

**CHAPTER 71. FINANCIAL REPORTS**

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**Authority**

The provisions of this Chapter 71 issued under the Public Utility Code, 66 Pa.C.S. §§ 501, 504—506, 1301 and 1501, unless otherwise noted.

**Source**

The provisions of this Chapter 77 adopted January 22, 1993, effective March 24, 1993, provided that the initial earnings disclosure report due under the chapter shall be the report for the 12 months ending December 31, 1992, 23 Pa.B. 463, unless otherwise noted.

**§ 71.1. Statement of purpose.**

This chapter establishes uniform and industry-wide financial reporting requirements designed to improve the Commission's ability to monitor on a regular basis the financial performance and earnings of the electric, gas, telephone, water and wastewater public utilities subject to Commission jurisdiction.

**Source**

The provisions of this § 71.1 amended February 13, 1998, effective February 14, 1998, 28 Pa.B. 801. Immediately preceding text appears at serial page (178507).

**§ 71.2. Definitions.**

The following words and terms, when used in this subchapter, have the following meanings, unless the context clearly indicates otherwise:

*Actual per books*—The revenues, expenses and investment amounts which reflect the unadjusted results of operations for the 12-month periods ending each March 31, June 30, September 30 and December 31 as recorded in the public utility's financial books of account.

*Annualization adjustments*—Adjustments to bring a public utility's accounts to a 12-month level of activity for changes to the account which occur before the end of the reported 12-month period.

*Commission*—The Pennsylvania Public Utility Commission of the Commonwealth.

*Intrastate*—The portion of a public utility's revenues, expenses and investment amounts which is subject to State jurisdiction.

*Normalization adjustments*—In-period adjustments to eliminate or levelize for abnormal, unusual or nonrecurring items occurring before the end of the reported 12-month period.

*Ratemaking adjustments*—Adjustments to a public utility's actual per book amounts to reflect disallowances made in prior cases by the Commission to revenues, expenses and investment which are not reflected in the public utility's financial books of account.

*Secretary*—The Secretary of the Commission.

### § 71.3. Filing requirements.

(a) The following public utilities shall file a financial report for the 12-month period ending each March 31, June 30, September 30 and December 31:

(1) The major electric utilities (Philadelphia Electric Company, Pennsylvania Power and Light Company, Duquesne Light Company, West Penn Power Company, Pennsylvania Power Company, UGI Corporation—Luzerne Electric Division, Pennsylvania Electric Company and Metropolitan Edison Company).

(2) Gas distribution utilities having annual intraState gross revenues in excess of \$10 million.

(3) Water and wastewater utilities with annual intraState gross revenues in excess of \$10 million.

(b) The following public utilities shall file a financial report for the 12-month period ending each December 31:

(1) Electric utilities with annual intraState gross revenues in excess of \$1 million.

(2) Gas distribution utilities having annual intraState gross revenues in excess of \$1 million but which do not exceed \$10 million.

(3) Water and wastewater utilities with annual intraState gross revenues in excess of \$1 million but which do not exceed \$10 million.

(c) Annualization, normalization and ratemaking adjustments are required only with the financial report for the 12-month period ending December 31 of each year. These adjustments are not required for financial reports for the 12-month period ending March 31, June 30 and September 30.

(d) For the 12-month period ending each December 31, the actual per books amounts in the financial report shall reflect the public utility's independently audited results of operations.

#### Authority

The provisions of this § 71.3 amended under the Public Utility Code, 66 Pa.C.S. §§ 501 and 1501.

#### Source

The provisions of this § 71.3 amended February 13, 1998, effective February 14, 1998, 28 Pa.B. 801; amended April 5, 2002, effective April 6, 2002, 32 Pa.B. 1723; amended December 15, 2006, effective December 16, 2006, 36 Pa.B. 7558. Immediately preceding text appears at serial pages (287766) to (287767).

**Cross References**

This section cited in 52 Pa. Code § 71.5 (relating to format for filing financial reports).

**§ 71.4. Time of filing.**

(a) The financial report is due within 60 days of the quarter ending March 31, June 30, September 30 of each year.

(b) The financial report is due within 90 days of the quarter ending December 31 of each year.

(c) A public utility is exempt from the filing requirements of this section when the utility has pending before the Commission a general rate investigation under 66 Pa.C.S. § 1308(d), 1309 or 1310 (relating to voluntary changes in rates; rates fixed on complaint; investigation of costs of production; and temporary rates). The filing of quarterly financial reports is not required, for the quarters inclusive, from the date of filing of the utility's general rate increase or a complaint against the utility's overall level of rates, to the entry date of the Commission's final order. Instead of filing the reports, the public utility shall file a letter with the Secretary for each quarter in which a general rate investigation is pending.

**§ 71.5. Format for filing financial reports.**

(a) The public utility shall include the following information in the financial reports required by § 71.3 (relating to filing requirements):

(1) Computations of the public utility's rate base, income available for return and capitalization in sufficient detail to demonstrate the major elements of these basic ratemaking parameters.

(2) Financial data which specifies actual per book amounts, intrastate allocation percentages, intrastate amounts, adjustments to intrastate amounts and adjusted results. The actual per book amounts for each 12-month period shall be presented in the manner reflected in the most recent audited annual report filed with the Commission.

(3) Adjustments to intrastate amounts which demonstrate the revenue, expense, tax and rate base effect of each adjustment supported by a brief narrative explanation which states the nature of the adjustment—annualization, normalization or ratemaking—the reason for the adjustment, references to prior Commission decisions and necessary computational details.

(4) A calculation of the return on common equity for the reported 12-month period based on the public utility's actual and adjusted rate base, income available for return and capitalization data.

- (5) Capitalization data which sets forth a calculation of the public utility's capital structure and related ratios, the cost of debt and preferred stock and necessary adjustments to capital structure to account for known changes which have occurred during the reported 12-month period.
- (b) The public utility shall present the financial reports, data and adjustments described in subsection (a) in a manner which is consistent with the schedules and format specified by the Office of Special Assistants.

**§ 71.6. Permitted adjustments to financial reports.**

- (a) A public utility shall make annualization, normalization and ratemaking adjustments to its intrastate data to reflect, to the extent practicable, its results of operations on a ratemaking basis. These adjustments shall be consistent with current Commission policy and practices.
- (b) Annualization adjustments to bring a public utility's accounts to a 12-month level of activity may include, for example, adjustments to the year-end number of customers and revenues, operating expenses and level of investment.
- (c) Normalization adjustments to recognize in-period known changes may include, for example, elimination of the revenue, expense and rate base effect of nonrecurring events, recognition of the full year's effect of in-period wage rate changes and normalization of the effect of irregular and infrequent events.
- (d) A public utility shall make ratemaking adjustments to its intrastate per book amounts to reflect adjustments made in prior cases by the Commission which are not included in the actual per book amounts recorded by the public utility, if these adjustments are still applicable, and adjustments to reflect current Commission ratemaking policy and practices. The required ratemaking adjustments will be specified by the Commission periodically by Secretarial letter and will be based on Commission precedent regarding the major ratemaking issues that apply to public utilities in this Commonwealth. If a public utility has eliminated a prior rate case adjustment because it was deemed to be no longer applicable, the public utility shall identify the adjustment and explain the rationale for its elimination.
- (e) In determining the intrastate per books amount of a public utility's revenues, expenses and investment, for the purposes of the financial reports required by this chapter, the following shall be considered intrastate:
- (1) Energy cost revenues and associated expenses.
  - (2) Gas cost revenues and associated expenses.
  - (3) Other public utility revenues, expenses and investment that under Commission precedent are deemed to be intrastate for ratemaking purposes, as specified in the Secretarial letter referenced in subsection (d).

**§ 71.7. Filing procedures.**

The public utility shall file a typewritten or printed financial report with the Secretary. Copies shall be provided to the Office of Special Assistants, Office of

Trial Staff, Office of Consumer Advocate and the Small Business Advocate. The public utility shall file an additional copy of the financial report in an electronic medium or computerized format with the Office of Special Assistants, as directed by that office.

**§ 71.8. Intrastate allocation factors.**

(a) The public utility shall use intrastate allocation factors consistent with those used in the financial and cost of service reports filed with the Federal Energy Regulatory Commission and the Federal Communications Commission (FCC), and may not be based on jurisdictional separations data which is older than 3 years.

(b) If the methodology for calculating the intrastate allocation factors differs from that of the prior quarter, the public utility shall provide an explanation and summary calculations of the resulting changes. Upon review, detailed calculations may be required.

(c) If a telecommunications utility is an average schedule company for FCC purposes, it will continue to employ cost-based ratemaking for Pennsylvania jurisdictional purposes, including the filing of reports required by this chapter.

(d) A public utility that has nonjurisdictional revenues and does not have a cost of service study which is less than 3 years old shall file a cost of service study within 1 year of the adoption of this chapter or 1 year from the date that the company becomes subject to this chapter.

**§ 71.9. Financial reports as public documents.**

The financial reports are public documents. The reports will be maintained by the Secretary and will be available for public inspection. If a public utility requests proprietary treatment for information in the report, it shall be incumbent upon that utility to file a petition for protective order under § 5.423 (relating to orders to limit availability of proprietary information).

**Authority**

The provisions of this § 71.9 amended under the Public Utility Code, 66 Pa.C.S. §§ 501 and 1501.

**Source**

The provisions of this § 71.9 amended April 5, 2002, effective April 6, 2002, 32 Pa.B. 1723. Immediately preceding text appears at serial page (241335).

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(287770) No. 331 Jun. 02

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