

period, without any additional authorization from the Commission.<sup>9</sup> Our policy regarding the two-year authorization period is clear and working well. We do not think that the requested codification is necessary. The matter is best dealt with through the Commission's authorization process, leaving the Commission the flexibility to address the facts and circumstances in the filings on a case-by-case basis and, where appropriate, to grant authorizations for periods different than the basic two-year period. Accordingly, we will not adopt the suggestion.

#### 4. § 34.3—Contents of Application for Issuance of Securities

The NOPR proposed amending § 34.3, which governs the contents of an application to issue securities. No one commented on this aspect of the proposed rule, and we will adopt the proposed change.

UtiliCorp suggests that an application also include a draft order, prepared by the applicant. We will reject this suggestion. The inclusion of a requirement that applications include a draft order will increase the burden on the applicants without substantially aiding the Commission in its processing of filings.

#### 5. § 34.4—Required Exhibits

a. *Section 34.4(a), Exhibit A.* The Commission proposed to delete the current language in paragraph (a) and to substitute the following:

The applicant must file the statement of corporate purposes from its articles of incorporation.

The Commission stated that it has found that the information currently required in paragraph (a) is not necessary for the processing of a securities application. A statement of corporate purposes will provide the information necessary without the need for applications to include the entire corporate charter or articles of incorporation. No one commented on the proposed change to Exhibit A; we will adopt the change as proposed.

b. *Sections 34.4 (c) and (d), Exhibits C, D and E.* The Commission proposed to delete paragraph (c), and to redesignate paragraphs (d) and (e) as paragraphs (c) and (d), respectively. The Commission also proposed to revise newly-designated paragraphs (c) and (d) and to add a new paragraph (e).

The Commission noted that current paragraph (c) requires a statement of control over the utility by firms issuing securities or supplying electrical

equipment and that the Commission can obtain this information from other existing sources.

The NOPR proposed that the newly-designated and revised paragraphs (c) and (d) would require that a balance sheet and income statement be submitted for the twelve-month period ending with the most recent calendar quarter. New paragraph (e) would require the submission of a four-column Statement of Cash Flows and Interest Coverage, containing data on an actual basis for the same twelve-month period, and on a pro-forma basis for each of the next two succeeding 12-month periods.

The Commission proposed these changes to facilitate the preparation of financial statements to be submitted as part of the application because the utilities already prepare quarterly financial statements and may use such statements as the basis for the information required to be submitted. The Commission expected that the addition of the statement of cash flows and interest coverage would facilitate the processing of applications under Part 34.

Baltimore Gas & Electric and Consumers Power suggest that we change the proposed regulations to allow for the submission, for Exhibits C, D, and E, of financial statements for periods other than those ending with the latest calendar quarter, if such statements are the latest available statements. We agree with this suggestion and will, in large part, adopt it. We recognize that financial statements other than for the latest calendar year quarter may be available, and we will revise the proposed language to require the filing of financial statements for the most recent 12-month period, provided that the period ended no more than 4 months prior to the date of the filing of the application.

Consumers Power suggests that we allow utilities to present their financial statements to us in the format required by the Securities and Exchange Commission (SEC). We will not adopt this suggestion. The Commission's information needs are different than the information needs of the SEC. The use of information prepared in a SEC format presents problems from a number of perspectives: for instance, the consolidation of certain majority-owned subsidiaries, the aggregation of detailed financial information and the use of different reporting standards. Information reported to the SEC may include the utility and certain consolidated, majority-owned subsidiary companies. As a result, the financial statements would include

mixtures of financial information on the regulated utility and the consolidated, majority-owned subsidiaries, as if it were financial information of the utility. The Income Statement would not, therefore, present the utility's stand-alone results of operations. Further, information reported to the SEC is aggregated in a summary fashion without the detailed financial information presented on a basis consistent with the classifications in the Uniform System of Accounts. (For instance, the Commission requires that accumulated deferred income taxes be classified among four accounts depending on the type of the deferral; the SEC, however, allows deferred income taxes to be netted in a single amount.) Another area of concern is the reliance upon different reporting standards. For instance, the SEC allows currently maturing long-term debt to be classified as a current liability; the Commission requires that long-term debt, regardless of the maturity, to be classified as long-term debt until retired. We have configured our information formats, which include FERC Form No. 1, to meet our regulatory responsibilities. Utilities reporting to us must submit their information to us in a form more suited to our needs.<sup>10</sup> Accordingly, we will continue to require that utilities prepare the required financial statements consistent with this Commission's FERC Form No. 1 and Uniform System of Accounts.

Baltimore Gas & Electric, Consumers Power, EEI, Pennsylvania P&L, Gulf States, Texas-New Mexico and UtiliCorp object to the submission of the proposed projected cash flow statement in Exhibit E. These commenters assert that these forecasts are unreliable and that the filing of such information would expose utilities to potential liability. They also note that the SEC allows but does not require the filing of projected financial statements. Pennsylvania P&L suggests that we change proposed Exhibit E by adding a line entitled either "Interest Coverage" or "Times Interest Earned" to provide a location for the coverage ratio.

We agree with these comments. We will delete the requirement for the projected cash flow statement. We will also revise Exhibit E, Statement of Cash Flows and Interest Coverage, to require the submission of a Statement of Cash Flows in the form prescribed in the FERC Form No. 1, followed by the interest coverage calculation as proposed in the NOPR. Adoption of the

<sup>9</sup> See *Montana-Dakota Utilities Company*, 21 FERC ¶ 62,358 (1982).

<sup>10</sup> See *Electronic Filing of FERC Form No. 1 and Delegation to Chief Accountant; Notice of Intent to Act and Response to Comments*, 59 FR 1687, 1689 (Jan. 12, 1994).