

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Accounting and Reporting Treatment)
Of Certain Renewable Energy Assets) Docket No. RM21-11-000

**COMMENTS OF
THE RETAIL ENERGY SUPPLY ASSOCIATION**

In accordance with the Notice of Proposed Rulemaking (“NOPR”) issued by the Federal Energy Regulatory Commission (“Commission”) on July 28, 2022, in the above-referenced proceeding,¹ the Retail Energy Supply Association (“RESA”)² hereby files these Comments. RESA files these Comments to highlight the need for the Commission to reform additional Uniform System of Accounts as described herein. In support of these Comments, RESA submits as follows:

I. BACKGROUND

A. RESA

RESA is a non-profit trade association of independent corporations that are involved in the competitive supply of electricity and natural gas to end-use consumers. RESA and its members are actively involved in retail electricity and natural gas markets throughout the United States in states that have implemented markets that allow entities other than the incumbent electric or natural gas utility to provide commodity electric and gas service. RESA members are active in the

¹ *Accounting and Reporting Treatment of Certain Renewable Energy Assets*, 180 FERC ¶ 61,050 (2022) (“Accounting NOPR”).

² The comments expressed in this filing represent the position of the Retail Energy Supply Association (RESA) as an organization but may not represent the views of any particular member of the Association. Founded in 1990, RESA is a broad and diverse group of more than eighteen retail energy suppliers dedicated to promoting efficient, sustainable and customer-oriented competitive retail energy markets. RESA members operate throughout the United States delivering value-added electricity and natural gas service at retail to residential, commercial and industrial energy customers. More information on RESA can be found at www.resausa.org.

following RTO/ISOs: PJM Interconnection, L.L.C. (“PJM”), ISO New England, Inc. (“ISO-NE”), Midcontinent Independent System Operator, Inc. (“MISO”), New York Independent System Operator, Inc. (“NYISO”), and California Independent System Operator, Inc. (“CAISO”). RESA members possess market-based rate authority from the Commission. Natural gas services are provided in similar regions under state commission-approved programs. RESA members are shippers on many interstate natural gas pipelines throughout the United States.

Under the retail supply model, a retail supplier of gas or electricity will provide the commodity gas or electricity to an end-use customer – generally a commercial, industrial or residential consumer. The utility will remain as the distributor of the commodity, generally through distribution-level natural gas pipelines or distribution electric lines. The retail supplier will purchase the gas or electricity in competitive wholesale markets and deliver it (or have it delivered) pursuant to Commission-approved tariffs to the local utility’s citygate or distribution system. RESA members possess market-based rates from the Commission and are considered “public utilities” under FPA Section 201.

RESA’s members are a diverse group of companies. Some are independent companies and others are subsidiaries of larger energy-related companies. RESA’s members serve customers in approximately 22 states and the District of Columbia. All of RESA’s members, however, share the common belief that competitive wholesale and retail markets deliver a more efficient, customer-oriented outcome than the regulated utility structure.

RESA members are not generally subject to the requirements of FERC’s Uniform System of Accounts. However, RESA members interact with public utilities that are subject to the USofA in areas where the utilities offer default supply services. In providing its services to its customers, utilities incur administrative costs directly related to the provision of retail electricity supply

services. However, the USofA does not provide these utilities with the tools to allocate costs effectively between distribution service and its unbundled retail energy supply service. Because these administrative costs remain in the regulated wires charges and are not avoidable, customers of competitive retail energy suppliers may pay these administrative charges twice – once to the utility for services it does not receive and once to the electricity supplier for services it does receive. The overpayment results in a cross-subsidy to the utility’s retail supply customers. It is important for utilities to have proper accounting categories to ensure that these costs can be allocated appropriately at the state level between distribution service and the public utility’s retail electricity supply service. Adjustments to the USofA will provide utilities with those tools.

B. RESA’s Participation in Competitive RTO/ISO Wholesale Markets and Natural Gas Markets

RESA’s members purchase and sell services in the RTO/ISO markets. They offer more than just electricity service to their customers. Competitive retail suppliers typically provide commodity retail energy based on fixed or index based prices which are tied to wholesale forward and/or hourly prices. Retail suppliers may offer demand response services – assisting customers in reducing electricity at peak and receiving benefits for reducing consumption at peak times. These demand response resources are then offered into the wholesale markets as capacity, energy or ancillary service resources. Many retail suppliers offer energy efficiency services to assist customers in reducing their electricity consumption. Additionally, retail suppliers often offer electricity supply with a certain component of renewable energy – or all renewable energy. There is no one retail supplier model – competitive wholesale markets and retail choice policies in the states have allowed significant innovation which has reduced consumption of energy, lowered prices, and provided valuable market-based commodity services to consumers.

Competitive retail suppliers can respond to requests of customers and provide products and services that meet their needs. Some RESA members provide services on a customer-by-customer basis; some provide services to only commercial and industrial customers; some provide service to residential retail customers; and some work in all or a portion of these customer market segments.

At the same time, competitive retail suppliers operate in an environment of risk. Retail suppliers are not like traditional utilities in a number of important ways. For example, retail suppliers are not cost-based regulated by state public utility commissions (although they comply with a myriad of state requirements in order to be authorized to perform services). Retail suppliers do not have a mechanism to defer costs, like traditional utilities. Retail suppliers do not have a set service area. They contract with customers bilaterally. Generally, these contracts are long-term – of a duration of one to five years. As a result, when a contract expires, it may or may not be renewed. Thus, a customer today may not be a customer tomorrow. In order for RESA members to offer valuable and innovative services at competitive prices, retail suppliers participating in competitive wholesale markets require a certain level of market certainty, transparency and stability.

C. The Accounting NOPR

In the Accounting NOPR, the Commission proposes to reform the Uniform System of Accounts (“USofA”) to:

- (1) Create new accounts for wind, solar, and other non-hydro renewable assets;
- (2) establish a new functional class for energy storage accounts;
- (3) codify the accounting treatment of renewable energy credits (REC); and
- (4) create new accounts within existing functions for hardware, software, and communication equipment.³

³ Accounting NOPR at P 2.

In its NOPR, the Commission notes that the USofA has not been modified significantly since 2013.⁴ In the NOPR, the Commission proposes additional, discrete production accounts for solar, wind or other non-hydro renewable generating assets. The Commission proposes establishing “designated computer hardware, software, and communications equipment accounts for all functions and plant subfunctions.”⁵ The Commission also proposes to add additional production and operations and maintenance expense accounts for storage functions.⁶ All of these changes provide additional transparency and functionality of the USofA for all industry participants. Finally, in the NOPR, the Commission asks whether the Chief Accountant should issue guidance on accounting for hydrogen, including clarifications on the classification of hydrogen plant and its O&M accounting as well as whether any new accounts should be created.⁷

RESA supports the changes proposed in the Accounting NOPR. Notably, the proposed changes to the accounting for RECs are very similar in concept to the changes recommended by RESA in these comments. RESA submits that additional modifications to the USofA in this or a subsequent rulemaking should be explored as they relate to accounts associated with activities related to competitive market functions (i.e. the provision of default supply service). As noted below, RESA suggests reforms to the USofA to enhance transparency so that wholesale and competitive market costs can be more properly allocated in state-administered retail programs.

⁴ *Id.* at P 27.

⁵ *Id.* at P 31.

⁶ *Id.* at P.50.

⁷ *Id.* at P 68.

II. The Commission Should Make Additional Modifications to the Uniform System of Accounts

The USofA was originally designed when utilities were vertically integrated and did not face competition for the sale of electricity to retail customers. As wholesale market competition has grown over the last twenty (20) years, so has competition at the retail level. While there is no standard model for retail service offerings, one common retail service provided by many of the utilities in states where retail electric competition is encouraged is “default supply service”. Under the default service model, the public utility with the franchise service area provides electricity to end-use customers who do not elect to purchase from a competitive retail supplier.

At the same time, competitive retail suppliers participate actively in the wholesale market to bring competitive energy-related services to those same end-use customers. Because the USofA does not include accounts that break out costs between a utility’s administrative costs to serve default service customers and the costs to provide regulated wires services, there is often a material difference in price between the default electricity service rate provided by the utility and the prices offered by competitive retail suppliers (who must include their administrative costs into their offerings). For example, the administrative charges for personnel, office space, computers, billing systems and call centers required to provide default electricity supply service are often not included in the default retail electricity service rates but are borne by all utility customers (typically in the distribution charges), including those who choose a retail service provider for their electricity service. This unlevel playing field harms competitive markets because it disincentivizes long term wholesale and retail contracts. The Commission does not have jurisdiction over state-level utility cost allocation practices; however, the Commission, via the USofA, may create accounts that identify the various administrative costs as described below so that they can be properly allocated at the state level.

In short, RESA members believe that certain changes to the USofA would increase transparency and certainty in ensuring that costs and revenues are appropriately allocated. An illustrative list of USofA that should be modified appear below.⁸

A. Illustrative Suggested Changes

RESA has identified accounts where the inclusion of subaccounts would create additional transparency. RESA recommends the incorporation of a “XXX.1” type of account that would reflect the same set of costs in the primary account, but provide the utility with the ability to allocate a portion of those costs to the default supply services it provides (if any),. For example, Account 903 Customer Records and Collection Expenses, includes the cost of labor, materials used and expenses incurred in work on customer applications, contracts, orders, credit investigations, billing and accounting, collections and complaints. These functions are each used in the provision of default supply service, but the utilities that provide such have no way to properly account for such costs today. In this example, RESA recommends the addition of a new Account 903.1 Customer Records and Collection Expenses for Support of Competitive Market Functions.

B. Summary of Recommended Changes

The table below, “RESA Recommendation for Additional Accounts in the Uniform System of Accounts” reflects the complete list of changes that RESA recommends, either as part of this rulemaking or in a subsequent rulemaking that takes a more holistic approach to updating the USofA. RESA recommends the addition of accounts and/or subaccounts that allow affected utilities to account for costs more accurately in the provision of default supply service. The first column in the table identifies an account that RESA believes should be modified. The second

⁸ For example, RESA supports changes to the USofA to increase transparency in recording REC transactions. RESA specifically supports the creation of two new inventory accounts (158.3 and 158.4) and the creation of two new expense accounts (509.2 and 509.3) for separately accounting for the unbundled RECs.

column describes the suggested modification. The third column of this table lists an ancillary action that should be taken as a result of the proposed change. For example, RESA is suggesting a new account 408.2 to capture taxes from competitive services. However, there is already an account numbered 408.2. That account would need to change to 408.3. A few of the proposed changes result in a necessary ancillary change. These changes will support more effective competitive wholesale and retail electricity markets.

| RESA Recommendation for Additional Accounts in the Uniform System of Accounts | | |
|--|--|--|
| <u>Current Account</u> | <u>Additional Subsidiary Account</u> | <u>Ancillary Impact</u> |
| 301 Organization | 301.1 Organization to support competitive market functions | |
| 302 Franchises and consents | 302.1 Franchises and consents to support competitive market functions | |
| 303 Miscellaneous intangible plant | 303.1 Miscellaneous intangible plant to support competitive market functions | |
| 370 Meters | 370.1 Meters to support competitive market functions | |
| 382 – Computer Hardware | 382.1 – Computer Hardware to support competitive market functions | |
| 383 Computer Software | 383.1 Computer Software to support competitive market functions | |
| 384 Communication Equipment | 384.1 Communication Equipment to support competitive market functions | |
| 385 Miscellaneous Regional Transmission and Market Operation Plant | 385.1 Miscellaneous Regional Transmission and Market Operation Plant to support competitive market functions | |
| 391 Office furniture and equipment | 391.1 Office furniture and equipment to support competitive market functions | |
| 392 Transportation equipment | 392.1 Transportation equipment to support competitive market functions | |
| 398 Miscellaneous equipment | 398.1 Miscellaneous equipment to support competitive market functions | |
| 403 Depreciation expense | 403.1 Depreciation expense to support competitive market functions | |
| 408.1 Taxes other than income taxes, utility operating income | 408.2 Taxes other than income taxes, utility operating income to support competitive market functions | Requires Renumbering the Current 408.2 Taxes other than income taxes, other income and deduction as 408.3. |
| 426.1 Donations | 426.2 Donations to support competitive market functions | Requires renumbering of all of the subsequent 426 accounts |
| 426.2 Life insurance | 426.4 Life insurance to support competitive market functions | Original 426.2 Life Insurance becomes 462.4 |

RESA Recommendation for Additional Accounts in the Uniform System of Accounts

| <u>Current Account</u> | <u>Additional Subsidiary Account</u> | <u>Ancillary Impact</u> |
|--|--|---|
| 426.3 Penalties | 426.6 Penalties to support competitive market functions | Original 426.3 Penalties becomes 426.5 |
| 426.4 Expenditures for certain civic, political and related activities | 426.8 Expenditures for certain civic, political and related activities to support competitive market functions | Original 426.4 Expenditures for certain civic political and related activities becomes 426.7 |
| 440-Residential Sales | 440.1 Residential Sales - Electricity | Rename 440 Residential Sales to 440 Residential Sales-Transmission and distribution |
| 442 Commercial and Industrial Sales | 442.1 Commercial and Industrial Sales – Electricity | Rename 442 Commercial and Industrial Sales to 442 Commercial and Industrial Sales – Transmission and distribution |
| 444 Public street and highway lighting | 444.1 Public street and highway lighting - Electricity | Rename 444.Public street and highway lighting to 444 Public street and highway lighting – Transmission and distribution. |
| 445 Other sales to public authorities (Major Only) | 445 Other sales to public authorities– Electricity (Major Only) | Rename 445 Other sales to public authorities (Major Only) to 445 Other sales to public authorities – Transmission and distribution (Major Only) |
| 446 Sales to railroads and railways (Major only) | 446 Sales to railroads and railways -- Electricity (Major only) | Rename 446 Sales to railroads and railways (Major only) to 446 Sales to railroads and railways – Transmission and distribution (Major only) |
| 555.1 Power Purchased for Storage Operations | 555.2 Power Purchased for Storage Operations in Market Transactions | Rename 555.1 as Power Purchased for Storage Operations in support of reliability. |
| 586 Meter expenses | 586.1 Meter expenses to support competitive market functions | |
| 597 Maintenance of meters | 597.1 Maintenance of meters to support competitive market functions | |
| 901 Supervision | 901.1 Supervision to support competitive market functions | |
| 902 Meter reading expenses | 902.1 Meter reading expenses to support competitive market functions | |
| 903 Customer records and collection expenses | 903.1 Customer records and collection expenses to support competitive market functions | |
| 904 Uncollectible accounts | 904.1 Uncollectible accounts to support competitive market functions | |
| 905 Miscellaneous customer accounts expenses | 905.1 Miscellaneous customer accounts expenses to support competitive market functions | |
| 906 Customer service and informational expenses | 906.1 Customer service and informational expenses to support competitive market functions | |
| 907 Supervision | 907.1 Supervision to support competitive market functions | |

RESA Recommendation for Additional Accounts in the Uniform System of Accounts

| <u>Current Account</u> | <u>Additional Subsidiary Account</u> | <u>Ancillary Impact</u> |
|---|---|---|
| 908 Customer assistance expenses | 908.1 Customer assistance expenses to support competitive market functions | |
| 909 Informational and instructional advertising expenses | 909.1 Informational and instructional advertising expenses to support competitive market functions | |
| 910 Miscellaneous customer service and informational expenses | 910.1 Miscellaneous customer service and informational expenses to support competitive market functions | |
| 911 Supervision | 911.1 Supervision – to support competitive market functions | |
| 912 Demonstrating and selling expenses | 912.1 Demonstrating and selling expenses to support competitive market functions | |
| 913 Advertising expenses | 913.1 Advertising expenses to support competitive market functions | |
| 916 Miscellaneous sales expenses – | 916.1 Miscellaneous sales expenses to support competitive market functions | |
| 917 Sales expenses – | 917.1 Sales expenses to support competitive market functions | |
| 920 Administrative and general salaries | 920.1 Administrative and general salaries to support competitive market functions | |
| 921 Office supplies and expenses | 921.1 Office supplies and expenses to support competitive market functions | |
| 922 Administrative expenses transferred | 922.1 Administrative expenses transferred to support competitive market functions | |
| 923 Outside services employed | 923.1 Outside services employed to support competitive market functions | |
| 924 Property insurance | 924.1 Property insurance to support competitive market functions | |
| 925 Injuries and damages | 925.1 Injuries and damages to support competitive market functions | |
| 926 Employee pensions and benefits | 926.1 Employee pensions and benefits to support competitive market functions | |
| 928 Regulatory commission expenses | 928.1 Regulatory commission expenses to support competitive market functions | |
| 930.1 General advertising expenses. | 930.2 General advertising expenses to support competitive market functions | Requires renumbering what is currently 930.2 to 930.3 |
| 930.2 Miscellaneous general expenses | 930.4 Miscellaneous general expenses to support competitive market functions | Original 930.2 miscellaneous general expenses becomes 930.3 |
| 931 Rents | 931.1 Rents to support competitive market functions | |
| 933 Transportation expenses | 933.1 Transportation expenses to support competitive market functions | |
| 935 Maintenance of general plant | 935.1 Maintenance of general plant to support competitive market functions | |

C. Instructions

These changes to the USofA proposed by RESA will require modest changes to the Instructions section of the USofA. First, “Competitive Market Functions” should be added as a defined term, the definition of which could read “Competitive Market Functions refer to any products or services provided by a utility operating in a retail choice jurisdiction, including the provision of retail electricity supply service, that are services other than traditional utility transmission and distribution services.” Additionally, it might be practical to include an instruction that says “Any account referencing competitive services applies only to utilities operating in jurisdictions that have restructured to allow consumers a choice of electricity supplier.”

III. CONCLUSION

WHEREFORE, RESA respectfully requests that the Commission consider RESA’s Comments as presented herein.

Respectfully submitted,

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