated cost data.[3] The use of estimated Period II data was devised to help utilities recover the costs it was felt they would incur during the time a rate was in effect.

In 1976, the FPC issued Administrative Order No. 157 which established "top sheet procedures" in natural gas pipeline and public utility rate cases.[4] The top sheet is a summary cost of service schedule prepared by staff to facilitate the settlement process by expediting the dissemination of staff's analysis of cost-of-service information.

This rulemaking was proposed in response to the increased frequency and dollar amounts of electric wholesale rate increase filings in the past several years.[5] The Commission staff has frequently found it necessary to supplement the information supplied in such rate increase filings by requesting additional data from the filing utility. The recent volume of rate change applications has made the use of data requests an increasingly frequent and time-consuming part of rate proceedings.

On February 15, 1980, the Commission issued a Notice of Proposed Rulemaking in this docket [6] to address several difficulties posed by the present regulations, such as the lack of clear guidelines for preparing and submitting rate changes and cost-of-service data statements. This ambiguity in the present regulations has resulted in rate change filings that are not sufficiently detailed and explanatory to allow efficient prehearing review. After four technical conferences [7] and numerous recommendations from the FERC Advisory Subcommittee on Filing and Substantive Regulatory Requirements, [8] the Commission issued the proposed rule in order to clarify the electric rate change filing requirements and consolidate the data requirements that are usually imposed during a rate change proceeding.

Although revised § 35.13 is more detailed than the existing section, the Commission is not requiring the filing of substantially more data than are presently required during the course of a rate change proceeding. The Commission's Chairman recently explained in his report to Congress that the ratemaking process requires the compilation and organization of certain kinds of data sooner or later and "the sooner it is done, the greater the benefit to everyone involved in the regulatory process." [9] This final rule is being adopted to enable the Commission to make an informed determination whether to suspend or investigate the increasingly complex rate change submittals it receives.

The Commission recognizes that the benefits of requesting a complete compilation of cost-of-service data at the filing stage may not be obvious. The Commission also acknowledges that there may be new regulatory costs involved in the changeover to the new filing requirements. The benefits to be derived from this rule are nevertheless real and substantial and will ultimately result in savings to consumers though improvements in the regulatory process. Standardized information will be

[1] 30 FPC 850, 28 *Fed. Reg.* 10573 (October 2, 1963).

[2] Statement P, dealing with rate design information, was added by Order No. 537, issued October 9, 1975, 40 *Fed. Reg.* 48673 (October 17, 1975).

[3] Order No. 487, issued July 17, 1973, 50 FPC 125, 38 *Fed. Reg.* 1967 (July 26, 1973).

[4] Issued April 1, 1976, 41 *Fed. Reg.* 15090 (April 9, 1976).

[5] Electric rate increase filings increased from 17 in FY 1965 to 191 in FY 1976 and declined slightly to 153 in FY 1979. The Electric Power Research Institute reports that during the 8 years from 1960 to 1968, increases obtained from regulatory bodies by investor-owned utilities amounted in the aggregate to $117,000,000. For the ensuing 8 years from 1968 to 1976 the corresponding figure was $11.4 billion, almost 100 times as much. Charles B. Curtis, *Decisional Delay in Wholesale Electric Rate Increase Cases: Causes, Consequences and Possible Remedies*, Federal Energy Regulatory Commission, January 23, 1980, at 40–41.

[6] 45 *Fed. Reg.* 11817, February 22, 1980.

[7] Prior to issuing a Notice of Proposed Rulemaking in this docket, the Commission staff held four technical conferences, October 4, 5, 18 and 19, 1979, in Washington, D.C. (44 *Fed. Reg.* 53538, September 10, 1979). Twenty-four persons were invited to discuss a draft of this rulemaking. Questions and comments were also welcomed from the public. The participants included representatives of public utilities and intervenor groups experienced in the electric ratemaking process and Department of Energy and Commission personnel. The conferences contributed to, among other things, the revision of abbreviated filings thresholds, more narrow requirements for 13 monthly averages and functionalized data in the cost-of-service statements, clarification of Statement BC as an informational data statement, elimination of the Form 61 computerized reporting format, and elimination of the "seven-month rule" for Period I data.

[8] The final rule will implement the bulk of the relevant recommendations of the Subcommittee on Filing and Substantive Regulatory Requirements of the FERC Advisory Committee on Rules of Practice and Procedure stated in its report of October 2, 1979. Those recommendations generally tend to parallel the changes in existing § 35.13 that were made in the staff draft of this rulemaking or that were suggested by the technical conferees.

[9] Curtis, *Decisional Delay*, supra, at 72.

provided to the Commission in a manner that permits swifter analysis and distribution of staff top sheets. Intervenors will be supplied with complete information early, issues will be more clearly focused and, consequently, settlement negotiations will be more fruitful. If a case results in litigation, there will probably be less discovery through data requests. The early preparation of cost-of-service information for filing with the changed rate, through a new burden on utilities initially, will expedite Commission proceedings and thereby benefit all parties to a rate case.

The final rule minimizes the filing burden for utilities that file for moderate rate increases. The existing § 35.13 does not require detailed cost-of-service information for rate changes that would amount to less than $50,000 annually. Because inflation has led to requests for comparatively larger increases in rates, fewer utilities are now able to submit abbreviated cost-of-service data under § 35.12(b) (2) and (5). Therefore, the Commission is now raising the threshold to permit utilities filing rate changes of less than $200,000 annually to provide only summary data. Moreover, if all wholesale customers in the affected rate class consent to the rate increase, the threshold will be $1,000,000. The abbreviated filing requirement also applies to rate changes for services of short duration or changes that are part of a coordination or interchange arrangement. Even if full cost-of-service information is required, a utility may not need to supply Period II estimated data under certain circumstances.

The Commission has analyzed the cost of complying with revised § 35.13. Based on information submitted during the technical conferences [10] and comments received in response to the Notice of Proposed Rulemaking, the Commission believes that the estimated cost of compliance will probably be little, if any, greater than the cost under the current regulations, if the costs of routine discovery under the present system are also considered. This is especially true for those utilities whose rate filings are already accompanied by well-developed cost data. Moreover, the Commission expects that the reduction in the number of rate base items that require monthly data and the increased use of calendar year data resulting from redefinitions of Period I and Period II, changes made since the staff draft was considered in the technical conferences, will substantially contain regulatory costs.

The Commission anticipates that the revisions to § 35.13 will benefit all participants in Commission rate change proceedings in the following ways. First, the information required to be filed initially will permit the Commission to make informed and equitable decisions about the necessity for hearing and suspension of rate filings which are continuing to increase in number, size, and complexity. Moreover, the amount of time required for the prehearing disposition of rate change filings set for hearing will be reduced. Revised § 35.13 will require that information routinely needed for the processing of rate change filings, but heretofore retrieved by data requests subsequent to the initial filing of changed rates, will be provided as part of the original filing. Efficient analysis of cost-of-service data will also be facilitated by requiring the transfer of important information currently provided only in work papers to specific statements where it is more readily accessible. Although the Commission, its staff, or other parties are not precluded from making any additional requests for information that particular cases may require, it is expected that the savings of time under revised § 35.13 between the filing of a change in rates and a final decision on the merits will be substantial.[11]

The final rule will also promote the objectives of Order No. 157, which established top sheet procedures, by requesting cost-of-service data in a tabular form that will facilitate computer programming by Commission staff for more rapid analysis and for distribution of such analysis. Revised § 35.13 incorporates filing requirements that reflect generic decisions adopted by the Commission.[12]

II. Comment analysis

A. General.

The Commission received 35 comments in response to the Notice of Proposed Rulemaking in this docket. The commenters represented 83 electric utilities, utility trade associations, consultants, customers, and customer groups. Fully two-thirds of the comments endorsed proposed § 35.13 and the Commission's goal of expediting electric rate proceedings through consolidation of certain information-gathering procedures.

Most commenters foresaw significant reductions in the amount of prehearing discovery that would be required after a utility files a change in its rates. A few commenters proposed that, based on the increased volume of information to be supplied with the rate change filing and the consequent reduction in the need for prehearing discovery, the Commission should eliminate discovery or restrict its use, such as by permitting only those inquiries that relate to topics not covered in § 35.13.

Control over the scope of discovery resides in the prudent discretion of the presiding Administrative Law Judge (ALJ). However, the Commission recognizes, as one commenter suggested, that an ALJ should consider the requirements of revised § 35.13 in determining the nature and scope of permissible discovery. Any further restriction imposed by this rulemaking would not necessarily promote more expeditious and thorough analysis of cost-of-service data.

Many utilities stated that proposed § 35.13 would not shorten the overall ratemaking process, if the time required to prepare a filing for submission under the expanded requirements is considered part of that process. The proposed rule, it was argued, would merely shift the time for data collection and preparation to the pre-filing stage. Asserting that the present rule provides sufficient information upon which the Commission may determine as a threshold matter whether to suspend or investigate a tendered rate change, one commenter concluded that proposed § 35.13 would constitute an unreasonable infringement on the statutory right of a utility to file and implement increases in electric rates, subject to suspension and review.

The Commission acknowledges that the rulemaking requires preparation and submittal of certain cost-of-service

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[10] The most complete response by a participant reported a survey of seven utility companies. The average estimated cost of complying with existing § 35.13 was $140,000. The companies estimated an average additional $40,000 to respond to discovery data requests, for a total of $180,000 per filing. Compliance with the new cost-of-service Statements AA through AT was estimated to cost on the average about $100,000 more than current costs of $140,000 for the first compilation and submittal of data. There would then be a recurring cost for subsequent filing of about $40,000 more than the current $140,000, for a total of $180,000 per filing to maintain and submit data under the new system. The survey did not estimate the cost of preparing Statements AU through BL. Although the survey did not attempt to make any precise reconciliation between costs under existing and proposed regulations, it appears that the $40,000 for responding to present discovery requests is roughly equivalent to the estimated additional recurring cost of filing under the new regulations.

[11] The Chairman of the Commission has proposed a 52-week schedule from the order setting rate cases for hearing to the Commission decision and order, in routine cases. Id. at 78.

[12] For example, Order No. 555, issued November 8, 1976, 41 *Fed. Reg.* 51392, allowed pollution control and fuel conversion construction work in progress to be included in rate base (Account 107). This is reflected in Statement AG. Order No. 561, issued February 22, 1977, 42 *Fed. Reg.* 9161, established maximum rates to be used in computing AFUDC and provided accounting and reporting requirements. This is reflected in Statement AO.

information earlier than previously required. Given the increased size, complexity, and frequency of rate change filings, however, the Commission believes that the additional information is now necessary to make proper threshold determinations. The ultimate burden on utilities that seek changes in their rates should be increased little, if at all; the rule simply promotes uniform, complete, and early reporting of information that has historically been necessary at other points in the ratemaking process. The rule should therefore result in more orderly procedures and decisionmaking.

Absent considerations such as contractual commitments, a public utility has a statutory right to file changes in its rates. However, any rate that is not just and reasonable is by definition unlawful under the Federal Power Act. The Commission has consistently required utilities that file for increases in rates or charges to submit specific data at the preliminary filing stage in support of those rates and as a basis upon which to sustain their burden of proof under the Act. In order to avoid unnecessary delays, utilities have in the past been required to provide a fully developed "case-in-chief" for any increase over $50,000 as part of their filing. The standard information required under the final rule differs from this mainly in terms of the nature and format of the presentation. In fact, paragraph (e) of the final rule raises the threshold for filing a full case in chief. There is no obstacle to a utility's legitimate exercise of any right to obtain a change in its rates.

Many commenters argued that the time savings that accrue as a result of revised § 35.13 will extend only to the prehearing phase of a rate proceeding and not to the litigation itself. The Commission believes that the revised rule will affect all portions of a rate investigation. As stated above, the provision of helpful, clear guidelines for the submission of cost-of-service data will permit swift evaluation of the rate change by both staff and intervenors early in the process. More timely circulation of staff top sheets will encourage settlement in many cases and more extensive use of formal cost-of-service statements will permit more balanced and better documented presentations by all parties to a proceeding. The new § 35.13 is not a panacea but a device designed to ameliorate delay and to permit orderly and thorough analysis of very complicated information.

Many commenters contended that proposed § 35.13 provides for the collection and submittal of a large volume of unnecessary detail that is not essential to all rate cases. After reviewing the numerous comments and proposals submitted pursuant to the proposed rulemaking, the Commission has revised portions of the general requirements and the cost-of-service statements to clarify and focus the data requirements and to delete any superfluous information. The data required by revised § 35.13 is that which staff normally needs to evaluate the rate filing and prepare "top sheets," that is, staff's settlement position. The cost-of-service statements provide a utility with filing options in many circumstances and request many kinds of information only to the extent available. The form in which cost-of-service information is provided is frequently left up to the utility. For example, the utility is not required to subfunctionalize certain categories of plant in service under Statement AD. To the extent that any specific data requirements may be unnecessary with respect to a particular utility or type of service, the utility is free to seek waiver of that aspect of the revised § 35.13 under § 1.7 of the Commission's regulations.

Finally, the requests for additional information that are provided for in paragraph (a)(3) are designed to obtain any missing information that may be necessary for staff analysis. These letters from the Director of the Office of Electric Power Regulation are not, as some commenters feared, deficiency letters that could be used to delay implementation of the rate change.

B. Cost of Compliance.

The expense associated with submitting the cost-of-service information requested in revised § 35.13 has been a concern of both the utilities and the Commission. In its Notice of Proposed Rulemaking,[14] the Commission requested specific comments on the cost of complying with the proposed rule and, in addition, the cost of responding to related discovery data requests in cases set for hearing under existing § 35.13.

Many commenters indicated that the cost information discussed in the Notice of Proposed Rulemaking comported with their expectations. That information was elicited in a survey that concluded that, except for the first compilation of data, providing data under Statements AA through AT would cost roughly the equivalent of the cost of compliance under the existing system.[15] However, some commenters envisioned significant increases in the cost of filing a rate change under the new § 35.13, and indicated that the revised regulation would impose an undue financial burden and inhibit the filing of rate changes. For example, one commenter stated that the cost of compliance might be five times higher per unit of sales for smaller utilities than for larger utilities.

Estimates of the cost of compliance varied, however. While one commenter estimated that the revised regulation would necessitate hiring nine additional people at a start-up cost of $338,000 and an annual cost of $125,000 for continuing maintenance of the data collection and preparation system, another utility estimated total compliance would increase to $80,000 as opposed to $60,000 under the current regulation. Although uncertain of the cost of preparing nine of the new cost-of-service statements, still another utility contended that costs under the new and old regulations would be about the same.

The Commission recognizes that retooling for the new filing requirements will impose higher costs for the first rate increase filing prepared under the revised regulation. Continued collection and maintenance of the kinds of data required under revised § 35.13 may entail continuing costs somewhat in excess of the current costs of compliance. Yet, the benefits to be gained from the rulemaking are substantial. The comments supported this view. One commenter stated that the added burden on the comptroller and accounting staff of the utility caused by the new regulations should be, for the most part, offset by the beneficial effects of speedier prehearing disposition. Another commenter claimed that adoption of the new definition of Period I and use of the alternative definition of Period II proposed in the Notice will save utilities between $25,000 and $75,000 per filing due to greater use of calendar year data which is more readily available in existing utility records.

One commenter expressed a fear that the cost of filing under the new rule, estimated at $100,000, would discourage short-term filings for transactions that displace oil-fired generation with coal or hydroelectric power. The Commission does not believe that the final rule conflicts with the national energy policy to displace imported oil. The rule permits an abbreviated filing for services of short duration or of a type for which the need or usage cannot be forecasted.

The burden of paying for preparation of the expanded cost-of-service statements will ultimately be borne by ratepayers. Nevertheless, the

[14] *Mimeo*, at 6–8, 45 *Fed. Reg.* at 11818.

[15] *See* Footnote 12.

Commission received no objections from customers or customers groups relating to the cost imposed by the proposed revisions to § 35.13. In summary, the Commission finds little evidence in the record to indicate that the costs of complying with revised § 35.13 will outweigh the benefits to be obtained from the rule.

C. *Thresholds for Filing Abbreviated Information.* The Commission has attempted to minimize the burden of supplying complete cost-of-service information, which would be heaviest for small utilities and those utilities seeking moderate increases in rates, by providing limited exemptions from the requirement that a utility file 37 cost-of-service statements containing data for one and, perhaps, two twelve-month periods. Commenters vigorously debated what would constitute an appropriate threshold for abbreviating the filing requirements. The final rule recognizes several circumstances in which a utility will be permitted to file abbreviated cost-of-service information, either by limiting the kinds of cost-of-service statements that must be supplied or by obviating the need for Period II data. Both exceptions to the full cost-of-service filing requirement are contingent on settlement between a utility and the wholesale customers affected by the changed rate.

The comments proposed increases in the threshold dollar amounts for abbreviated information and other means of disposing of cost-of-service data requirements for certain rate change submittals. For example, one commenter proposed that the equivalent of the existing Statements A through P be submitted with the initial filing, while the remaining cost-of-service statements in the new rule would be required automatically pursuant to a Commission suspension order. Another commenter suggested abbreviated requirements for parties that expect to settle and complete cost-of-service requirements for parties that do not. A third commenter suggested that abbreviated filing requirements should be permitted for increases of less than $200,000 only if the utility's underlying rates had been fully adjudicated. It was argued that "make whole" rate change filings based on underrecovery of costs should require only abbreviated cost support, if they employ the cost-of-service methodology and rate of return approved in the last utility's jurisdictional case. Finally, several commenters indicated that rate increases of varying sizes merited only abbreviated cost support.

The comments do not reflect a consensus about type or size of rate changes that ought to be exempted from certain filing requirements. The Commission's responsibility to ensure just and reasonable rates, however, extends to rate filings of all sizes. Relatively small increases in rates may have a significant financial impact when spread over a small number of wholesale customers. The thresholds for abbreviated cost support established in the final rule are based on increases for inflation over the amounts provided in the existing regulation. Higher dollar amount thresholds are difficult to establish because a moderate rate increase for one group of wholesale ratepayers or customers may not be moderate for another. Nor is a more elaborate scheme of exemptions likely to produce greater fairness to both utilities and consumers, while ensuring just and reasonable rates. The final rule permits abbreviated cost-of-service information if parties are able to agree to a rate increase that is less than one million dollars. The Commission cannot, as one commenter suggested, permit abbreviated filings for rate changes that are only expected to result in a settlement. Filing requirements cannot depend on the mere probability that all customers will agree to the reasonableness of a rate.

One commenter claimed that the Commission's approval of power pooling agreements based only on abbreviated data is inconsistent with the dollar threshold for uncontested settlements. This notable exception to the requirement that large rate increases be accompanied by extensive cost-of-service data in part reflects the equal bargaining positions occupied by parties to pooling agreements. The rates that such parties charge are also the rates that they pay because members of a pool are both buyers and sellers over time. Pooling agreements are mutual in character and are seldom contested. From the Commission's point of view, these market conditions are more likely to produce relative equity that makes extensive review of cost-of-service data less necessary. In the case of rates charged by utilities to full and partial requirements wholesale customers, the need to study rate filings more closely is greater.

D. *Precedent and Policy.* Many commenters addressed the policy and precedent requirements in paragraph (g) of the proposed rule. When filing cost-of-service information, utilities were required under that paragraph to conform all filings to policies and precedents generally applicable to all utilities and to those specifically made applicable to the filing utility by order of the Commission. Commenters argued that proposed paragraph (g) was too inflexible to accommodate emergencies, hardship conditions or deviations from the norm made necessary by a change in facts or made desirable by ratemaking innovation. Commenters argued, and the Commission recognizes, that much of the problem stems from legitimate uncertainty about what constitutes precedent or policy that is binding on a particular utility, and the effects on the preparation of a rate filing of possible changes in that precedent or policy. These problems are particularly troublesome because utility filings may be deemed deficient or rejected if they fail to conform substantially to the regulations.

The Commission continues to believe that the cost-of-service information submitted under § 35.13 should conform to any rule of general applicability, including the provisions of this part, and any prior Commission decision that binds a particular utility to a specific ratemaking practice. It would be extremely expensive for litigants and wasteful of Commission time and resources for all rate issues to be decided anew in each proceeding. Nevertheless, to the extent that the Commission has not made such policies and precedents legally binding on a particular utility, the final rule does not require this compliance. We acknowledge that economic exigencies with which utilities and customers must deal may require deviations from precedent and policies of a non-binding character. By limiting the policies and precedents that must be complied with to those that have been made legally binding on a utility by a Commission order, the Commission seeks to allay the concerns of commenters who feared that paragraph (g) would prove too inflexible.

E. *Thirteen Monthly Balances.* Several cost-of-service statements require that plant balances and depreciation for Period I and Period II be stated in 13 average balances as of the beginning of the first month and the end of every month of the respective period, as applicable. Numerous commenters argue that the 13 monthly balances requirement would impose an undue burden because the data in the books of account maintained by utilities are not arranged in this manner. Part of the problem relates to the fact that, even if plant and depreciation data are maintained on a monthly basis, that data may not be arranged according to functions or subfunctions of plant.

The staff draft of § 35.13 that was considered in the technical conferences contained several more cost-of-service statements requiring 13 monthly balances than the Notice of Proposed Rulemaking issued in February. As a result of those conferences, the requirement of 13 monthly balances for various plant values and depreciation was limited. Averages for the beginning and end of the year or test period were deemed sufficient for some plant and depreciation components of rate base. In Statements AD, AE, and AM, 13 monthly balances were required only for production and transmission functions. In Statements AF and AG, the Commission returned entirely to beginning and year-end balances, with an average of these balances. These statements, adopted in the final rule, continue to require only beginning and year-end balances, with the exception of certain construction work in progress (CWIP) balances in Statement AG.

Thirteen monthly balances generally have been recognized as a more accurate presentation of plant balances than the less detailed mid-year average method which assumes equal additions to and retirements from plant in service for every month throughout the test year.[16] While the Commission has not established 13 monthly plant balances as a generic requirement in its rate cases, as the comments point out, it has frequently recognized the advantages of supplying plant and depreciation balances in this form. The Commission believes that, except in those statements where it continues to require only beginning and year-end balances with a mid-year average balance, requiring 13 monthly average balances will result in a more accurate matching of test year revenues and expenses with test year plant in service.

In Statement AG, the Commission is requiring 13 monthly balances for CWIP for pollution control or fuel conversion facilities that qualify for rate base treatment since other plant rate base items are required to be reported in 13 monthly balances during the twelve months of the two periods. With respect to the requirement in Statement AM for 13 monthly balances for production and transmission CWIP, the 13 monthly balances provide the most reasonable base to avoid overstating or understating interest calculated for tax purposes and synchronized with interest expenses in the cost-of-service.

[16] *See, e.g.*, Carolina Power and Light Company, Docket No. ER76-495 (Phase II), Opinion No. 19, issued August 2, 1978; Minnesota Power and Light Company, *et al.*, Docket Nos. E-9499 *et al.*, Opinion No. 20, issued August 3, 1978.

Many of the cost-of-service statements in paragraph (h) allow a utility to explain the relevant circumstances when Period I and Period II monthly balances are not available or are unrepresentative of the current plan of the utility. If certain information is not available by function or by plant, the statements permit the utility to develop what it believes to be a reasonable method of apportioning total electric department balances among the major functional classifications. This latitude is designed to diminish the burden on those utilities whose books do not entirely conform to the data collection and preparation procedures necessitated by § 35.13[17].

In summary, the Commission will continue to require 13 monthly balances in several cost-of-service statements under paragraph (h) in the interest of providing more complete and accurate cost-of-service information. Because the utilities are otherwise required to maintain monthly balances on their books of account from which the cost-of-service information can be extrapolated, the burden of supplying 13 monthly balances under the final rule does not outweigh the benefit to all parties of more refined analysis of a utility's costs-of-service by Commission staff or other rate case participants. The Commission finally notes that the utility need not use the average of 13 monthly balances as a basis of its rates filed under Statement BK.

F. *Definition of Period I.* Period I is defined in the final rule as originally proposed. The Commission will require that the 12 consecutive months of Period I end no earlier than 15 months prior to the date of tender for filing of any notice of a change in rates and charges.

The Commission recognizes that data supplied for revised Period I may be older than that supplied under the previously applicable seven-month rule. However, there are several countervailing considerations that warrant elimination of the seven-month rule. The existing Period I definition inhibited flexibility in the use of calendar year data, resulted in a mid-year glut of filings that strained Commission resources, and limited the time during which a utility could prepare filings. The new definition was proposed to minimize the strain on Commission resources and to encourage use of calendar year data. As discussed above, one commenter estimated that between $25,000 and $75,000 could be saved by use of calendar year data.

[17] The Commission also notes that the Commission's Uniform System of Accounts requires that a utility maintain its books on a monthly basis and in such a manner that full information on any item included may be readily furnished. 18 CFR Part 101, General Instructions, Nos. 2 & 4.

The new fifteen-month rule will permit the filing utility to use a calendar year of its choice for Period I, while ensuring that Period I data are not so stale as to lose its usefulness as a comparative tool for testing the results of the Period II projections. In the event that Period I is utilized as the test period, it is difficult to see how the staleness of the test period data would work to the detriment of the customers under current economic conditions. Under certain conditions, a filing utility is free either to utilize a recent Period I or to file a Period II voluntarily. The new Period I definition does not prejudice the utility in any way. If current inflationary economic conditions were to reverse themselves, rate increases filed under these regulations would diminish significantly. In either event, the staleness argument could be reconsidered at that time.

Under paragraph (d)(1)(ii) of the final rule, the Period I data may be adjusted to reflect known and measurable changes in operating conditions that affect revenues and costs prior to the proposed effective date of the rate, if a utility is permitted to file only Period I data and if it so elects. In the final rule, the period of time upon which adjustments to Period I can be predicated has been extended. Instead of the prior convention of permitting Period I adjustments only through eight months after the end of Period I, the final rule would allow adjustments that reflect changes which become effective through the time proposed as the effective date of the rate.

G. *Definition of Period II.* The final rule adopts the alternate definition of Period II proposed in the preamble of the Notice of Proposed Rulemaking.[18] Under the new definition, Period II could begin no earlier than nine months before the date on which the rate is proposed to become effective and no later than three months after that date.

Nearly all commenters stated that this approach to Period II estimated data is superior to the definition proposed in the rule which would have permitted Period II to start no later than the proposed effective date of the rate.

The definition of Period II that is adopted has noteworthy advantages. The primary objective of requiring Period II data is to test the rate level using cost-of-service information for the period during which the changed rates will be effective. Although the Period II definition adopted in the final rule will permit a utility to base its changed rate

[18] *Mimeo* at 12-13, 45 *Fed. Reg.* at 11819.

upon a Period II test period that could begin as late as three months after the proposed effective date, the period will be representative of the costs that the utility is likely to incur during the time when the rates are likely to be effective. A test period that begins at that time will be a representative measurements of costs to be incurred because the cycle of rate change filings indicates that rates are generally collected for periods in excess of twelve months. Because the test period data will be more current if the period begins up to three months after the proposed effective date, the Period II definition may diminish the frequency of rate change filings.

By allowing Period II to begin as early as nine months before the proposed effective date, the utility will not be constrained in its efforts to file a changed rate based upon a calendar year Period II test period. The nine month period of time before the proposed effective date, viewed in conjunction with the three month period of time after the proposed effective date, will create a twelve month "window" around the proposed effective date during which the applicant may commence a Period II that utilizes data compiled by the utility on a calendar year basis.

The new definition of Period II is not without critics, however. One commenter noted that the spread between the end of Period I and the beginning of Period II could be 19 to 22 months, and argued that a more desirable spread for purposes of comparing historic and projected data would be 12 months.

The Commission does not agree that, by requiring a smaller gap between Period I and Period II, the Commission, utilities, or customers would obtain sufficient benefit to overcome the administrative drawbacks of such a requirement. The age of Period I data, although troublesome if completely out of date, is not of great significance because it is the change in the relationship of costs within each period when compared to the other period, that provides the Commission with indications as to the relative merits of the changed rate. The use of a consecutive Period I and Period II with a minimum gap in between, although desirable in some respects, could result in either a high concentration of filings at certain times of the year or the virtual impossibility of using calendar year data.

The administrative benefits derived from having rate filings distributed over the year and the financial benefits derived from increased use of calendar year data appear to outweigh the benefits to be obtained from requiring a smaller gap between Period I and Period II. The Commission recognizes that there will still be an optimal time to file for a rate change based on use of the most forward looking Period II, but the revised rule provides less incentive to file all rate changes at one time of the year. The savings to the utility is also a savings to customers in regulatory expenses. Although commenters also submitted several other formulary definitions of Period II, none appears to contain greater advantages of the kinds which both the Commission and most commenters desire.

H. *Subfunctionalized Data.* Several commenters expressed confusion over the nature of "subfunctionalization" as required in Statement AD and other cost-of-service statements in paragraph (h). There was also considerable concern that such subdivisions of the major functional classifications of plant in service were required even if the utility has not maintained its books of account to reflect subfunctional balances. Subfunctionalization of the major functional classifications, established in Statement AD, can be used to refine certain functional balances of plant in service. These subfunctional categories of plant may be reflected in a utility's books of account and are required to be provided under paragraph (h) only if the utility's changed rate is supported by subfunctionalized data. Therefore, the utility will not be required to supply data by subfunction if its rate schedule change does not depend on such data.

Statement AD, paragraph (h)(4)(v), has been modified to emphasize the voluntary nature of filing a rate based on subfunctionalization of major functional plant classifications. It is nevertheless important that, if a utility chooses to subfunctionalize in Statement AD, it should follow the same procedure for items in Statements AE, AH, AI and AJ. Paragraph (h)(4)(vi)(D) has been clarified to indicate that a utility need not divide the categories of general, intangible, common, and other plant into subfunctional categories, if these plant accounts are stated as being related to utility labor expenses.[19]

One commenter questioned whether Statements AE and AJ require separate depreciation rates for each subfunction. The statements do not require such treatment. Depreciation rates applicable to functions are generally applicable to the subfunctions. If a utility uses different depreciation rates for functions and subfunctions, it should explain why. In Statement AJ, a utility is required to supply detailed studies if the depreciation rates for Period I and Period II differ from the depreciation rates in prior rate filings. In this manner, the Commission will ensure accurate statements of depreciation and amortization expenses in order to fulfill its responsibility under § 302 of the Federal Power Act.

I. *Quarterly Update.* Certain data supplied to the Commission are required to be updated on a quarterly basis after the utility files its rate change (§ 35.13(d)(6)). Some commenters argue that this is a burdensome requirement, while others contend it is a positive aspect of the revised § 35.13. The Commission will retain the requirement that certain information be updated on a quarterly basis because it considers that information (significant changes in a utility's financial condition, such as the issuance of securities, significant changes in construction expenditures, mergers and consolidations, or other changes in capital structure) to reflect important and changeable conditions that could significantly affect a rate proceeding. Because the Securities and Exchange Commission imposes similar requirements, utilities should find this information easy to supply.

Paragraph (d)(6)(ii) has been revised from the proposed rule to require submittal of a letter of transmittal or equivalent written document used to file a rate change with a state agency, rather than a copy of the entire application.

J. *Reliability Data.* Several commenters objected strongly to the requirement that utilities supply information concerning power supply planning, reliability objectives, and the character and operations of the generating facilities for a five-year period under Statement BC. Commenters objected that the information requested is expensive to gather and time-consuming to prepare and that the requirement is unprecedented in Commission decisions relating to electric rates.

An analysis of the peak load and reserve posture of a utility based on the kind of data that will be supplied in Statement BC, has long been important for allocation procedures. It is important to determine which months are critical with respect to a utility's need to purchase power or to operate its own capacity and its need to schedule maintenance. The new capacity that a utility may be installing presumably will conform to the reserve margin that it has previously considered appropriate to cover its peak demands. It is important

[19] *See, e.g.,* Minnesota Power and Light Company, *et al.,* Opinion No. 20-A, Docket Nos. E-9499 *et al.,* issued October 30, 1978, at 17; Lockhart Power Company, Opinion No. 29, Docket Nos. E-9469 and ER76-377, issued September 28, 1978, at 7.

to understand this relationship to ascertain the proper allocations to rate base.

The Commission does not believe that the requirement in Statement BC will be unduly burdensome because a utility must develop reliability information in the course of its planning. Contrary to fears expressed by one commenter, Statement BC does not require or necessitate computer studies. Rather, Statement BC requires mere narrative description of a utility's objective reference standard for production reliability. As another commenter pointed out, some reliability information required in Statement BC is the same kind of information required under section 133 of PURPA. However, the data requested are not duplicated because they will be reported for different time periods.

The need for five years (Period I, Period II, and three other years) of information on generating facilities was questioned. The Commission believes that five years of data are desirable in order to discern patterns and trends; however, data for the three years preceding Period I are required only to the extent available. We observe that electric plant does not come on line at one time but on blocks. Under such circumstances, it is difficult to see what is typical of a utility's operations without longer range data.

Some commenters objected that Statement BC requires a utility to use new and unprecedented allocation techniques. Statement BC is designed to inform the Commission of the utility's reliability standard and its basic rationale. The reference to loss of load probability allocation in the proposed rule has been deleted to avoid misunderstanding. The utility may utilize any allocation technique it believes reasonable if it can be shown to be adequate.

One commenter indicated that Statement BC should distinguish between scheduled and unscheduled outages, either of which can be used for routine maintenance and other work. To the extent that a reliability standard is affected by the use of unscheduled outages for the performance of routine maintenance, the utility may so state and provide an explanation.

In determining proper demand allocations with respect to fixed costs, the Commission has frequently referred to a utility's monthly peak loads and seasonal reserve postures. This information is obtained routinely by the Commission staff through the discovery process.[20] It is correct, as one commenter asserted, that the Commission has not expressly set forth reliability data as a generic requirement for all utilities. However, the regularity with which such data have been obtained through discovery in the past and the use to which the Commission has regularly put such data indicates that requiring reliability information under Statement BC is another appropriate step toward providing Commission staff and other litigants with comprehensive and useful information about the operations of a utility at an early stage in a ratemaking proceeding.

K. *Effective Date.* Some utilities requested additional phase-in time for the transition from the old § 35.13 to the new. One utility proposed a one-year delay before utilities would be required to comply with the revised § 35.13. Another suggested that the Commission should permit filing utilities to amend their filings in conformance with the new regulation for several years without rejecting any such filings. The Commission still believes that six months will be adequate for most utilities to comply with the revised requirements. Some utilities may already have the capability to file the cost-of-service information prescribed in paragraph (h). Furthermore, the Commission's proposal has been public for over ten months. The Commission fully recognizes that unanticipated difficulties may arise in complying with the revised § 35.13 and will take into account the special circumstances of a filing utility.

L. *Miscellaneous Comments and Further Changes in the Rule.* 1. A waiver provision has been added to the general rule in paragraph (a) to indicate that a utility seeking a waiver under § 1.7 must indicate specifically what provisions it wants waived.

2. Several commenters objected that Statements AA, AB and AC are too burdensome. Multi-utility companies argued that information for electric departments is not separable from company balance sheets as a whole, while other utilities commented that the information required is so broad as to be useless. These data statements, essentially unchanged from the existing requirements, complement the data provided in other statements and provide analysts with a necessary view of a company's whole operation, including important items not always listed as part of the electric department, such as interest expense or notes payable.

3. Statement AF, paragraph (h)(6)(i), has been changed to require deferred investment tax credits in Account 255 to be separately stated as pre-1971 and post-1970 qualifying property additions to reflect how records are maintained for tax purposes. Also, clause (iii) of that paragraph has been clarified to indicate that Account 282 balances should be itemized "to the extent data are available" by function or by property.

4. In Statement AG, paragraph (h)(7)(ii), Account 107, construction work in progress for pollution control or fuel conversion facilities, must now be stated in 13 montly balances. This change reflects the need for this kind of construction work in progress to be reported consistently with the other plant in service items that are included in rate base.

5. Under Statement AH, paragraph (h)(8)(iii), operation and maintenance expenses attributable to transmission and distribution functions must be reported by appropriate accounts. However, if subfunctional data are not provided for Period II, the utility need only provide total operation and maintenance expenses for each function for Period II. Additionally, for both Period I and Period II, the utility need only report total expenses for customer accounting, customer service and information, and sales.

Numerous commenters believed that the level of detail or itemization of operation and maintenance expenses in Statement AH was too burdensome, particularly for Period II, because companies do not budget on an itemized basis. The Commission believes it important to itemize most O&M expenses. The primary purpose for itemizing Period II data is to be able to divide the data into demand (fixed) and energy (variable) items and to assign and allocate such individual items properly. Bulk statistics make assignment of expenses to the services at issue very difficult. The transmission and distribution items need not be itemized by separate account for Period II if the utility has not subfunctionalized these items, and no itemization is required for customer accounting, customer service and information, and sales. Additionally, itemization is not required for maintenance general expenses for Period II.

One commenter stated that purchased power transactions should be required to be started as separate purchase and sale transactions. Because it will be more helpful to know the dollar value of interchange energy entering and departing the system, paragraph (vi) of

[20] For example, *see* Commonwealth Edison Company, Opinion No. 63, issued September 14, 1979, Docket Nos. E-9002 and ER79-122, at 21.

Statement AH requires dollar subtotals for receipts and deliveries of such energy. However, the Commission has eliminated the requirement that parties to each type of purchased power transaction be identified.

Statement AH has also been amended in response to a comment that Period I fuel expenses affected by abnormal hydroelectric generation should be separately stated and explained. If abnormal flows affect the cost of make-up power generation and are reflected in the utility's fuel adjustment clause, Statement AH should so explain.

6. In response to a comment that the nature of the support required for depreciation and amortization expenses was not clear, Statement AJ, paragraph (h)(10)(iv), has been revised to more clearly describe the reports or studies used to support the proposed depreciation rates, including any detailed studies that are required if depreciation rates employed in a utility's prior approved jurisdictional electric rate filing have been changed for the Period I and Period II data filed under the new Statement AJ.

7. One commenter questioned the need for 13 monthly balances for fuel by type of generation since all fuel is generally allocated to customers on the same basis. The 13 balances required for all supplies in Statement AL, paragraph (h)(12), on working capital are appropriate for various kinds of fuel stocks because the necessary amount of fuel for each type of generation depends on different fuel burn needs. Adjustments and balances may depend on excessive fuel stocks or the level of off-system sales. The 13 balances, therefore, provide the Commission with an understanding of the supply requirements for various kinds of fuel.

Because the Commission's proposed rulemaking in docket No. RM79-49 has not been issued as a final rule establishing a new method for computing cash working capitol, Statement AL, paragraph (h)(12)(ii), will not cross-reference the proposed § 35.24. Cash working capital allowances will continue to be computed using the methodologies indicated in *Carolina Power & Light Company*, Opinion No. 19-A (issued February 21, 1979).

8. The Commission does not believe, as one comment suggests, that separate grouping of customers in Statement BA based on differences in service unduly restricts the development of rates. The objective of such customer grouping is more finely-tuned rates. Such grouping does not inhibit the use of voltage discounts or surcharges to reflect different delivery conditions. It should also be noted that subdividing a common group of customers served under the same rate should depend on the utility's judgment that there are significant differences in services provided under the rate.

9. Commenters noted that wholesale service data may not be available by individual customer delivery points. Consequently, Statement BB, paragraph (h)(27)(i), will permit submittal of such data for a set of delivery points that constitute an individual wholesale customer billing unit. The same change has been made in Statement BD, paragraph (h)(29)(i), for allocation energy data.

10. Because of confusion over its meaning, the requirement that a utility provide a "data source statement" has been deleted from Statement BF, paragraph (h)(31)(i)(A), and replaced by a requirement that a utility submit a brief descriptive title for each exclusive-use commitment listed.

11. Statement BJ, the summary data tables requirement in paragraph (h)(35), has been amended in a variety of ways. If a utility would file substantially the same information in Statement BJ that it files in Statement BK, it need only reference Statement BK for the information required in Statement BJ. Statement BJ does constitute a clerical function, as one commenter remarked, but assembling the information in the form indicated will further expedite the Commission's evaluation of the materials submitted. The data requested in Statement BJ have been rearranged to indicate more clearly the way in which the information in certain portions of the cost-of-service statements must be provided.

12. Statement BK, paragraph (h)(37), has been clarified to indicate that a utility is not restricted in the kinds of cost-of-service techniques it may employ in this statement, except insofar as binding precedent may require a specific technique under paragraph (g). Also, the income tax information required in clause (i)(C) of Statement BK has been more elaborately described to include income taxes payable, provisions for deferred income taxes—debits and deferred income taxes—credits, and investment tax credits, or other adjustments.

One commenter stated that cost-of-service comparison ratios developed in Statement BK to reflect changes from Period I to Period II are unnecessary because work papers for Period II will serve the same purpose. The Commission believes that readily available statistics on the percentage change from Period I to Period II will make large increases in costs easier to identify. It would be more difficult to determine these percentages based on scrutiny of the Period II work papers.

13. One commenter proposed that the information provided in Forms 1 and 12 be used as a substitute for Period I data. Although these forms may furnish much of the same kinds of historical data that are provided in the cost-of-service statements, the data are not synchronized with any rate change filings and therefore may not be valuable in evaluating the changed rate.

III. Section-By-Section Analysis

The rulemaking revises § 35.12(b)(5) to reference Statement BL in paragraph (h) of the revised § 35.13. It should be noted that this statement must be provided, not only in initial rate filings, but also in any rate change filing, even if the utility qualifies for the abbreviated filing requirement under § 35.13.

A. *Table of Contents.* Because of the length and complexity of § 35.13, the major provisions have been listed at the beginning of the rule.

B. *General Filing Requirements.* Paragraphs (a) through (g) of the proposed regulation set forth the basic requirements for submitting and supporting changes in electric rate schedules filed with the Commission. The procedures and substantive requirements in these paragraphs are substantially the same as those in existing § 35.13. The provisions have been restructured, however, to clarify what material must be filed and by whom, and the kind of test period data that are needed to justify the rate change, based on the size or nature of the rate change filed. The new § 35.13 seeks to reorder the basic filing requirements found in existing paragraphs (a), (c), and (d), and portions of (b).

Paragraph (a). This paragraph sets forth the general rule that any electric rate schedule filed under Part 35 to supersede or change another rate schedule must be accompanied by the information required by this section.

Subparagraph (1) requires complete cost-of-service information, including the 37 cost-of-service statements in paragraph (h), for any rate change filed with the Commission under Part 35 which is not exempted under subparagraph (2). Subparagraph (2) provides for the filing of abbreviated information. Under subparagraph (2)(i), utilities filing rate increases that would amount to less than a specified amount, involve short-term service, or pertain to integral parts of a coordination and interchange agreement may choose to support the rate increase by submitting the information required under paragraphs (b) and (c) of this section and under § 35.12(b)(2) and (5), including Statement BL, which is described in paragraph (h) of revised § 35.13. Changes in rates that amount to less than the threshold amount may be supported by full cost-of-service information, if the utility so chooses. However, subparagraph (2)(ii) provides that changes that do not result in a rate increase or changes in delivery points, delivery voltage, or similar changes in service are to be supported only by general information in paragraphs (b) and (c), subject to any necessary additional data requirements imposed by the Commission under subparagraph (3).

Subparagraph (2)(iii) contains a formulary description of how the relative size of a filed rate increase must be determined. This provision is important for determining which rate increases may qualify for an abbreviated filing under paragraph (a)(2)(i) and which increases do not require Period II cost support data under the exception in paragraph (d)(2)(ii).

Existing paragraph (c) is revised and relocated in subparagraph (3); it informs an applicant that the Director of the Office of Electric Power Regulation may request, by letter, information that the Commission has not otherwise required to be submitted under the rule if such data are necessary for evaluation of the rate schedule change. This letter does not constitute an interrogatory, or a deficiency letter upon which a filing could be rejected.

Paragraph (b). This paragraph requires that all parties filing a rate schedule change submit the same variety of general information as required under existing § 35.13(a) plus a statement of any expenses or costs for Periods I or II which have been alleged or judged to be illegal, duplicative or unnecessary labor costs that result from discriminatory employment practices.

Paragraph (c). This paragraph requires that all parties filing a rate schedule change submit information on the effects of the rate schedule change, including the effects on sales and services and revenues from sales and services, a comparison of the changed rate with other of the utility's rates for similar services, and the effect on installation or modification of assignable facilities. The requirement in existing § 35.13(b)(1) for comparative revenue data for the 12 months before and 12 months after the proposed effective date has been modified in paragraph (c)(1)(ii) to permit comparative revenues to be reported for the historical data (Period I) if the utility also files Statements BG and BH and/or for estimated data (Period II) is Period II is the test period. This will eliminate unnecessary preparatory effort for a filing. Based on this change in the comparative revenue data, the Commission is also conforming the filing fee provision in § 36.2(g) of the Commission's regulations to permit fees to be based on Period I data.

Paragraph (d). The requirement that utilities file specific historical and estimated cost information to substantiate the justness and reasonableness of the changed rate has been revised for clarity in paragraph (d). Subparagraph (3) contains an important change in the Commission's definition of "Period I". The requirement that Period I end not earlier than seven months prior to the filing date has been modified. Under the new rule the last day of Period I must precede the date of the rate change filing by no more than 15 months, thereby permitting more extensive use of calendar year data for Period I. Modification of the "seven-months rule" is anticipated to decrease seasonal peaking of the Commission workload seven months after the close of the last calendar year.

The change in the definition of Period I is accompanied by a revised definition of Period II. Period II must follow the end of Period I and may begin no earlier than nine months before the proposed effective date of the rate change but no later than three months after that proposed effective date.

Under subparagraph (1), Period I data are required for all rate schedule changes subject to paragraph (a)(1) and, thus, required to be supported by the cost-of-service statements in paragraph (h). The data may not be adjusted, unless the utility is exempted from filing Period II data under subparagraph (2) because the rate increase is less than one million dollars or is one to which all customers agree. If Period II data are not filed, Period I data may be adjusted to reflect changes that affect revenues or costs and that are known and measurable. Adjustments may be made to Period I data to reflect changes occurring prior to the date the rate is proposed to be effective.

Subparagraph (4) determines whether Period I or Period II will be the test period, that is, the period for which the cost and revenues are compared to the changed rate in order to determine the just and reasonable rate.

Subparagraphs (5) through (7) require that the utility submit work papers to support adjustments to Period I data and Period II estimated data, attestation as to the accuracy of the filings, quarterly updates of certain financial information if the Commission orders investigation or the rate schedule change, and the submittal of regulatory orders affecting the utility's rates.

Paragraph (e). This paragraph describes the filing utility's burden of proof and the requirement to submit testimony and exhibits if the rate schedule change requires a complete cost-of-service filing under paragraph (a)(1). This paragraph is derived from existing § 35.13(b)(5).

Paragraph (f). This paragraph provides that parties to coordination and interchange arrangements in the nature of power pooling transactions may file the information required under this paragraph separately or jointly through a representative.

Paragraph (g). This paragraph is comparable to paragraph (d) in the existing § 35.13. It states that a filing utility must conform cost-of-service filings under § 35.13 to any rule of general applicability and all Commission orders applicable to the filing utility. The word "applicable" in this context means legally binding. The Commission provides in certain of its orders and opinions that a specific utility is bound to treat costs in a particular manner. For instance, if a certain expense is denied rate base treatment, that expense would be denied by precedent in subsequent cases. Such precedents are "applicable" to all the rate changes filed by that utility. The Commission believes that filing utilities should observe Commission policies and precedents of a non-binding nature, although the final rule does not require such compliance.

C. *Cost-of-Service Statements in Paragraph (h).* The major objective of this rulemaking is to revise and elaborate on the cost-of-service statements. The new statements are contained in paragraph (h).

In paragraph (h) the Commission is reordering, expanding and adding to the 17 cost-of-service Statements A through P contained in existing § 35.13(b). Paragraph (h) contains 37 cost-of-service and supporting statements, AA through BL in paragraphs (h)(1) through (h)(37). The statements are more precise and descriptive in their delineation of what is needed to support a tendered rate increase. With the exception of parts of Statements AV (Rate of Return Claimed) and BB (Allocation Demand and Capacity Data), the first 35 statements are intended to be data reports. The last two statements (Statements BK and BL) are designed to reflect analytical interpretation by the utility of all elements of cost-of-service data.

Certain statements in paragraph (h) warrant explanation. Statement AD establishes reporting patterns for many of the other statements. It requires reporting of an average of thirteen monthly balances (the beginning of the first month and the end of each month of a period) for all production and transmission plant to be claimed in rate base. It also establishes definitive criteria determining the filing utility's selection of subfunctional categories of major functional classifications of electric plant in service. These categories are recognized throughout the statements. The statement also sets forth the instances in which general, intangible, common, and other plant categories need not be divided into subfunctional categories. A utility need not subfunctionalize if it does not believe that data in that form are necessary to support the rate change.

Statement AF identifies specific internal sources of capital which should be considered as potential deductions from the otherwise required net original cost rate base. Statement AG identifies capital requirements other than working capital that could be considered as potential additions to net original cost rate base. It is important to note that Statements AF and AG identify as potential rate base deductions or additions certain items that in recent experience have been infrequently considered for such purposes. The Commission is placing the information contained in Account 255, Accumulated deferred investment tax credits (eligibility dependent upon the utility's election under law), and Account 182, Extraordinary property losses, in the cost-of-service statements so that its significance for rate base determinations may be assessed. However, the Commission will not include information from Accounts 252, 261, 262, 263, and 265 that it originally proposed to include. This information on customer advances for construction and miscellaneous reserves is available in Form 1 and need not be requested here.

Statement AL does not incorporate the cash working capital methodology in proposed § 35.24 as set forth in the Commission's Notice of Proposed Rulemaking, issued June 7, 1979 in Docket No. RM79-49 (44 *Fed. Reg.* 33410, June 11, 1979). When a final rule is adopted, Statement AL will be amended accordingly. The Commission's policy during the pendency of the rulemaking is stated in *Carolina Power and Light Company.*[21]

Statement AV (Rate of Return) is similar to present Statement G. However, Statement AV requires more information dealing with the cost of capital. This information is required in prehearing discovery and its inclusion in Statement AV is intended to minimize the need for data requests.

Statement AX is designed to elicit information not generally requested on a routine basis. Statement AX would provide information about rate change cases which the filing utility might have pending before another regulatory body or agency, especially with respect to revenues collected subject to refund.

Although Statement BJ is new, it is simply a concise summary of specific data taken from the other data reporting statements. This information is gathered from portions of the various cost-of-service statements to further facilitate Commission decisionmaking when the information is integrated into staff's computerized cost-of-service program. In addition, a utility that prepares Statement BJ will be rechecking the information contained in the statements from which the data are taken. This statement will, therefore, assist in minimizing deficient filings and the consequent revenue losses.

Statement BK also revises several of the prior cost-of-service statements. It consolidates related information now provided under three statements: Statement L on overall cost-of-service; Statement M on allocated cost-of-service; and Statement N on comparisons of cost-of-service; Statement BK provides for the filing utility to indicate its total cost-of-service and that part of the cost allocated to the wholesale services subject to the change in rates. Nothing in this statement is intended to restrict a utility's choice of cost-of-service techniques.

Statement BL carries forward the requirements of present Statement P in which the filing utility must justify the proposed rate design in terms of allocated cost and other considerations. Statement P was added to the existing § 35.13 in 1975 by Order No. 537.[22] The current interest in marginal cost pricing concepts and in time-of-use rate differentiation makes it appropriate to recount the policy set forth in the preamble of Order No. 537, which policy is also carried forward in Statement BL in this rulemaking:

> The Federal Power Act establishes criteria for this Commission in the exercise of its rate regulatory authority. Rates must be just and reasonable, non-preferential and non-discriminatory. We believe that it would be appropriate for the Commission to consider the extent to which application of marginal cost pricing principles will result in rates which conform more closely with these criteria while at the same time achieving the objectives outlined above. The record before us in this proceeding, however, does not provide a sufficient basis to determine the feasibility of applying marginal cost pricing principles to the design of rates subject to our jurisdiction, particularly rates charged to distributor systems for firm power. *Issuance of the subject filing requirements will not prejudice any party's rights, including those of our staff, to offer innovative rate design proposals through evidentiary presentations.* Indeed, we believe that this matter should be examined by all electric systems with a view to determining whether alternate pricing mechanisms, particularly those based on marginal cost principles, for wholesale sales subject to the jurisdiction of this Commission would be economically sound as well as in accordance with statutory requirements. We note that at the present time a number of studies on rate design alternatives are in progress. We would welcome the introduction into evidence in rate proceedings before this Commission of materials that become available from these studies to assist us in reaching judgments that are in the public interest. [Footnote omitted.] [Emphasis added.] 54 F.P.C. at 1537–1538.

Statement BL is not therefore intended to discourage marginal cost pricing or the filing of time-of-day rates.

Several statements are designed to obtain in detail the information described in current statements only in general terms. Examples of this elaboration can be found in Statements AF, AG, AP, through AT, BE, and BF.

The following table illustrates the relationship of the existing and revised statements for § 35.13:

Revised § 35.13(h)	Discovery	Presently acquired through listing statements or prehearing discovery[22]
AA	Balance Sheets	A
AB	Income Statements	B
AC	Retained Earnings Statements.	C
AD	Cost of Plant	D
AE	Accumulated Depreciation and Amortization.	E

[21] There the Commission stated: "Where a fully developed and reliable lead-lag study is available in the record, we will utilize that study to determine the working capital allowance. Where a study meeting these criteria is not available we will continue to apply the 45-day convention. However, two adjustments will be made in the latter instance, provided the information is available. Fossil fuel expense has come to represent a major expense item for many utilities and, therefore, a substantial component of the O&M expenses. Where this is the case, and the actual lag in the payment for fossil fuel is known, the amount thereof will be substituted as an adjustment to the results otherwise attained by the 45-day rule. Second, where an adjustment for fuel expense lag is made, a further adjustment will be performed, as an add-on to the results under the formula, to recognize the increased importance to the utilities of purchased power expense. This item has not heretofore been comprehended within the operation of the rule. In our opinion, the combination of these two adjustments with the formulary method will produce a more accurate reflection of the utility's actual operating cash needs." Opinion 19-A, issued February 21, 1979 (Docket No. ER76-495).

[22] *See* Note 2 *Supra.*

Revised § 35.13(h)	Discovery	Presently acquired through listing statements or prehearing discovery [33]
AF	Specified Deferred Credits	Discovery
AG	Specified Plant Accounts and Deferred Debits.	M, L, E1
AH	Operation and Maintenance Expenses.	H
AI	Wages and Salaries	M, Discovery
AJ	Depreciation and Amortization Expenses.	I
AK	Taxes Other than Income Taxes.	K, Discovery
AL	Working Capital	F, Discovery
AM	Construction Work in Progress.	Discovery
AN	Notes payable	Discovery
AO	Rate for Allowance for Funds Used During Construction.	Discovery
AP	Federal Income Tax Deductions—Interest.	J
AO	Federal Income Tax Deductions—Other than Interest.	J
AR	Federal Tax Adjustments	J
AS	Additional State Income Tax Deductions.	J
AT	State Tax Adjustments	J
AU	Revenue Credits	M, Discovery
AV	Rate of Return	G, Discovery
AW	Cost of Short-Term Debt	Discovery
AX	Other Recent and Pending Rate Changes.	Discovery
AY	Income and Revenue Tax Rate Data.	Discovery
BA	Wholesale Customer Rate Groups.	M, N, Discovery
BB	Allocation Demand and Capability Data.	M, N, Discovery
BC	Reliability Data	Discovery
BD	Allocation Energy and Supporting Data.	M, N, Discovery
BE	Specific Assignment Data	M, N, Discovery
BF	Exclusive-Use Commitments of Major Power Supply Facilities.	M, N, Discovery
BG	Revenue Data To Reflect Changed Rates.	M, N, Discovery
BH	Revenue Data to Reflect Present Rates.	M, N, Discovery
BI	Fuel Cost Adjustment Factors.	O, Discovery
BJ	Summary Data Tables	
BK	Electric Utility Department Cost of Service, Total and as Allocated.	L, M, N
BL	Rate Design Information	P

[33] Certain of the revised cost-of-service statements require data that have not been reported in all previous rate change proceedings. While the Commission proposes to request some information not obtained under the existing system, most of the "new data" in the proposed cost-of-service statements have been routinely requested during discovery.

IV. Effective Date

The revised § 35.13 will be effective for any electric rate change tendered for filing 180 days from the date of issuance of the final rule or thereafter. However, the Commission encourages public utilities to file under the final revised rule during the 180-day period. The Commission will waive the requirements of the existing § 35.13 for those utilities that request use of the revised cost-of-service format. This policy is a recognition that the ability of public utilities to retool for the filing requirements in the revised § 35.13 may vary widely.

(Federal Power Act, 16 U.S.C. 792–828c; Department of Energy Organization Act, 42 U.S.C. 7101–7352; Executive Order No. 12009, 42 FR 46267)

In consideration of the foregoing, the Commission amends Part 35 and Part 36, Chapter 1, Title 18 of the Code of Federal Regulations, as set forth below.

By the Commission.

Kenneth F. Plumb,

Secretary.

PART 35—FILING OF RATE SCHEDULES

§ 35.12 [Amended]

1. Section 35.12 is amended in paragraph (b)(5) by deleting in the first sentence the term "§ 35.13(b)(4)(iii) Statement P" and inserting in lieu thereof the term "§ 35.13(h)(37), Statement BL", and by deleting in the second sentence the term "Statement P" and inserting in lieu thereof the term "Statement BL".

2. Section 35.13 is amended by adding, before the text of the section, a Table of Contents, and revises § 35.13 to read as follows:

§ 35.13 Filing of changes in rate schedules.

Contents

(a) *General rule.* Every public utility shall file the information required by this section, as applicable, at the time it files with the Commission under § 35.1 of this part all or part of a rate schedule to supersede, supplement, or otherwise change the provisions of a rate schedule filed with the Commission under § 35.1. Any petition filed under § 1.7 of this chapter for waiver of any provision of this section shall specifically identify the requirement that the applicant wishes the Commission to waive.

(1) *Filing for any rate schedule change not otherwise excepted.* Except as provided in paragraph (a)(2) of this section, any utility that files a rate schedule change shall submit with its filing the information specified in paragraphs (b), (c), (d), (e), and (h) of this section, in accordance with paragraph (g) of this section.

(2) *Abbreviated filing requirements.* (i) *For certain rate increases.* Any utility that files a rate schedule change that provides for a rate increase may submit with its filing only the information required in paragraphs (b), (c), and (h)(37) of this section and in § 35.12(b)(2) and (5) of this part, in accordance with paragraph (g) of this section, if the rate increase is:

(A) Less than $200,000 for Period I, as defined in paragraph (d)(3)(i) of this section;

(B) One to which all wholesale customers that belong to the affected rate class consent and that is less than one million dollars for Period I;

(C) For any service of short duration and of a type for which the need and usage cannot be reasonably forecasted, such as emergency or short-term power; or

(D) An integral part of a coordination and interchange arrangement. This exception to the requirements of subparagraph (1) of this paragraph does not apply to interchange schedules providing for firm services (services furnished on an assured basis).

(ii) *For rate schedule changes other than rate increases.* Any utility that files a rate schedule change that does not provide for a rate increase, or that provides for a rate increase that is based solely on a change in delivery points, a change in delivery voltage, or a similar change in service, shall submit with its filing only the information required in paragraphs (b) and (c) of this section.

(iii) *Computing rate increases.* For purposes of this subparagraph and paragraph (d)(2)(ii) of this section, the amount of any rate increase shall be the difference between the total revenues to be recovered under the rate schedule change and the total revenues recovered or recoverable under the rate schedule to be superseded or supplemented and shall be determined by:

(A) applying the components of the rate schedule to be superseded or supplemented to the billing determinants for the twelve months of Period I;

(B) Applying the components of the rate schedule change to the billing determinants for the twelve months of Period I; and

(C) Subtracting the total revenues under subclause (A) from the total revenues under subclause (B).

(3) *Cost of service data required by letter.* The Director of the Office of Electric Power Regulation may, by letter, require a utility that is not required under paragraph (a)(1) of this section to submit cost of service data to submit such specified cost of service data as are needed for Commission analysis of the rate schedule change.

(b) *General information.* Any utility subject to paragraph (a) of this section shall file the following general information:

(1) A list of documents submitted with the rate schedule change;

(2) The date on which the utility proposes to make the rate schedule change effective;

(3) The names and addresses of persons to whom a copy of the rate schedule change has been mailed;

(4) A brief description of the rate schedule change;

(5) A statement of the reasons for the rate schedule change;

(6) A showing that all requisite agreement to the rate schedule change, or to the filing of the rate schedule change, including any agreement required by contract, has in fact been obtained;

(7) A statement showing any expenses or costs included in the cost of service statements for Period I or Period II, as defined in paragraph (d)(3) of this section, that have been alleged or judged in any administrative or judicial proceeding to be illegal, duplicative, or unnecessary costs that are demonstrably the product of discriminatory employment practices; and

(8) A form of notice suitable for publication in the Federal Register in accordance with § 35.8 of this part.

(c) *Information relating to the effect of the rate schedule change.* Any utility subject to paragraph (a) of this section shall also file the following information or materials:

(1) A table or statement comparing sales and services and revenues from sales and services under the rate schedule to be superseded or supplemented and under the rate schedule change, by applying the components of each such rate schedule to the billing determinants for each class of service, for each customer, and for each delivery point or set of delivery points that constitutes a billing unit:

(i) Except as provided in clause (ii), for each of the twelve months immediately before and each of the twelve months immediately after the proposed effective date of the rate schedule change, and the total for each of the two twelve month periods; or

(ii) At the election of the utility:

(A) If the utility files Statements BG and BH under paragraph (h) for Period I, for each of the twelve months of Period I instead of for the twelve months immediately before the proposed effective date of the rate schedule change; and

(B) If Period II is the test period, for each of the twelve months of Period II instead of for the twelve months immediately after the proposed effective date of the rate schedule change;

(2) A comparison of the rate schedule change and the utility's other rates for similar wholesale for resale and transmission services; and

(3) If any specifically assignable facilities have been or will be installed or modified in order to supply service under the rate schedule change, an appropriate map or sketch and single line diagram showing the additions or changes to be made.

(d) *Cost of service information.* (1) *Filing of Period I data.* Any utility that is required under paragraph (a)(1) of section to submit cost of service information, or that is subject to the exception in paragraph (a)(2)(i) of this section but elects to file such information, shall submit Statements AA through BL under paragraph (h) using:

(i) Unadjusted Period I data; or

(ii) Period I data adjusted to reflect changes that affect revenues and costs prior to the proposed effective date of the rate schedule change and that are known and measurable with reasonable accuracy at the time the rate schedule change is filed, if such utility:

(A) Is not required to and does not file Period II data;

(B) Adjusts all Period I data to reflect such changes; and

(C) Fully supports the adjustments in the appropriate cost of service statements.

(2) *Filing of Period II data.* (i) Except as provided in clause (ii) of this subparagraph, any utility that is required under paragraph (a)(1) of this section to submit cost of service information shall submit Statements AA through BL described in paragraph (h) using estimated costs and revenues for Period II;

(ii) A utility may elect not to file Period II data if:

(A) The utility files a rate increase that is less than one million dollars for Period I; or

(B) All wholesale customers that belong to the affected rate class have consented to the rate increase.

(3) *Definitions.* For purposes of this section:

(i) "Period I" means the most recent twelve consecutive months, or the most recent calendar year, for which actual data are available, the last day of which is no more than fifteen months before the date of tender for filing under § 35.1 of the notice of rate schedule change;

(ii) "Period II" means any period of twelve consecutive months after the end of Period I that begins:

(A) No earlier than nine months before the date on which the rate schedule change is proposed to become effective; and

(B) No later than three months after the date on which the rate schedule change is proposed to become effective.

(4) *Test period.* If Period II data are not submitted for Statements AA through BL, Period I shall be the test period. If Period II data are submitted for Statements AA through BL, Period II shall be the test period.

(5) *Work papers.* A utility that files adjusted Period I data or that files Period II data shall submit all work papers relating to such data. The utility shall provide a comprehensive explanation of the bases for the adjustments or estimates and, if such adjustments or estimates are based on a regularly prepared corporate budget, shall include relevant excerpts from such budget. Work papers and documents containing additional explanatory material shall be cut or folded to letter size, shall be assigned page numbers, and shall be marked, organized and indexed according to:

(A) Subject matter;

(B) The cost of service statements to which they apply; and

(C) Witness.

(6) *Additional information.* If the Commission orders an investigation of a rate schedule change, the utility shall submit all of the following information not previously submitted to the Commission, for the first full calendar quarter beginning after issuance of the order initiating the investigation and shall submit such information for each subsequent calendar quarter until the Commission issues a final order concluding the investigation. The utility shall submit such information during the first month of the calendar quarter following that to which the information applies. The following information shall be submitted:

(i) Information concerning any actions involving significant changes in the utility's financial condition, accounting methods, or operations, including the following:

(A) Issuance of any securities, reported in the form required in Statement AV under paragraph (h)(22);

(B) Significant increases or decreases in proposed construction program expenditures;

(C) Mergers, consolidations or other major changes in the utility's corporate organization; and

(D) Changes in the utility's capital structure.

(ii) A copy of each order issued by any regulatory agency approving, rejecting or otherwise disposing of an application for an increase in the electric rates of the utility and a copy of each transmittal letter or equivalent written document by which a utility summarizes and submits a new application, for each rate increase pending before a state regulatory agency.

(7) *Attestation.* A utility shall include in its filing an attestation by its chief accounting officer or another of its officers that, to the best of that officer's knowledge, information, and belief, the cost of service statements and supporting data submitted under this paragraph are true, accurate, and current representations of the utility's books, budgets, or other corporate documents.

(e) *Testimony and exhibits.* (1) *Filing requirements.*

(i) A utility subject to paragraph (a)(1) of this section shall file Statements AA through BL under paragraph (h) as exhibits with its rate schedule change and may file any other exhibits in support of its rate schedule change.

(ii) A utility subject to paragraph (a)(1) of this section shall file prepared testimony. Such testimony shall include an explanation of all exhibits, inlcuding Statements AA through BL, and shall include support for all adjustments to book or budgeted data relied on in preparing the exhibits.

(iii) To the extent that testimony and exhibits other than Statements AA through BL duplicate information required to be submitted in such statements, the testimony and exhibits may incorporate such information by referencing the specific statement containing such material.

(2) *Case in chief.* In order to avoid delay in processing rate filings, such cost of service statements, testimony, and other exhibits described in subparagraph (1) of this paragraph shall be the utility's case in chief in the event the matter is set for hearing.

(3) *Burden of proof.* Any utility that files a rate increase shall be prepared to go forward at a hearing on reasonable notice on the data submitted under this section, to sustain the burden of proof under the Federal Power Act of establishing that the rate increase is just and reasonable and not unduly discriminatory or preferential or otherwise unlawful within the meaning of the Act.

(f) *Filing by parties concurring in coordination and interchange arrangements.* For coordination and interchange arrangements in the nature of power pooling transactions, all information required to be submitted in support of a rate schedule change under paragraphs (a)(1), (2), and (3) of this section shall be submitted by each party filing a certificate of concurrence under § 35.1. If a representative is designated and authorized in accordance with § 35.1 to file supporting information on behalf of all parties to a rate schedule change, such filing shall fulfill the requirement in this paragraph for individual submittals by each party.

(g) *Commission precedents and policy.* If a utility submits cost of service data under paragraph (d) of this section, it shall conform all such submissions to any rule of general applicability and to any Commission order specifically applicable to such utility.

(h) *Cost of service statements.* Any utility subject to paragraph (a)(1) of this section shall submit the following Statements AA through BL in accordance with the requirements of paragraphs (d) and (g) of this section.

(1) *Statement AA—Balance sheets.* Statement AA consists of balance sheets as of the beginning and the end of both Period I and Period II, and the most recently available balance sheet, including any applicable notes, and an explanation of any significant accounting changes since the most recent filing by the utility under this section that involves the same wholesale customer rate class. Balance sheets shall be constructed in accordance with the annual report form for electric utilities specified in Part 141.

(2) *Statement AB—Income statements.* Statement AB consists of income statements for both Period I and Period II, and the most recently available income statement, including any applicable notes, and an explanation of any significant accounting changes since the most recent filing by the utility under this section that involves the same wholesale customer rate class. Income statements shall be prepared in accordance with the annual report form for electric utilities specified in Part 141.

(3) *Statement AC—Retained earnings statements.* Statement AC consists of retained earnings statements for both Period I and Period II, and the most recently available retained earnings statement, including any notes applicable thereto. Retained earnings statements shall be prepared in accordance with the annual report form for electric utilities specified in Part 141.

(4) *Statement AD—Cost of plant.* Statement AD is a statement of the original cost of total electric plant in service according to functional classification for Period I and Period II. If the plant functions and subfunctions for Period I and Period II are different, the utility shall explain and justify the differences.

(i) For each separately identified function and subfunction of production plant or transmission plant, the utility shall state the original cost as of the beginning of the first month and the end of each month of both Period I and Period II, with an average of the thirteen balances for each period. If any of the Period I or Period II thirteen monthly balances is not available or is unrepresentative of the current plan of the utility for plant in service, the utility shall provide an explanation of the relevant circumstances.

(ii) For each separately identified function and subfunction of plant other than production or transmission, the utility shall state the original cost as of the beginning and the end of both Period I and Period II, with an average of the beginning and end balances for each period. If any of the Period I or Period II balances is not available or is unrepresentative of the current plan of the utility for plant in service, the utility shall provide an explanation of the relevant circumstances.

(iii) The utility shall show the electric plant in service in accordance with each of the following five major functional classifications:

(A) Production;

(B) Transmission;

(C) Distribution;

(D) General and Intangible; and

(E) Common and Other.

(iv) To the extent feasible, the utility shall show completed construction not classified in accordance with clause (iii) in accordance with tentative classification to major functional accounts. If this is not feasible, the utility shall describe such facilities as other plant under clause (iii)(E).

(v) If a utility designs its rate change so that subdivision of the major functional classifications is necessary to support the changed rate, the utility shall supply the original cost information for any of the five major functional plant classifications in clause (iii) that are divided into subfunctional categories. If subfunctional original cost information is provided, the utility shall explain the importance of providing such information to support the changed rate. The utility shall describe each subfunctional category in substantive terms, such as "steam electric production" or "high voltage transmission."

(vi) The utility shall select any subfunctional categories, as appropriate, under the following criteria:

(A) Production plant categories shall be established as necessary to segregate costs for production services with special characteristics, such as base, intermediate or peaking load. The utility shall provide a description of each such service and shall list a brief descriptive title for each corresponding subfunctional category.

(B) Transmission plant categories shall be chosen to reflect the extent to which the facilities are proposed to be allocated on a common basis among all or specific segments of utility services. For descriptive purposes, plant may also be categorized according to accounting or engineering terminology, such as "high voltage overhead lines." The utility shall provide brief descriptive transmission category titles and explain the basis for the titles. If a utility allocates all transmission plant among utility services on the basis of a single set of allocation data, the utility may show original cost in total without subfunctionalization.

(C) Distribution plant categories shall be selected according to engineering or use characteristics meaningful for allocations or assignments to wholesale services such as substations, overhead lines, meters, or non-wholesale. The utility shall provide brief descriptive distribution category titles and shall explain the basis for the titles.

(D) If the utility divides any general, intangible, common, and other plant functional classifications into subfunctional categories, the subfunctional categories shall be chosen to group together facilities that share a common basis for allocation between wholesale and other electric services. The utility shall provide a brief descriptive title for each general and intangible subfunctional category, and for each common and other subfunctional category, with an explanation of the basis of each category selection. A utility need not divide the functional classifications of plant into subfunctional categories if these functions of plant are allocated in Statement BK on the basis of utility labor expenses.

(E) A separate category shall be provided for each specific assignment of plant reported in Statement BE. Such assignments are applicable principally but not necessarily exclusively to distribution facilities. The utility shall provide brief descriptive titles consistent with Statement BE.

(F) A separate category shall be provided for each exclusive-use commitment of major power supply facilities as required to be reported at Statement BF. The utility shall provide brief descriptive titles consistent with Statement BF.

(5) *Statement AE—Accumulated depreciation and amortization.* Statement AE is a statement of the accumulated provision for depreciation and amortization of electric plant for Period I and Period II, provided according to major functional classifications selected by the utility in Statement AD under paragraph (h)(4) and divided into the subfunctional categories selected by the utility in Statement AD, to the extent that subfunctionalized data are available.

(i) For each function and subfunction of electric production and transmission plant in service identified in Statement AD, the utility shall set forth the accumulated depreciation and amortization as of the beginning of the first month and the end of each month of both Period I and Period II. The utility shall state an average for each period computed as the average of the thirteen balances.

(ii) For each function and subfunction of electric plant in service other than production or transmission, identified in Statement AD, the utility shall state the accumulated depreciation and amortization as of the beginning and the end of Period I and Period II, with an average of the beginning and end balances for each period.

(iii) If any of the Period I or Period II balances is not available or is unrepresentative of the current plan of the utility for depreciation reserves, the utility shall provide an explanation of the relevant circumstances.

(iv) If accumulated depreciation and amortization data are not available for any subfunction selected in Statement AD, the utility shall:

(A) provide a comparison of the current depreciation rate of the major functional classification and the depreciation rate estimated to be appropriate to the subfunctional category; and

(B) state and explain the estimation techniques which the utility proposes to utilize in the absence of subfunctional data, such as the proration of accumulated depreciation and amortization data among the subfunctional categories according to the data for electric plant in service in Statement AD. If any of the proposed estimation techniques require data that are not provided elsewhere in the cost of service statements in paragraph (h) of this section, the utility shall supply the necessary data in Statement AE.

(6) *Statement AF—Specified deferred credits.* Statement AF consists of balances of specified accounts and items which are to be considered in the determination of the net original cost rate base. All required balances are to be stated as of the beginning and end of both Period I and Period II, with an average of the beginning and end balances for each period. If any of the Period I and Period II balances is not available or is unrepresentative of the current operating plan of the utility, the utility shall include an explanation of

the relevant circumstances. If subaccounts are maintained to reflect differences in ratemaking treatment among regulatory authorities that have jurisdiction, balances shall be provided in accordance with such subaccounts, with detailed explanations of the bases upon which the subaccounts were established and are maintained. The balances of deferred credits required to be filed in this statement are described in clauses (i) through (v) of this subparagraph. All references to numbered accounts refer to the Commission's Uniform System of Accounts, 18 CFR Part 101.

(i) The utility shall state total electric balances for accumulated deferred investment tax credits Account 255, and shall separate the credits into balances applicable to pre-1971 and post-1970 qualifying property additions. If the utility maintains records to show Account 255 component balances according to the major functional classifications identified in Statement AD under paragraph (h)(4), the utility shall provide the component balances by function. If the data are not available by function, the utility shall describe the procedure by which the utility believes it can reasonably estimate the portion of the total electric balances for each major functional classification. The utility may show by function the component balances obtained by applying the procedure. If such estimation requires data that are not provided elsewhere in the cost of service statements in this paragraph, the utility shall supply in Statement AF the necessary data, such as historical functional patterns of plant additions eligible for the tax credits. The utility shall state whether the Internal Revenue Code General Rule, § 46(f)(1), is applicable with respect to restrictions on credit treatment for ratemaking purposes. If the General Rule is not applicable, the utility shall state which election it has made with respect to special rules for ratable or immediate flow-through for ratemaking purposes.

(ii) The utility shall state the total electric component balances for accumulated deferred income tax Account 281 pertaining to accelerated amortization property. The utility shall show separate components for defense, pollution control, and other facilities. The utility shall show balances for each component and totaled for the electric utility department. If the utility maintains records to show Account 281 component balances according to the major functional classifications identified in Statement AD under paragraph (h)(4), the utility shall provide such component balances. If data are not available by function, the utility shall describe the procedure by which the utility believes it can reasonably estimate the portion of the total electric balances for each major functional classification. The utility may show by function the component balances obtained by applying the procedure. If such estimation requires data that are not provided elsewhere in the cost of service statements in this paragraph, the utility shall supply in Statement AF the necessary data.

(iii) The utility shall state the total electric component balances for accumulated deferred income tax Account 282 pertaining to electric utility property other than accelerated amortization property. The utility shall itemize the balances in Account 282, to the extent data are available, in detail sufficient to identify the specific major properties involved and shall list the balances according to the accounting entries, such as liberalized depreciation, for which interperiod tax allocation was used and included in this account. Component balances shall be shown individually and in total for the electric utility department. If the utility maintains records to show account 282 component balances according to the major functional classifications identified in Statement AD under paragraph (h)(4), the utility shall provide such component balances by function. If the data are not available by function, the utility shall describe the procedure by which the utility believes it can reasonably estimate the portion of the total electric balances for each major functional classification. The utility may show by function the component balances obtained by applying the procedure. If such estimation requires data that are not provided elsewhere in the cost of service statements in this paragraph, the utility shall supply in Statement AF the necessary data, such as historical functional patterns of plant additions.

(iv) The utility shall state the total electric component balances for accumulated deferred income tax Account 283 pertaining to interperiod income tax allocations not related to property. The utility shall itemize in detail balances in Account 283, to the extent data are available, and shall list the balances according to the accounting entries for which interperiod tax allocation was used and included in this account. Component balances shall be shown individually and in total for the electric utility department. If the utility maintains records to show Account 283 component balances according to the major functional classifications identified in Statement AD under paragraph (h)(4), the utility shall provide such component balances by function. If the data are not available by function, the utility shall describe the procedure by which the utility believes it can reasonably estimate the portion of the total electric balances for each major functional classification. The utility may show by function the component balances obtained by applying the procedure. If such estimation requires data that are not provided elsewhere in the cost of service statements in this paragraph, the filing shall supply in Statement AF the necessary data.

(v) The utility shall show electric utility balances for every other item that the utility believes should be included in Statement AF. The utility shall explain the reasons for inclusion of each item.

(7) *Statement AG—Specified plant accounts (other than plant in service) and deferred debits.* Statement AG is a statement of balances of specified accounts and items that are to be considered in the determination of the net original cost rate base. Except as prescribed in clause (ii), the utility shall state all required balances as of the beginning and the end of Period I and Period II, with an average of the beginning and end balances for each period. If any of the Period I or Period II balances is not available or is unrepresentative of the current operating plan of the utility, the utility shall provide a full explanation of the relevant circumstances. If subaccounts are maintained to reflect differences in ratemaking treatment among regulatory authorities having jurisdiction, the utility shall provide balances in accordance with such subaccounts, with detailed explanations of the bases upon which the subaccounts were established and are maintained. The balances required to be submitted under Statement AG are described in clauses (7)(i) through (vi).

(i) For each separately identified major functional classification selected by the utility in Statement AD, the utility shall state the electric utility land and land rights balances for electric plant held for future use in account 105. If itemized in detail, balances shall be totaled for each major functional classification.

(ii) The utility shall state the electric utility component balances in Account 107 individually and in total, for each item of construction work in progress for pollution control or fuel conversion facilities that qualifies for inclusion in rate base. The utility shall state such balances as of the beginning of the first month and the end of each month of

Period I and Period II, with an average of the thirteen balances for each period.

(iii) For each major functional classification under Statement AD and with respect to property otherwise includable in plant in service, the utility shall state the balances for extraordinary property losses Account 182. If itemized in detail, balances shall be totaled for each major functional classification. The utility shall provide information about Commission authorization for any loss included in Account 182 and shall state when the loss was claimed for tax purposes.

(iv) For each major functional classification under Statement AD, the utility shall state the component balances for research, development and demonstration (RD&D) expenditures Account 188. The data shall include both the amounts charged to Account 188 and the amounts transferred to each expense account for each RD&D project.

(v) The utility shall state the total electric component balances for accumulated deferred income taxes Account 190. The component balances in Account 190 shall be itemized in detail and listed according to the accounting entries for which interperiod tax allocation was used. Component balances shall be shown individually and in total for the electric utility department. If the utility maintains records to show Account 190 component balances according to the major functional classifications identified in Statement AD under paragraph (h)(4), the utility shall provide such component balances by function. If the data are not available by function, the filing utility shall describe the procedure by which the utility believes it can reasonably estimate the portion of the total electric balances for each major functional classification. The utility may show by function the component balances obtained by applying the procedure. If such estimation requires data that are not provided elsewhere in the cost of service statements in this paragraph, the utility shall supply in Statement AG the necessary data.

(vi) Balances shall be shown for every other item that the utility believes should be included in Statement AG. The utility shall provide support for inclusion of each item, and a brief descriptive title for each such item.

(8) *Statement AH—Operation and maintenance expenses.* Statement AH is a statement of electric utility operation and maintenance expenses for Period I and Period II provided according to the accounts prescribed by the Commission's Uniform System of Accounts, 18 CFR Part 101.

(i) For Period I and Period II, the utility shall itemize and subtotal all operation and maintenance expenses according to the major functional classifications of Statement AD in paragraph (h)(4) and the subfunctional categories of those classifications. The utility shall further divide the operation and maintenance expenses itemized under the production classification and each of its subfunctional categories to reflect expenses relating to the energy component (list each item by account number and compute fuel costs on an as-burned basis), the demand component, and any other production expenses.

(ii) For Period I and Period II, the utility shall report production operation and maintenance expenses according to appropriate account numbers. The utility shall apply the following principles in developing Period I and Period II production operation and maintenance data for this statement:

(A) Total production operation and maintenance expenses shall be segregated into energy, demand, and other components. The utility shall specifically state and support its criteria for classifications between energy and demand, and for use of the production "other" classification, such as specific assignments related to sales from particular generating units.

(B) Fuel expense for cost of service purposes shall be the total as-burned expense incurred. If the utility defers a portion of such expense for accounting purposes, the deferral amount shall be separately stated and accompanied by material that shows computational detail in support of such amount. If claimed nuclear fuel expense reflects a change in the estimated net salvage value of nuclear fuel, the utility shall show the amounts involved and explain the relevant circumstances.

(C) If the amount of production fuel expense is significantly affected by abnormal Period I water availability for hydroelectric generation, the utility shall explain how water availability was taken into account in developing projected Period II production fuel expenses.

(iii) For Period I and Period II, the utility shall report operation and maintenance expenses attributable to the transmission and distribution functions according to appropriate account numbers. If Period II transmission and distribution plant data are not provided by subfunctional category in Statement AD, the utility need only provide for Period II total operation and maintenance expenses for each function.

(iv) For Period I and Period II, the utility shall report in total for each period, operation and maintenance expenses incurred under each of the categories of customer accounting, customer service and information, and sales.

(v) For Period I and Period II, the utility shall itemize administrative and general expenses by groups that are directly assignable, such as regulatory Commission expenses, or that are related to selected plant or expense items for which an allocation to wholesale services is independently determinable, such as items related to labor expense or to a category of production plant in service. Administrative and general expenses shall include a detailed itemization of the general advertising Account 930.1 and the miscellaneous general expenses Account 930.2. If Account 930 data are not projected on a detailed basis for Period II, the utility shall provide its best estimate of the Account 930.1 expense items and a descriptive list of expense items anticipated as miscellaneous general expenses in Account 930.2. Where applicable, separate items shall be shown for general plant maintenance, and for common and other plant maintenance.

(vi) In addition to annual production data for Period I and Period II, the utility shall provide monthly expense data by accounts for fuel in Accounts 501, 518, and 547 and purchased power in Account 555. For each type of transaction, such as firm power or economy interchange power, monthly purchased power expense data shall be subtotaled separately for interchange receipts and deliveries. For monthly fuel Accounts 501, 518, and 547, and for each type of purchased power transaction, the monthly data shall identify components to be claimed under the fuel adjustment clause of the utility.

(9) *Statement AI—Wages and salaries.* Statement AI consists of statements of the electric utility wages and salaries, for Period I and Period II, that are included in operation and maintenance expenses reported in Statement AH.

(i) For Period I and Period II, the utility shall show the distribution of wages and salaries by function according to the form prescribed for operation and maintenance expenses by the Commission's Uniform System of Accounts, 18 C.F.R. Part 101. The statement shall also include by function additional wages and salaries attributable to common and other plant classifications identified in Statement AD in paragraph (h)(4).

(ii) For Period I and Period II, the utility shall show total production wages and salaries, itemized and subtotaled into energy and demand related components in accordance with classifications of Statement AH operation and maintenance production expenses of which production wages and salaries are a part.

(10) *Statement AJ—Depreciation and amortization expenses.* Statement AJ consists of statements of depreciation and amortization expenses for Period I and Period II.

(i) For Period I and Period II, the utility shall show the depreciation and amortization expenses and the depreciable plant balances of the filing utility, in accordance with major functional classifications selected by the utility in Statement AD under paragraph (h)(4).

(ii) The utility shall divide the major functional classifications of depreciation and amortization expenses shown in clause (i) into the subfunctional categories selected by the utility for electric plant in service in Statement AD, to the extent such data are available.

(iii) If depreciation and amortization expense data are not available for any subfunctional category selected in Statement AD, the utility shall:

(A) provide a comparison of the current depreciation rate of the major functional classification and the depreciation rate estimated to be appropriate to the subfunctional category; and

(B) state and explain the estimation techniques that the utility utilized in developing each estimated subfunctional depreciation rate. If utilization of such estimation techniques requires data that are not provided elsewhere in the cost of service statements in this paragraph, the utility shall supply such data in Statement AJ.

(iv) For Period I and Period II, the utility shall show the annual depreciation rate applicable to each function and subfunction for which depreciation expense is reported. The utility shall indicate the bases upon which the depreciation rates were established. If the depreciation rates used for Period I or Period II data differ from those employed to support the utility's prior approved jurisdictional electric rate, the utility shall include in or append to Statement AJ detailed studies in support of such changes. These detailed studies shall include:

(A) copies of any reports or analyses prepared by any independent consultant or utility personnel to support the proposed depreciation rates; and

(B) a detailed capital recovery study showing by primary account the depreciation base, accumulated provision for depreciation, cost of removal, net salvage, estimated service life, attained age of survivors, accrual rate, and annual depreciation expense.

(11) *Statement AK—Taxes other than income taxes.* Statement AK consists of statements of taxes other than income taxes for Period I and Period II.

(i) For Period I and Period II, the utility shall itemize and total any taxes other than income taxes according to clauses (i) (A) through (D).

(A) *Revenue taxes.* The utility shall show total revenue taxes levied by each taxing authority and identify the revenue taxes, under both the present and changed rate, applicable to wholesale services for which a rate change is filed. The utility shall identify revenue taxes associated with each revenue credit item reported in Statement AU under paragraph (h)(21).

(B) *Real estate and property taxes.* The utility shall itemize and total all real estate and property taxes. If the utility maintains records to show tax component balances according to the major functional classifications identified in Statement AD under paragraph (h)(4), the utility shall supply the component balances by function. If the data are not available by function, the utility shall describe the procedure by which the utility believes it can reasonably estimate the portion of the total electric balances for each major functional classification. The utility may show by function the component balances obtained by applying the procedure. If such estimation requires data that are not provided elsewhere in the cost of service statements in this paragraph, the utility shall supply the necessary data in Statement AK.

(C) *Payroll taxes.* The utility shall itemize and total all payroll taxes. If the utility maintains records to show tax component balances according to the major functional classifications identified in Statement AD in paragraph (h)(4), the utility shall provide the component balances by function. If the data are not available by function, the utility shall describe the procedure by which the utility believes it can reasonably estimate the portion of the total electric balances for each major functional classification. The utility may show by function the component balances obtained by applying the procedure. If such estimation requires data that are not provided elsewhere in the cost of service statements in this paragraph, the utility shall provide the necessary data in Statement AK.

(D) *Miscellaneous taxes.* The utility shall itemize and total all miscellaneous taxes which are directly assignable or which are related to any selected plant or expense item for which an allocation to wholesale services is independently determinable, such as items related to transmission plant in service or to net distribution plant.

(ii) If any of the taxes itemized under clause (11)(i) are levied by a taxing authority that is a customer, or is related to a customer, whose services would be affected by the changed rate schedule, the utility shall show amounts of such taxes according to the taxing authority, identify the related customer, and provide an explanation of the relevant circumstances.

(12) *Statement AL—Working capital.* Statement AL consists of statements for Period I and Period II designed to establish the need for working capital to maintain adequate levels of operating supplies, to meet required prepayments, and to meet ongoing cash disbursements that must be made at a time different than related revenue receipts for utility services rendered.

(i) *Supplies and prepayments.* The utility shall supply statements to show monthly balances of operating supplies and prepayments itemized under clauses (i) (A) through (C). The utility shall state all required balances as of the beginning of the first month and the end of each month of both Period I and Period II, with an average of the thirteen balances for each period. If any of the Period I or Period II balances is not available or is unrepresentative of the current operating plan of the utility for supplies or prepayments, the utility shall include an explanation of the relevant circumstances. Operating supply and prepayment balances shall be itemized under the following categories:

(A) *Fuel supplies.* The utility shall state the fuel supply balances for each type of electric utility production plant, except hydraulic. The utility shall describe its overall fossil fuel supply objectives for Period I and Period II, in terms of projected average days of burn for major fossil fuel generating stations, if feasible. The utility shall explain substantial differences, if any, between actual Period I inventories and the target objectives, or between Period II objectives and Period I objectives. Nuclear fuel balances shall include fuel in stock, fuel in the reactor and spent fuel in the process of cooling in Accounts 120.2, 120.3, 120.4, less accumulated provisions for amortization of nuclear fuel assemblies in Account 120.5.

(B) *Plant materials and operating supplies.* The utility shall state materials and operating supply balances for each of the major electric utility operating functions of production, transmission, and distribution, and for each significant type of miscellaneous operating supplies. Miscellaneous supplies shall be grouped to facilitate suitable allocations or assignments among utility services.

(C) *Prepayments.* The utility shall indicate prepayment balances for each major prepayment item, with a brief description of the item. Balances shall be grouped and subtotaled to facilitate suitable allocations or assignments among utility services.

(ii) *Cash working capital.* The utility shall indicate average monthly working cash requirements that reflect the extent to which day-to-day operational utility service revenues are received later or earlier than cash disbursements necessary to provide the services, with an explanation of how such requirements are derived.

(13) *Statement AM—Construction work in progress.* Statement AM is a statement of the amounts of construction work in progress described according to functional classification for Period I and Period II. For production plant and transmission plant, the utility shall state the balances as of the beginning of the first month and the end of each month of both Period I and Period II, with an average of the thirteen balances for each period. For each function of plant identified in Statement AD other than production or transmission, the utility shall state the balances as of the beginning and the end of both Period I and Period II, with an average of the beginning and end balances for each period. If any Period I or Period II balance is not available, the utility shall include monthly estimates and an explanation of the relevant circumstances. Pollution control or fuel conversion facility amounts reported in Statement AG shall be excluded from amounts reported in this statement.

(14) *Statement AN—Notes payable.* Statement AN is a statement of the electric utility portion of average notes payable for Period I and Period II. The utility shall indicate balances as of the beginning of the first month and the end of each month of both Period I and Period II, with an average of the thirteen balances for each period. If any of the Period I or Period II balances is not available or is unrepresentative of the current financing plan of the utility, the utility shall provide an explanation of the relevant circumstances. If a utility has operations other than electric, the utility shall also show allocations between electric and other utility departments on an appropriate basis, such as the average amount of construction work in progress and net plant.

(15) *Statement AO—Rate for allowance for funds used during construction.* Statement AO is a statement of the basis of the rate for computing the allowance for funds used during construction (AFUDC) for Period I and Period II.

(i) The utility shall show the computations of the maximum rates for the construction allowances computed in accordance with plant instructions of the Commission's Uniform System of Accounts, 18 CFR Part 101. The utility shall show the rates computed annually, and shall provide the rates for each annual period that includes any part of Period I or Period II. If the utility proposes to use a net-of-tax rate, the utility shall show the derivation for both the gross-of-tax and net-of-tax rates.

(ii) If the book allowance amounts of AFUDC do not reflect the maximum rates for allowances for funds computed in accordance with clause (i), the utility shall show the derivation for the actual rates utilized in computing AFUDC, including derivation of any net-of-tax rate utilized by the utility.

(16) *Statement AP—Federal income tax deductions—interest.* Statement AP is a statement of electric utility interest charges for Period I and Period II. For each period, the utility shall state the total electric utility interest in terms of three or more component items described in clauses (i) through (iv).

(i) The utility shall state the allowance for borrowed funds used for electric utility construction Account 432 as a separate component. The utility shall show supporting detail, including computation of the amounts on the basis of AFUDC rates claimed in Statement AO.

(ii) The utility shall state interest for borrowed funds used for electric utility construction Account 431 as a separate component. If applicable, the utility shall also show all elements of Account 431 related to purposes other than electric utility construction, with detailed supporting material, such as a computation of allocations between electric and other utility departments with explanatory material to support the bases of such allocations.

(iii) The utility shall state the interest on long-term debt required for electric rate base investment as a separate component. The interest amount shall be consistent with that shown and utilized in Statement BK under paragraph (h)(36).

(iv) The utility shall show other interest items appropriate in the determination of net taxable income allocable to the wholesale services at issue. The utility shall describe and support each item and shall accompany each item with a statement of the basis on which the item is allocable to the wholesale services. The utility shall also list a short descriptive title for each item.

(17) *Statement AQ—Federal income tax deductions—other than interest.* Statement AQ is a statement of other deductions from net operating income before Federal income taxes, for Period I and Period II, which deductions are appropriate in determining the net taxable income allocable to the wholesale services subject to the changed rate. The utility shall show unallowable deductions as negative entries in this statement. The utility shall itemize deductions in accordance with clause (i) through (iii) and individually identify each by a brief descriptive title.

(i) The utility shall report, as a separate component of this statement, the difference between tax and book depreciation, in total, or in individual amounts based on the Internal Revenue Code provisions that permit the utility to use various methods of computing depreciation for tax purposes, such as liberalized depreciation or the asset depreciation range. If the utility reports the differences in total only, it shall list the specific Internal Revenue Code provisions that result in the difference.

(ii) The utility shall state taxes and pensions capitalized as a separate component.

(iii) The utility shall describe and support other deduction items appropriate in the determination of net taxable income allocable to the wholesale services. Each item shall be accompanied by a brief explanation of the basis on which the item is allocable to the wholesale services.

(18) *Statement AR—Federal tax adjustments.* Statement AR is a statement of adjustments to Federal income taxes for Period I and Period II. If subaccounts are maintained to reflect differences in ratemaking treatment among regulatory authorities having jurisdiction, the utility shall provide adjustment amounts in accordance with such subaccounts. The utility shall report detailed explanations of the bases upon which the subaccounts were established and are maintained.

(i) For each major function of plant identified in Statement AD under paragraph (h)(4), the utility shall state the electric utility component adjustment for the Federal portions of the provision for deferred income tax Account 410.1. If the data are not available by function, the utility shall state the amounts for the total electric utility and shall describe the procedure by which the utility believes it can reasonably estimate the portion of the total electric balances for each major functional classification. The utility may show by function the component balances obtained by applying the procedure. If such estimation requires data that are not provided elsewhere in the cost of service statements in this paragraph, the utility shall supply in Statement AR the necessary data. The utility shall provide the adjustment amounts for total electric and, to the extent available for each such major functional component, accompanied by summary totals segregated in accordance with related balance sheet Accounts 281, 282, 283, and 190 [*see* Statements AF and AG]. Account 190 items require a negative sign for entries in Statement AR. The utility shall identify the summarized items by account number.

(ii) The utility shall provide for the Federal portions of the provision for deferred income tax-credit Account 411.1 the data required by clause (i) for Account 410.1.

(iii) For each major functional classification of plant identified in Statement AD under paragraph (h)(4), the utility shall provide the electric utility component for investment tax credits generated for Period I and Period II, credits utilized for each period, and the allocations to current income for each period. If the data are not available by function, the utility shall state the amounts for total electric utility and shall describe the procedure by which the utility believes it can reasonably estimate the portion of the total electric balances for each major functional classification. The utility may show by function the component balance obtained by applying the procedure. If such estimation requires data that are not provided elsewhere in the cost of service statements in this paragraph, the utility shall supply in Statement AR the necessary data. If itemized in detail, balances shall be subtotaled for each major function, and totaled for the electric utility department. Detailed data shall be consistent with that provided in Statement AF under paragraph (h)(6).

(iv) The utility shall list and designate as other adjustment items any additional Federal income tax adjustments and shall provide a brief descriptive title for each item. The utility shall explain the reasons for inclusion of each item, and shall indicate the basis on which each will be assigned or allocated to the wholesale services subject to the changed rate and to the other electric utility services.

(19) *Statement AS—Additional state income tax deductions.* Statement AS is a listing of state income tax deductions for Period I and Period II, in addition to those listed at Statements AP and AQ for Federal tax purposes. The utility shall explain the reasons for inclusion of each item. The utility shall indicate the basis on which each item is to be assigned or allocated to the wholesale services at issue and to the other electric utility services. If applicable, the utility shall show unallowable deductions as negative entries in this statement. The utility shall provide the percentage of Federal income tax payable which is deductible for state income tax purposes, if applicable. [*See also* Statement AY, dealing with tax rate data.]

(20) *Statement AT—State tax adjustments.* Statement AT is a statement of adjustments to state income taxes for Period I and Period II. The utility shall prepare and present the data in statement AT as prescribed for Federal tax adjustments in Statement AR. The utility shall annotate Statement At data as necessary to identify state tax adjustments that are not properly deductible for Federal tax purposes.

(21) *Statement AU—Revenue credits.* Statement AU is, for Period I and Period II, a statement of the operating revenue balances in Accounts 450 through 456, and other revenue items, such as short-term sales in Account 447, that are appropriately credited to the cost of service for determinations of costs allocable to the wholesale services subject to the changed rate. The utility shall include revenue credits proposed for exclusive-use commitment of major power supply facilities according to instructions for preparation of Statement BF under paragraph (h)(31). When applicable, the utility shall state revenue taxes for each revenue credit item. The utility shall explain the reasons for inclusion of each item, and shall indicate the basis for assigning or allocating each item to the wholesale services subject to the changed rate and to the other electric utility services.

(22) *Statement AV—Rate of return.* Statement AV is a statement and explanation of the percentage rate of return requested by the utility. The utility shall provide the complete capital structure, including ratios, component costs and weighted component costs claimed by the utility. The utility shall submit additional data where any component of the capital of the utility is not primarily obtained through its own financing, but is primarily obtained from a company by which the utility is controlled, as defined in the Commission's Uniform System of Accounts, 18 C.F.R. Part 101. The utility shall submit the additional data, if required with respect to the debt capital, preferred stock capital and common stock capital of such controlling company or any intermediate company through which such funds have been secured.

(i) *General.* The utility shall show, based on the capitalization of the utility, the cost of debt capital and preferred stock capital, the claimed rate of return on the common equity of the utility and the resulting overall rate of return requested.

(A) For Period I and, if applicable, Period II, the utility shall show in tabular form the following:

(*1*) Cost of each capital element, including claimed rate of return on equity capital;

(*2*) Capitalization amounts and ratios;

(*3*) Weighted cost of each capital element; and

(*4*) Overall claimed rate of return.

(B) When a Period II filing is submitted the utility shall provide:

(*1*) A full explanation of, and supporting work papers for, the *pro forma* adjustments to the actual capitalization data to arrive at the Period II capitalization; and

(*2*) The *pro forma* adjustment to Period I data to arrive at the Period II amount for unappropriated undistributed subsidiary earnings in Account 216.1.

(C) If not included elsewhere in the filing, the utility shall submit the amount for Account 216.1 for Period I as part of this statement.

(ii) *Debt capital.* (A) The utility shall show the weighted cost for all issues of long-term debt capital as of the end of Period I, as expected on the date the changed rate is filed, and, if applicable, as estimated for the end of Period II. The weighted cost is calculated by: (1) multiplying the cost of money for each issue under clause (B)(*6*) below by the principal amount outstanding for each issue, which yields the annualized cost for each issue; and (2) adding the annual cost of each issue to obtain the total for all issues, which is divided by the total principal amount outstanding for all issues to obtain the weighted cost for all issues.

(B) The utility shall show the following for each class and series of long-term debt outstanding as of the end of Period I, as expected on the date the changed rate is filed, and, if applicable, as estimated to be outstanding as of the end of Period II.

(*1*) Title;

(*2*) Date of offering and date of maturity;

(*3*) Interest rate;

(*4*) Principal amount of issue;

(*5*) Net proceeds to the utility;

(*6*) Cost of money, which is the yield to maturity at issuance based on the interest rate and net proceeds to the utility determined by reference to any generally accepted table of bond yields;

(*7*) Principal amount outstanding;

(*8*) Name and relationship of issuer and if the debt issue was issued by an affiliate; and

(*9*) If the utility has acquired at a discount or premium some part of the outstanding debt which could be used in meeting sinking fund requirements, or for some other reason, the annual amortization of the discount or premium for each issue of debt from the date of the reacquisition over the remaining life of the debt being retired. The utility shall show separately the total discount and premium to be amortized, and the amortized amount applicable to Period I and, if applicable, Period II.

(C) The utility shall show the before-tax interest coverage, for the twelve months of Period I based on the indenture requirements. The utility shall provide a copy of the work papers used to make the calculations, with explanations appropriate to understand the calculations.

(iii) *Preferred stock and preference stock capital.*

(A) This statement shall show the weighted cost for all issues of preferred and preference stock capital as of the end of Period I, as expected on the date the changed rate is filed, and, if applicable, as estimated for the end of Period II. The weighted cost is calculated by: (1) multiplying the cost of money for each issue under clause (B)(*9*) by the par amount outstanding for each issue, which yields the annualized cost for each issue; and (2) adding the annual cost of each issue to obtain the total for all issues, which is divided by the total par amount outstanding for all issues to obtain the weighted cost for all issues.

(B) The statement shall show for each class and issue of preferred and preference stock outstanding as of the end of Period I, as expected on the date the changed rate is filed, and, if applicable, as estimated to be outstanding as of the end of Period II:

(*1*) Title;

(*2*) Date of offering;

(*3*) If callable, call price;

(*4*) If convertible, terms of conversion;

(*5*) Dividend rate;

(*6*) Par or stated amount of issue;

(*7*) Net proceeds to the filing utility;

(*8*) Ratio of net proceeds to gross proceeds received by the filing utility;

(*9*) Cost of money (dividend rate divided by the ratio of net proceeds to gross proceeds for each issue);

(*10*) Par or stated amount outstanding; and

(*11*) If issue is owned by an affiliate, name and relationship of owner.

(iv) *Common stock capital.* This statement shall show the following information for each sale of common stock during the five-year period preceding the date of the balance sheet for the end of Period I and for each sale of common stock between the end of Period I and the date that the changed rate is filed:

(A) Number of shares offered;

(B) Date of offering;

(C) Gross proceeds at offering price;

(D) Underwriters' commissions;

(E) Dividends per share;

(F) Net proceeds to company;

(G) Issuance expenses; and

(H) Whether issue was offered to stockholders through subscription rights or to the public and whether common stock was issued for property or for capital stock of others.

(v) *Supplementary financial data.* The utility shall submit a statement indicating the sources and uses of funds for Period I and as estimated for Period II and a copy of the utility's most recent annual report to the stockholders. The utility shall also supply a prospectus for its most recent issue of securities and a copy of the latest prospectus issued by any subsidiary of the filing utility or by any holding company of which the filing utility is a subsidiary.

(23) *Statement AW—Cost of short-term debt.* In Statement AW, the utility shall provide a statement of the cost of capital rate for short-term debt of the utility as of the end of Period I, as expected on the date the proposed rate is filed, and, if applicable, as estimated for the end of Period II, with details supporting each stated cost. The short-term debt rate shown in Statement AW shall include only the short-term debt that appears on the income statement as interest expense and shall not include nominal forms of financing, such as trust agreements.

(24) *Statement AX—Other recent and pending rate changes.* Statement AX is a statement describing the extent to which operating revenues are subject to refund for Period I and, if applicable, Period II, for each rate change filed with any Federal, state, or other regulatory body that has jurisidiction. The utility shall list and submit any orders in which applications for a rate increase have been acted on by any regulatory body during Period I, Period II, or the interval between Period I and Period II, and a copy of each transmittal letter or equivalent written document by which a utility summarized and submitted any pending applications that have not been acted on. Statement AX shall reflect information available at the time of submittal under this paragraph.

(25) *Statement AY—Income and revenue tax rate data.*

(i) Statement AY is a statement of tax rate data for Period I and Period II arranged as follows:

(A) Nominal Federal income tax rate;

(B) Nominal state income tax rate;

(C) Proportion of Federal income taxes payable which is deductible for state income tax purposes. If an allowable deduction is stated in other terms, the utility shall provide an estimate of the effective deduction as a percentage of Federal tax payable; and

(D) Revenue tax rate. If the revenue tax rate is scaled, the utility shall show approximate weighted average rates for relevant revenue levels and full supporting data.

(ii) If the utility serves in more than one jurisdiction for revenue or state income tax purposes, the utility shall state the appropriate tax rates for each wholesale customer group at issue and for all other customers as a composite group. [*See*, Statement BA under paragraph (h)(26) for wholesale customer grouping criteria.] If there are any changes in tax rates that occur in Period I or that may occur in Period II, the utility shall describe such changes and the effective date of the changes.

(26) *Statement BA—Wholesale customer rate groups.*

(i) Statement BA is a list of wholesale customers by group for the purpose of:

(A) Allocating the allowable costs of the utility to such customer groups on the basis of electric utility services rendered; and

(B) Comparing proposed revenues from each customer group with the cost of service as allocated to that group.

(ii) The utility shall limit the number of wholesale customer groups listed to the minimum required under the following criteria:

(A) At least one customer group shall be specified for each separate wholesale rate subject to the changed rate filing.

(B) In general, all customers proposed to be served on the same rate shall be included in a common group. If the utility believes that there are significant differences in services provided under the same rate, the utility shall subdivide the common group served by the same rate into separate customer groups characterized by the type of service provided each group and shall demonstrate whether the common rate is cost-based by means of cost-justification for each service group.

Certain customer groupings, such as cooperatives or municipals, may also be utilized to facilitate purchaser evaluations of the changed rate.

(C) In all cases, the utility shall select customer groupings on a basis consistent with rate design information provided in Statement BL under paragraph (h)(37).

(iii) The utility shall enumerate all wholesale customer rate groups, together with a brief descriptive title for each group. For example:

Group 1. Full Requirements Tariff FR–1.

Group 2. Partial Requirements Tariff PR–1.

(27) *Statement BB—Allocation demand and capability data.* Statement BB is a statement of electric utility demand and capability data for Period I and Period II to be considered as a basis for allocating related costs to the wholesale services subject to the changed rate.

(i) For each month of Period I and Period II, with an average for each period, the utility shall show the maximum peak firm kilowatt demand on the power supply system of the utility, and the kilowatt demands of the wholesale services that coincide with the system monthly maximum power supply demand, including for Period I the date and hour for such coincidental peak demands. The utility shall state these kilowatt demands in terms of 60-minute intervals or other intervals adjusted to the equivalent of 60 minutes. The utility shall not include in the data the demands associated with interruptible power supply services, firm or nonfirm transmission wheeling services, or demands associated with other services the revenues from which are shown as revenue credits in Statement AU under paragraph (h)(21). The utility shall provide wholesale service demand data as follows:

(A) The wholesale service data for each individual customer delivery point or set of delivery points that constitutes an individual wholesale customer billing unit shall include demands at delivery. The individual customer wholesale service data shall be summarized and subtotaled in accordance with Statement BA customer groupings.

(B) The data supplied for each wholesale customer group under clause (A) shall be adjusted for losses to reflect demand at the power supply level. The data shall be totaled to show total customer group demand at power supply level for each month of Period I and Period II.

(ii) To the extent such data are available, the utility shall state Period I and Period II monthly maximum demand data for interruptible power supply services, firm wheeling services, and nonfirm wheeling services. The utility shall also provide, to the extent data are available, firm wheeling demand data for any of the 60-minute periods that coincide with the times of power supply peak demands shown under clause (i). The utility shall indicate the basis of all demands, such as metered demands or contract demands, reported under this clause. For interruptible services, the utility shall provide a description of the conditions under which service may be interrupted or curtailed. The utility shall include available information on actual interruptions or curtailments during a three-year period that includes Period I. If any of the wholesale rates at issue are for interruptible or curtailable service, the utility shall provide any demand data specifically relevant to such service.

(iii) If a utility establishes plant categories in Statement AD under paragraph (h)(4) for the purpose of supporting wholesale rates for firm power supply services with special characteristics, such as base load, intermediate, or peaking, the utility shall provide in Statement BB the demand data required by clause (i) in total and in separate corresponding demand values consistent with the service characteristics. Corresponding values shall be stated for the system demand of the utility, and for each applicable wholesale service group.

(iv) If a utility establishes plant categories in Statement AD under paragraph (h)(4) for the purpose of supporting wholesale rates for nonfirm power supply services, such as capacity sales, the utility shall include in Statement BB for each month of Period I and Period II the monthly capability data relied on by the utility in developing costs allocable to such rates, with an explanation of the underlying cost allocation rationale.

(v) If a utility establishes production plant categories in Statement AD under paragraph (h)(4) for the purpose of supporting wholesale rates based on specialized ratemaking theories such as marginal cost pricing, time-of-day pricing, or base, intermediate, and peaking characteristics, the utility shall include in Statement BB all demand and capability data relied on by the utility in developing support on a cost of service basis, with appropriate explanatory material.

(vi) For each month of Period I and Period II, the utility shall provide any additional demand data that the utility believes to be relevant to the allocation of electric utility costs to the wholesale services at issue. The utility shall fully support all such data and shall explain the rationale and the specific application proposed.

(vii) Based upon information reported in Statements BB and BC, the utility shall list selected months that are normally the months of greatest significance in determining the need of the utility for power supply capability throughout the year. All twelve months may be selected, if appropriate. In its selection, the utility shall take into account any effects of local weather seasons and, particularly, the extent to which peak demands may tend to be similar in magnitude in two or more months of a weather season. The utility shall explain the reasons for the selections and describe the significance for the selections of seasonal variations in the weather.

(28) *Statement BC—Reliability data.* Statement BC is a statement relating to reference standards of the filing utility for electric power supply reliability, and to information designed to reflect monthly availability of generating capacity reserves.

(i) For Period II, Period I, and each of the three calendar years preceding Period I, the utility shall state and briefly explain its objective reference standard of production power supply reliability and the rationale underlying its choice of a reliability standard, including whether it participates with other electric utilities in the selection of a common standard on an area or pool basis. The utility shall identify any such participating utilities, and provide a general explanation of the basis upon which the reliability standard was jointly developed.

(ii) The utility shall describe how its objective standard for production power supply reliability affects its electric generating facility construction planning and purchased power planning.

(iii) For the peak day of each month of Period II, Period I, and, to the extent data are available, for the peak day of each month of the three calendar years preceding Period I, the utility shall include tabular schedules designed to show the following:

(A) Net peak load in megawatts, itemized to show:

(*1*) Gross peak firm load, including all firm sales assured available by the reserve capacity of the utility;

(*2*) All firm purchases assured available by the reserve capacity of the supplier; and

(*3*) Net peak load, computed as gross peak load under clause (*1*) minus all firm purchases under clause (*2*).

(*B*) Net available dependable capacity, that is, the load-carrying ability of the electric production facilities determined for the purpose of scheduling capacity in day-to-day operations, provided in megawatts and itemized to show:

(*1*) The owned dependable capacity of the utility for each production plant category selected in Statement AD under paragraph (h)(4);

(*2*) Scheduled maintenance of owned dependable capacity of the utility;

(*3*) Purchased dependable capacity of the utility;

(*4*) Scheduled maintenance of purchased dependable capacity of the utility; and

(*5*) Net available dependable capacity, computed as the owned dependable capacity under clause (*1*), minus scheduled maintenance of owned capacity under clause (*2*), plus purchased dependable capacity under clause (*3*), minus scheduled maintenance of purchased capacity under clause (*4*).

(C) Available reserves in megawatts, which is the net available dependable capacity under clause (iii)(B) minus net peak load under clause (iii)(A).

(D) Available reserves as a percent of peak load, which is the available reserves under clause (iii)(C) divided by net peak load under clause (iii)(A).

(29) *Statement BD—Allocation energy and supporting data.* Statement BD is a statement of electric utility energy data for Period I and Period II to be considered as bases for allocating related costs to the wholesale services subject to the changed rate.

(i) For each month of Period I and Period II, and as totaled for the twelve months of each period, the utility shall show the megawatt-hours of firm power supply energy required by the system of the utility and the magawatt-hour energy requirements of the wholesale customer groups whose services will be subject to the changed rate. The wholesale service data for each individual customer delivery point or set of delivery points that constitutes an individual wholesale customer billing unit shall include megawatt-hours at delivery. The utility shall summarize and subtotal these individual customer data in accordance with Statement BA customer groupings under paragraph (h)(26). The utility shall show a loss adjustment for each wholesale customer group to reflect energy at the power supply level. The utility shall total the data to show total customer group energy requirements at power supply level for each month of Period I and Period II.

(ii) Data provided under clause (i) shall not include energy associated with interruptible or curtailable services, or energy associated with other services, the revenues from which are shown as revenue credits in Statement AU under paragraph (h)(21). The utility shall separately state Period I and Period II monthly and total energy data for any such services provided by the utility. If any of the proposed wholesale rates at issue are for interruptible or curtailable service, the utility shall provide descriptive material and energy data specifically relevant to such services.

(iii) If a utility selects subfunctional categories in Statement AD under paragraph (h)(4) for the purpose of supporting any changed wholesale rate for firm power supply services with special characteristics, such as base load, intermediate, and peaking services, the utility shall separate the energy data required by clause (i) into corresponding energy values consistent with the service characteristics and consistent with energy-related expense categories utilized in Statement AH under paragraph (h)(8). The utility shall state the corresponding values for the utility's system energy and for each applicable wholesale service group.

(iv) If a utility establishes plant categories in Statement AD under paragraph (h)(4) for the purpose of supporting any changed wholesale rate for nonfirm production services, or the changed wholesale rate based on specialized ratemaking theories [see paragraph (h)(27)(v)], the utility shall include in Statement BD all energy data relied on by the utility in developing the support on a cost of service basis and relevant explanatory material. Energy data provided under this clause shall be consistent with related expense categories utilized in Statement AH under paragraph (h)(8).

(v) For each month of Period I and Period II, and as totaled for the twelve months of each period, the utility shall show the megawatt-hours generated, itemized in accordance with Statement AD production subfunctional categories, and the megawatt-hours purchased or interchanged, itemized to show each type of transaction, such as firm energy or economy interchanged energy. The utility shall quantitatively reconcile such data with the system allocation energy reported in this statement, and with energy data underlying the fuel and purchased power expense reported in Statement AH.

(30) *Statement BE—Specific assignment data.*

(i) Statement BE is a statement of specific components of the electric costs of service of the utility for Period I and Period II. Statement BE costs of service are those apportioned among wholesale services subject to the rate change and other utility services, on a basis other than:

(A) demand, capability, or energy data provided in Statements BB and BD;

(B) a proportional relationship based on a selected plant category or expense item for which an allocation to wholesale services is to be independently determined; or

(C) exclusive-use commitment in Statement BF under paragraph (h)(31).

(ii) The utility shall include specific assignments considered appropriate by the utility. Typical cost of service components that could be specifically assigned are distribution plant [*see* examples listed in Statement AD under paragraph (h)(4)], certain total electric wages and salaries provided in Statement AI under paragraph (h)(9), such as wages and salaries for customer accounting and for customer service and information, and certain administrative and general expense items. [*See* examples listed in Statement AH under paragraph (h)(8).]

(iii) The utility shall limit specific assignments to the minimum required to adequately provide for costs not otherwise appropriately allocable.

(iv) For each specific assignment, the utility shall include at least the following information:

(A) Brief descriptive component title, such as "distribution substations" or "rate case expenses";

(B) Total electric amount in dollars;

(C) Wholesale customer group dollar amounts stated individually for each wholesale customer rate group identified in Statement BA under paragraph (h)(26), and stated in total for all such groups; and

(D) Explanation of the basis on which assignments were made, accompanied by supporting detailed computations.

(31) *Statement BF—Exclusive-use commitments of major power supply facilities.* Statement BF is a statement describing and justifying the commitment to exclusive-use for particular services of all or a stated portion of electric utility generation units or plants, or major transmission facilities.

(i) For Period I and Period II, the utility shall list each transaction in which all or a stated portion of the output of a specified filing utility-owned generating unit or group of units was committed exclusively to a particular customer or group of customers, or to a power pool or similar power supply entity. For each such transaction, the utility shall provide the following information:

(A) Brief descriptive title for each commitment;

(B) Name of plant and unit designation;

(C) Name of the purchaser or power pool or other similar power supply entity;

(D) Duration of the transaction;

(E) Basis of rates or charges, stated in terms of whether a transaction reflects marginal, incremental, or fully distributed costs, the specific overall and common equity rates of return included in costs, provided on both a claimed and earned basis to the extent such information is available, the approximate date of the cost analysis on which the rates and charges were based, and any other considerations significant to the transaction;

(F) Revenue received for each month of Period I and Period II or, if applicable, monthly quantities of power and energy received or available from power pools as consideration for commitment to a pool; and

(G) Proposed treatment in the cost of service determinations for the wholesale services at issue. For example, a credit of revenue to the total electric cost of service, in Statement AU under paragraph (h)(21), could be proposed to account for unit capacity sales based upon incremental capital costs. The utility shall include explanatory material and support for the proposed procedures.

(ii) For Period I and Period II, the utility shall list each transaction in which all, or a portion, of a major transmission facility owned by the filing utility was committed exclusively to a particular customer or group of customers. For each such transaction, the utility shall provide information similar to that required by clause (i).

(32) *Statement BG—Revenue data to reflect changed rates.* Statement BG is a statement of revenues for Period I and Period II, including those under the changed rate for the wholesale services at issue.

(i) For each month of Period I and Period II, and in total for each of the two periods, the utility shall show all billing determinants and metered quantities for each delivery point or set of delivery points that constitutes an individual wholesale customer billing unit, and the result of applying each specific rate component to the billing determinants for each billing unit stated with the total of the computed monthly bill for the customer. If the rates include a fuel clause, the utility shall compute and total the revenues under the fuel clause to reflect fuel costs incurred during each month of Period I and Period II. That is, the fuel clause revenues for the first month of Period I shall reflect fuel costs incurred for that month, and so on for each month of Period I and Period II. In computing fuel clause revenues, the utility shall determine fuel cost according to § 35.14 of this chapter.

(ii) If the form of the proposed fuel clause would produce revenues different from those computed in accordance with clause (i), the utility shall separately compute and state such fuel clause revenues for each customer for each month of Period I and Period II.

(iii) The utility shall summarize separately revenue data computed in accordance with clauses (i) and (ii) above for each month and in total for Period I and Period II, in accordance with wholesale rate groups specified in Statement BA under paragraph (h)(26). The utility shall show total electric department revenues for each period to include revenues under the changed rate for all such wholesale customer rate groups.

(iv) For Period I and as estimated for Period II, the utility shall summarize all billing determinants and revenues received from interruptible or curtailable services. Billing determinants and revenue data shall be consistent with interruptible demand and energy data in Statements BB and BD. The utility shall include an explanation of the extent to which interruptible or curtailable service revenues are or are not included in revenue credits in Statement AU under subparagraph (h)(21).

(33) *Statement BH—Revenue data to reflect present rates.* Statement BH is a statement of revenues for Period I and Period II, including those under present rates for wholesale services at issue, and for total electric service to reflect such revenues for wholesale services. The utility shall prepare this statement to include data consistent with criteria specified for presentation of revenue under the changed rate in Statement BG under paragraph (h)(32).

(34) *Statement BI—Fuel cost adjustment factors.* Statement BI is a statement of monthly fuel cost adjustment factors under the changed rate and under the present rates, for Period I and Period II.

(i) If the changed rate schedule embodies a fuel cost adjustment clause, the utility shall show detailed derivations of fuel cost adjustment factors computed to reflect fuel cost incurred during each month of Period I and Period II. Fuel cost adjustment factors are those required for revenue determinations in accordance with paragraph (h)(32)(i) of Statement BG.

(ii) If additional proposed fuel clause revenue data are reported in accordance with paragraph (h)(32)(ii) of Statement BG, the utility shall show detailed derivation of applicable monthly fuel adjustment factors.

(iii) If the present rate includes a fuel cost adjustment change, the utility shall show detailed derivations of fuel cost adjustment factors for each month of Period I and Period II. The utility shall include in Statement BI derivations for all monthly factors required in the computation of present fuel clause revenues reported in Statement BH. The utility shall provide an explanation of the differences between the present and proposed fuel clauses.

(iv) All fuel cost adjustment factors shall be cost-based. The utility shall make a computational showing that shall develop adjustment factors in a manner consistent with the requirements of § 35.14 of this chapter. The utility shall provide supporting detail on cost by type of fuel, and shall show separately the allowable fuel clause cost component of purchased or interchanged energy. All fuel cost data shall be consistent with that included in operation and maintenance expenses in Statement AH under paragraph (h)(8).

(35) *Statement BJ—Summary data tables.* Statement BJ is a tabular summary of portions of Period I and Period II data from specific cost of service statements in this paragraph. The utility shall summarize under descriptive titles the Period I and Period II data from the cost of service provisions listed in this subparagraph. The utility shall supply the data in the manner described for each cost of service statement and in this subparagraph.

(i) If a utility provides in Statement BK information that is substantially equivalent to the information required in this statement, the utility may fulfill the requirements of this statement by specifically referring to the location in Statement BK of the information required in this subparagraph.

(ii) The utility shall provide the information in the following statements as average total electric department monthly balances for each function and subfunction of plant:

(A) Statement AD—(h)(4)(i) and (ii);

(B) Statement AE—(h)(5)(i) and (ii);

(C) Statement AF—(h)(6)(i) through (v);

(D) Statement AG—(h)(7)(i) through (vi);

(E) Statement AL—(h)(12)(i) and (ii);

(F) Statement AM—(h)(13); and

(G) Statement AN—(h)(14).

(iii) The utility shall provide the information in the following statements as total electric department annual revenue and expense amounts:

(A) Statement AH—(h)(8)(i), (iv) and (v);

(B) Statement AI—(h)(9)(i) and (ii);
(C) Statement AJ—(h)(10)(i);
(D) Statement AK—(h)(11)(i);
(E) Statement AP—(h)(16)(i) through (iv);
(F) Statement AQ—(h)(17)(i) through (iii);
(G) Statement AR—(h)(18)(i) through (iv);
(H) Statement AS—(h)(19);
(I) Statement AT—(h)(20); and
(J) Statement AU—(h)(21).

(iv) The utility shall provide all cost of capital amounts in the following statements.
(A) Statement AV—(h)(22)(i)(A); and
(B) Statement AW—(h)(23);

(v) The utility shall provide all tax rate data in Statement AY, paragraph (h)(25)(i).

(vi) The utility shall provide the information in the following statements as appropriate, for total electric department values and individual customer group values:
(A) Statement BB—(h)(27)(i) through (vi);
(B) Statement BD—(h)(29)(i) through (iv);
(C) Statement BE—(h)(30)(iv) (A), (B), and (C);
(D) Statement BG—(h)(32)(iii); and
(E) Statement BH—(h)(33).

(36) *Statement BK—Electric utility department cost of service, total and as allocated.* Statement BK is a statement of the claimed fully allocated cost of service of the utility developed and shown for Period I and Period II. The utility shall include analytical support for each rate proposed to be differentiated on a time-of-use basis. The utility shall also provide any marginal or incremental cost information that is required to support the changed rate developed on a marginal or incremental cost basis. The utility shall show allocations of fully distributed costs to the wholesale services subject to the changed rate accompanied by a comparison of allocated costs with revenues under the changed rate. Nothing in this subparagraph shall preclude use by any utility of any cost of service technique it believes reasonable and that is consistent with the requirements of paragraph (g) of this section.

(i) The utility shall base the fully distributed cost of service and the allocations thereof upon data provided in the accompanying detailed statements required under this section and additional data which the utility may submit and support in connection with this statement. The cost of service data of the utility shall conform to the following requirements:

(A) The total electric rate base and cost of service shall be itemized and summarized by major functions and in a format designed to facilitate review and analysis.

(B) Based on the total electric rate base and cost of service, and on allocated or assigned component elements, the cost of service for each Statement BA wholesale customer rate group under paragraph (h)(26) shall be itemized and summarized by major functions in a format consistent with that shown for total electric.

(C) The costs of service data for total electric and for each of the wholesale customer groups shall include data that show the return and the income taxes by components and in total, based upon the rate of return claimed by the utility in Statement AV under paragraph (h)(22). Individual components of income taxes shall include income taxes payable, provision for deferred income tax—debits and deferred income tax—credits, investment tax credits, or other adjustments.

(D) The fully distributed cost of service study of the utility shall disclose the principal determinants for allocation of total electric costs among the wholesale customer groups, including but not limited to the following:
(*1*) Computations showing the energy responsibilities of the wholesale services, with supporting detail;
(*2*) Computations showing the demand responsibilities of the wholesale services, with supporting detail; and
(3) Computations showing the specific assignment responsibilities of the wholesale services, with supporting detail.

(ii) For the total electric service and for each wholesale customer rate group, the utility shall compare the fully distributed cost of service with the revenues under the changed rate. Based on the comparison, the utility shall show the revenue excess or deficiency and the earned rate of return computed for the total electric service and for each wholesale customer rate group.

(iii) For any filing that contains Period II data, the utility shall supply any work papers and additional explanatory material necessary to support Statement BK, indexed, referenced and paginated as provided in paragraph (d)(3)(iii) of this section.

(iv) The utility shall provide a tabular comparison of Period II total electric fully distributed cost items with those of Period I. The comparisons shall show item amounts for each of the two periods, and also shall show Period II item amounts as percentages of equivalent items for Period I. Comparisons shall include at least the following items, accompanied by explanatory notes with respect to significant variations among the comparative percentages:
(A) Rate base;
(B) Production expenses;
(C) Transmission expenses;
(D) Customer accounting, customer service and information, and sales expenses;
(E) Depreciation expenses;
(F) Taxes except income and revenue;
(G) Income taxes;
(H) Revenue taxes; and
(I) Return claimed.

(37) *Statement BL—Rate design information.* In support of the design of the changed rate, the utility shall submit the following material:

(i) A narrative statement describing and justifying the objectives of the design of the changed rate. If the purpose of the rate design is to reflect costs, the utility shall state how that objective is achieved, and shall accompany it with a summary cost analysis that would justify the rate design, including any discounts or surcharges based on delivery voltage level or other specific considerations. Such summary cost analysis shall be consistent with, derived from, and cross-referenced to the data in cost of service Statement BK. If the rate design is not intended to reflect costs, whether fully distributed, marginal, incremental, or other, the utility shall provide a statement to justify the departure from cost-based rates.

(ii) If the billing determinants, such as quantities of demand, energy, or delivery points, are on different bases than the cost allocation determinants supporting such charges, the utility shall submit an explanation setting forth the economic or other considerations that warrant such departure. The information shall include at least the following:

(A) If the individual rate for the demand, energy and customer charges do not correspond to the comparable cost classifications supporting such charges, a detailed explanation stating the reasons for the differences.

(B) If the changed rate contains more than one demand or energy block, a detailed explanation indicating the rationale for the blocking and the considerations upon which such blocking is based, including adequate cost support for the specified blocking.

PART 36—ANNUAL CHARGES AND FEES UNDER PARTS II AND III OF THE FEDERAL POWER ACT

3. Section 36.2 is amended by revising the introductory clause of paragraph (g) to read as follows:

§ 36.2 Filing fees.

* * * * *

(g) Rate schedule filings involving rate increases (computed on an annual basis) in excess of charges for the twelve month period preceding the proposed effective date thereof, or if the utility makes an election under § 35.13(c)(1)(ii)(A), for Period I, as follows:

* * * * *

[FR Doc. 80-20645 Filed 7-9-80; 8:45 am]

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of the Assistant Secretary for Housing—Federal Housing Commissioner

24 CFR Parts 203, 221, 222 and 235

[Docket No. R-80-825]

Increased Loan-to-Value Ratios for Dwellings With Warranty Plans

AGENCY: Assistant Secretary for Housing—Federal Housing Commissioner; Department of Housing and Urban Development (HUD).

ACTION: Interim rule.

SUMMARY: The Housing and Community Development Amendments of 1979 amended Section 203(b)(2) of the National Housing Act to permit a loan with a high loan-to-value ratio if the property is covered by a consumer protection or warranty plan. The implementation of this program will provide maximum FHA-insured financing to builders carrying housing inventories with warranty plans. This program will serve as a stimulus to the building industry and provide an increase in housing opportunities to the public.

EFFECTIVE DATE: August 25, 1980.

COMMENTS DUE: Comments must be received on or before September 8, 1980.

ADDRESS: Written comments should refer to the docket number and date and should be submitted to the Rules Docket Clerk, Office of General Counsel, Room 5218, Department of Housing and Urban Development, 451 Seventh Street, S.W., Washington, D.C. 20410.

Each person submitting a comment should include his/her name and address and give reasons for any recommendation. Copies of all written comments received will be available for examination by interested persons in the Office of Rules Docket Clerk at the address listed above. The interim rule may be changed in the light of comments received.

FOR FURTHER INFORMATION CONTACT: Mr. John J. Coonts, Director, Single Family Development Division, Department of Housing and Urban Development, Room 9270, 451 Seventh Street, S.W., Washington, D.C. 20410. (202) 755-6720. (This is not a toll-free number.)

SUPPLEMENTARY INFORMATION: HUD is amending Sections 203.18, 221.20, 222.4, 235.15 of the regulations relating to maximum mortgage amounts in order to implement Section 203(b)(2) of the National Housing Act, as amended by Section 310 of the Housing and Community Development Amendments of 1979. Previously, in order to be eligible for a high ratio loan, a property less than one year old had to be approved by HUD/VA prior to the start of construction. Thereafter, designated inspection procedures were followed until completion of the property to make certain that applicable HUD minimum property standards were met and that the property was constructed in accordance with the plans and specifications on which approval was based. These changes will permit high ratio loans for all completed properties covered by approved consumer protection or warranty plans and eliminate the initial and intermediate inspections, regardless of when the property was approved. For properties that have not been completed, a final inspection will be required. Similar procedures are already followed by the Veterans Administration. The amendment does not waive existing subdivision requirements.

The new authority is available for mortgages insured under Sections 203(b), 221(d)(2) and 222 and pursuant to Sections 223(e), 244, and 245 of the National Housing Act. Under the existing regulations for the Section 235 program, a property, even though built under an insured warranty, would not qualify for Section 235 insured financing unless it was approved prior to the start of construction. To address this situation under the Section 235 program, the Secretary is amending the Section 235 regulations in order that properties that have never been previously occupied and were constructed under an approved warranty plan acceptable to the Secretary will not be excluded from Section 235 financing simply because they are not approved by HUD prior to the start of construction.

In order to be approved by the Secretary, plans must provide non-cancellable insurance coverage for a 10 year period by an insurance company approved to offer that coverage by the proper regulatory agency of the State in which the property is located. The entire cost of the insurance coverage must be prepaid by the builder and coverage must be automatically transferred to subsequent owners without additional cost. The protection plan must provide the following: (1) for one year from the effective date, an insurance-backed warranty against defects caused by faulty workmanship or defective materials; (2) during the second year, an insurance-backed warranty of the wiring, piping and duct work on the electrical, plumbing, heating and cooling systems; (3) from the third through the tenth year, direct insurance coverage against structural defects which seriously affect livability; and (4) a system for complaint handling which includes conciliation and, if necessary to resolve matters in dispute, arbitration arranged by the American Arbitration Association or a similar body.

The Secretary has determined that this program should be made available to the public as soon as possible, since the implementation of this program will provide maximum FHA-insured financing to buyers purchasing from builders carrying housing inventories with warranty plans. This program will serve as a stimulus to the building industry and provide an increase in housing opportunities to the public. Accordingly, the Secretary has found that prior notice and public procedure regarding this rule would be contrary to the public interest. However, an opportunity for public comment is being provided to be followed by issuance of a final rule.

A Finding of Inapplicability respecting the National Environmental Policy Act of 1969 has been made in accordance with HUD procedures. A copy of the Finding of Inapplicability will be available for public inspection during regular business hours in the Office of Rules Docket Clerk at the address set forth above. This rule is not listed in the Department's semiannual agenda of significant rules, published pursuant to Executive Order 12044.

Accordingly, 24 CFR Chapter II is amended as follows:

PART 203—MUTUAL MORTGAGE INSURANCE AND INSURED HOME IMPROVEMENT LOANS

1. In § 203.18, paragraph (a)(2) is revised to read as follows:

§ 203.18 Maximum mortgage amounts.

(a) * * *

(2) *Loan-to-value limitation—approval prior to construction.* A loan-to-value limitation of 97 percent of the first $25,000 of the appraised value of