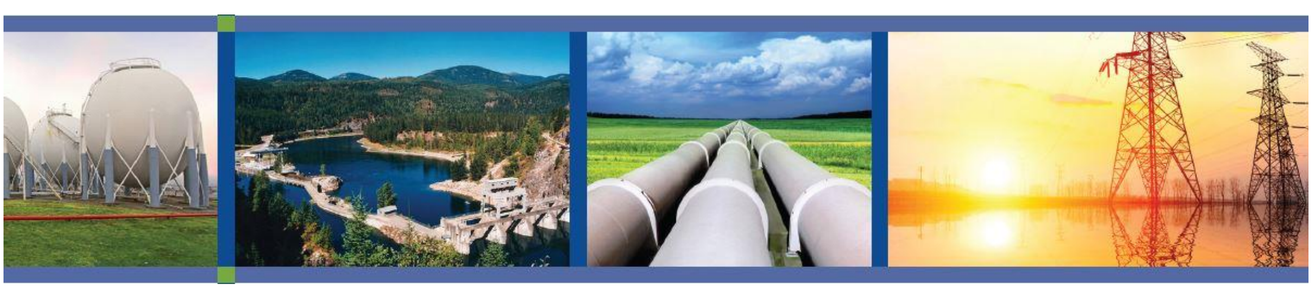
FEDERAL ENERGY REGULATORY COMMISSION

PERFORMANCE & ACCOUNTABILITY REPORT

FISCAL YEAR 2014



Chairman Cheryl A. LaFleur

November 2014

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

OFFICE OF THE CHAIRMAN

November 24, 2014

Letter from Chairman LaFleur

I am pleased to present the Federal Energy Regulatory Commission (Commission) Performance and Accountability Report for fiscal year 2014. This report was prepared in accordance with the guidelines set forth in Office of Management and Budget Circular Number No. A-136 and Part 6 of Circular No. A-11.

This report details the progress the Commission has made in assisting consumers obtain reliable, efficient and sustainable energy services at a reasonable cost through appropriate regulatory and market means. The strategic goals and objectives that support the Commission's mission are included on page i of this document.

As outlined in the Management Assurances section of this report, the Commission has completed evaluations of its assessment of the effectiveness of internal control over operations, system, and financial reporting. I am providing reasonable assurance that the Commission meets the objectives required by the Federal Managers' Financial Integrity Act and that our financial systems conform with government-wide standards, except for the material weakness identified in the financial reporting process and instance of noncompliance with federal accounting standards. More detail can be found in the Management Assurances section of this report.

In addition, I can provide assurance that the performance information contained in this report is complete and reliable and describes the results achieved towards our goals.

Sincerely,

Cheryl A. LaFleur

Cheryl A. LaFleur
Chairman

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Mission

Reliable, Efficient, and Sustainable Energy for Consumers

Assist consumers in obtaining reliable, efficient, and sustainable energy services at a reasonable cost through appropriate regulatory and market means.

Goal 1: Ensure Just and Reasonable Rates, Terms, and Conditions.

Ensure that rates, terms, and conditions of jurisdictional energy services are just, reasonable, and not unduly discriminatory or preferential.

Objective 1.1: Establish Commission rules and policy that will result in just, reasonable, and not unduly discriminatory or preferential rates, terms, and conditions of jurisdictional service.

Objective 1.2: Increase compliance with FERC rules; detect and deter market manipulation.

Goal 2: Promote Safe, Reliable, Secure, & Efficient Infrastructure.

Promote the development of safe, reliable, secure, and efficient infrastructure that serves the public interest.

Objective 2.1: Foster economic and environmental benefits for the nation through approval of natural gas and hydropower projects.

Objective 2.2: Minimize risks to the public associated with FERC-jurisdictional energy infrastructure.

Goal 3: Mission Support through Organizational Excellence

Achieve organizational excellence by using resources effectively, adequately equipping FERC employees for success, and executing responsive and transparent processes that strengthen public trust.

Objective 3.1: Manage Commission resources effectively and efficiently.

Objective 3.2: Empower Commission employees to drive success.

Objective 3.3: Facilitate public trust and understanding of Commission activities by promoting transparency, open communication, and a high standard of ethics.

Management's Discussion and Analysis (Unaudited)

INTRODUCTION

In accordance with the guidelines set forth in the Office of Management and Budget (OMB) Circular No. A-136 and Section 230 of Circular No. A-11, this report presents the Federal Energy Regulatory Commission's (the Commission, FERC) fiscal years (FY) 2014 and 2013 audited annual financial statements and program performance report. The financial section includes the Commission's audited balance sheets, statements of net cost, changes in net position, budgetary resources, custodial activity, and notes to the financial statements. The performance report section includes performance measurement data for fiscal years 2008 through 2014. Additionally, this report includes an overview of the Commission, including its mission and organizational structure.

This Performance and Accountability Report serves as a guide to the Commission's key initiatives and activities during FY 2014. Approximately 1,432 full time equivalents (FTEs) carried out the Commission's mission in FY 2014 using a budget of $304.6 million.

ORGANIZATIONAL STRUCTURE

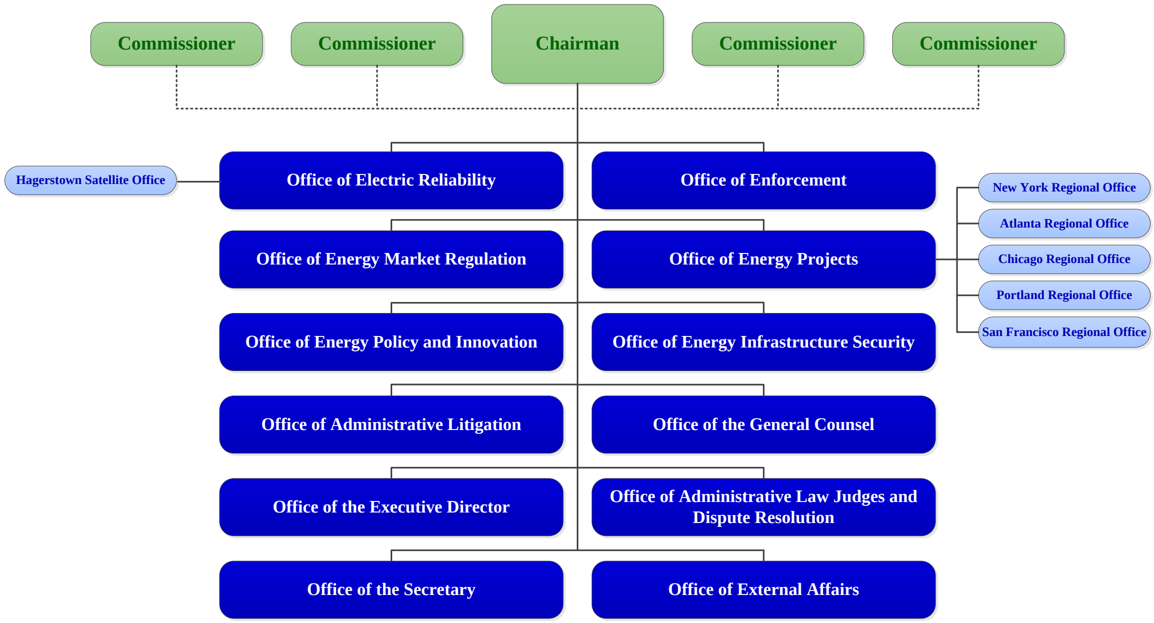
The Federal Energy Regulatory Commission is an independent regulatory agency within the U.S. Department of Energy (DOE). The Commission's statutory authority centers on major aspects of the Nation's wholesale electric, natural gas, hydroelectric, and oil pipeline industries.

The Commission was created through the Department of Energy Organization Act on October 1, 1977. At that time, the Federal Power Commission (FPC), the Commission's predecessor that was established in 1920, was abolished and the Commission inherited most of the FPC's regulatory mission.

FERC is composed of up to five commissioners who are appointed by the President of the United States with the advice and consent of the Senate. Commissioners serve staggered five-year terms and have an equal vote on regulatory matters. To avoid any undue political influence or pressure, no more than three commissioners may belong to the same political party. One member of the Commission is designated by the President to serve as Chairman and as FERC's administrative head. FERC's decisions are not reviewed by the President or Congress, maintaining FERC's independence as a regulatory agency, and providing for fair and unbiased decisions.

In addition to the Chairman and four Commissioners, FERC is organized into twelve separate functional offices; each responsible for carrying out specific portions of the Commission's responsibilities. The offices work in close coordination to effectively carry out the Commission's statutory authority.

An organizational chart, including a brief description of each office, is included below.



The Office of Energy Projects
Fosters economic and environmental benefits for the nation through the approval and oversight of hydroelectric, natural gas pipeline, natural gas storage, and liquefied natural gas projects that are in the public interest.

The Office of Energy Market Regulation
Analyzes filings submitted by electric utilities and natural gas and oil pipelines to ensure that rates, terms, and conditions of service are just and reasonable and not unduly discriminatory or preferential. OEMR also analyzes filings submitted by the Electric Reliability Organization (ERO) dealing with its budget, rules of procedure, and bylaws.

The Office of Enforcement
Protects customers by conducting oversight of energy markets, identifying and remedying market problems in a timely manner, assuring compliance with rules and regulations, and detecting and combating market manipulation.

The Office of Energy Policy and Innovation
Advises the Commission on policies to ensure the efficient development and use of transmission, generation, and demand-side resources, remove barriers to the participation of emerging technologies and resources, and create a platform for innovation in wholesale energy markets.

The Office of Electric Reliability
Oversees the development and review of mandatory reliability and security standards and ensures compliance with the approved mandatory standards by the users, owners, and operators of the bulk power system.

The Office of Energy Infrastructure Security
Identifies and working with other governmental agencies, industry, and other stakeholders seeks comprehensive solutions to potential threats to FERC-jurisdictional infrastructure from cyber and physical attacks, including geomagnetic disturbance and electromagnetic pulse events.

The Office of General Counsel
Provides sound and timely counsel to the Commission and Commission staff as it fulfills responsibilities such as assisting in the development of Commission draft orders, rulemakings and other decisions; representing the Commission before the courts; advising the Commission and Commission staff on legal matters; and advising other government agencies, regulated entities and the public on matters within the Commission's jurisdiction.

The Office of Administrative Litigation
Advances the public interest in cases set for hearing by providing expert and independent analyses, building a full record of compelling evidence, and leading negotiations to achieve beneficial settlements.

The Office of Administrative Law Judges and Dispute Resolution
Develops an evidentiary record in contested cases as directed by the Commission. Through trial-type hearings and the issuance of an initial decision, OALJDR ensures that the rights of all parties are preserved. OALJDR also assists interested parties engaged in disputes to achieve consensual decision making through services such as mediation, negotiation, conciliation, arbitration, and facilitation.

The Office of the Secretary
Serves as the focal point through which all filings are made for all proceedings before the Commission, notices of proceedings are given, and from which all official actions are issued by the Commission. OSEC promulgates and publishes all orders, rules, and regulations of the Commission and prescribes the issuance date for these unless such date is prescribed by the Commission.

The Office of External Affairs
Is responsible for communications and public relations of the Commission. OEA provides informational and educational services to Congress; federal, state and local governments; the news media and the public; regulated industries; and consumer and public interest groups. This office also is the Commission’s liaison with foreign governments.

The Office of the Executive Director
Provides administrative support services to the Commission including human resources, procurement, information technology, organizational management, financial, and logistics.

STRATEGIC PLAN OVERVIEW

The United States has the world’s most durable market economy, every sector of which depends vitally on energy. The Commission has an important role in the development of a reliable energy infrastructure and in the protection of wholesale customers from unjust and unreasonable rates and undue discrimination and preference. The Commission draws its authority from various statutes and laws, which are listed in Appendix A.

On March 4, 2014, the Commission submitted to Congress its updated Strategic Plan which will serve as a guide through fiscal year 2018. The full Strategic Plan can be found at http://www.ferc.gov/about/strat-docs/strat-plan.asp.

The Commission's mission is to assist consumers in obtaining reliable, efficient and sustainable energy services at a reasonable cost through appropriate regulatory and market means. To accomplish this, the Commission focuses on three goals:

Goal 1. Ensure Just and Reasonable Rates, Terms and Conditions: Ensure that rates, terms and conditions of jurisdictional energy services are just, reasonable and not unduly discriminatory or preferential.

One of the Commission's fundamental statutory responsibilities is to ensure that rates, terms and conditions for wholesale sales and transmission of electric energy and natural gas are just and reasonable and not unduly discriminatory or preferential. The Commission uses a combination of regulatory and market means to achieve this goal, including: reviewing and analyzing tariffs and other filings; establishing rules and policy that will result in appropriate rates; and employing competitive forces through markets. Oversight of the energy markets and enforcement of the associated laws, rules and regulations are essential complements to the regulatory and market means. The Commission uses a balanced approach in its oversight and enforcement efforts, including: conducting surveillance and analysis of market trends and data; educating affected entities about market rules and other regulations; promoting internal compliance programs; employing robust audit and investigation programs; and, where appropriate, exercising the Commission's civil penalty authority as a deterrent to violations.

Goal 2. Promote Safe, Reliable, Secure, and Efficient Infrastructure: Promote the development of safe, reliable, secure, and efficient infrastructure that serves the public interest.

The Commission plays an important role in the development of a strong energy infrastructure that operates efficiently, safely and reliably. The Commission authorizes the construction and operation of interstate natural gas pipelines and storage projects, liquefied natural gas (LNG) facilities, and non-federal hydropower projects. Other Commission responsibilities include ensuring the safety of non-federal hydropower projects and LNG facilities throughout their entire life cycle; overseeing the development and review of, as well as compliance with, mandatory reliability and security standards for the bulk power system; and collaborating with regulated entities and other federal and state governmental agencies to identify and seek solutions to cyber and physical threats to FERC-jurisdictional infrastructure.

Goal 3. Mission Support through Organizational Excellence: Achieve organizational excellence by using resources effectively, adequately equipping FERC employees for success, and executing responsive and transparent processes that strengthen public trust.

The public interest is best served when the Commission operates in an efficient, responsive and transparent manner. The Commission achieves this operational state by maintaining processes and providing services in accordance with governing statutes, authoritative guidance, and prevailing best practices.

STRATEGIES FOR CARRYING OUT THE COMMISSION'S RESPONSIBILITIES

The Commission's two programmatic goals are to 1) ensure that rates, terms, and conditions for wholesale sales and transmission of electric energy and natural gas in interstate commerce as well as for transportation of oil by pipeline in interstate commerce are just and reasonable and not unduly discriminatory, and 2) ensure that energy infrastructure is safe, reliable, secure and efficient and developed in the public interest. The Commission has established a third strategic goal focused on management priorities which highlight management's commitment to organizational excellence and mission support. To achieve these goals, the Commission will employ several strategies which are summarized below.

To establish rules and policies, FERC draws on both market and regulatory means. When competitive markets exist and there are assurances against the exercise of market power, FERC leverages competitive market forces to promote efficiency for consumers while taking measures to make those markets more efficient. When competitive market conditions do not exist and competitive forces are inadequate to protect consumers, FERC relies on traditional rate-setting authority and tools such as cost-of-service ratemaking.

FERC determines the appropriate approach balancing two important interests: protecting consumers against excessive rates, and providing an opportunity for regulated entities to recover their costs and earn a reasonable return on their investments. Regardless of the approach, the Commission ensures that interested stakeholders have the opportunity to provide their views and that the Commission's ultimate decisions are adequately supported by the evidentiary record. These techniques produce just, reasonable, and not unduly discriminatory or preferential rates, terms, and conditions.

Oversight of the energy markets and enforcement of the associated laws, rules and regulations are essential complements to the regulatory and market means. In an effort to increase compliance with rules and to deter market manipulation, the Commission promotes internal compliance programs and self-reporting of violations by regulated entities. The Commission engages in extensive outreach to educate market participants and affected stakeholders on compliance programs and improper market behavior. As part of its balanced approach to oversight and enforcement, the Commission also conducts surveillance and analysis of market trends and data; employs robust audit and investigation programs; and, where appropriate, exercises the Commission's civil penalty authority as a deterrent to violations.

In addition to the regulation and oversight of energy markets, the Commission is charged with the responsibility to promote the development of robust, reliable and secure energy infrastructure that operates safely, reliably, and efficiently. In executing its siting authority, the Commission recognizes that competing interests remain a significant challenge throughout the infrastructure siting process, which can be complex, lengthy, and contentious. The Commission addresses this challenge by conducting outreach with stakeholders to promote the exchange of information and ensure understanding of Commission procedures with the goal of reconciling competing interests.

In addition to its siting authority, the Commission has other infrastructure responsibilities, including: ensuring the safety of non-federal hydropower projects and LNG facilities throughout their entire life cycle; overseeing the development and review of, as well as compliance with, mandatory reliability and security standards for the bulk power system; and collaborating with regulated entities and other federal and state governmental agencies to identify and seek solutions to cyber and physical threats to FERC-jurisdictional infrastructure.

To minimize risks to the public associated with jurisdictional energy infrastructure, the Commission is working to develop and incorporate risk-informed decision making (RIDM) into the Owners Dam Safety Program. This transition to RIDM could have several positive impacts on the Owners Dam Safety Program including, among others, a better understanding of potential failure modes, a better understanding of the consequences of potential failure modes on life, health and property, and an improved ability to evaluate risk reduction alternatives.

Further, to protect and improve the reliability and security of the Nation's bulk power system, the Commission will address emerging issues by conducting, reviewing and overseeing the assessment of the planning and operation of the bulk power system. The Commission will also promote improvement to energy infrastructure security through the use of its assessment capabilities and conducting outreach with facility owners and operators.

Lastly, in order to support the Commission's mission and to serve the public interest, the Commission must operate in an efficient, responsive and transparent manner. Internally, the Commission will focus on managing its resources effectively by addressing staffing vulnerabilities related to the potential retirement of 30 percent of the Commission's workforce over the strategic plan period. The Commission will also invest in modern information technologies to provide innovative solutions which also provide an appropriate return on investment. The Commission will also comply with Office of Management and Budget guidance to modernize our facilities in order to make more efficient use of available office space.

Commission employees are directly responsible for achieving FERC's mission and the Commission's leadership places extremely high value on its employees and ensuring their success. To support employee learning and development, the Commission will develop and deploy a competency-based training program and corporate knowledge management approach to ensure staff is equipped with the requisite knowledge to meet the agency's needs going forward.

To ensure employees' needs are being met, the Commission will use internal surveys and results from the Federal Employee Viewpoint Survey to gauge employee perceptions on the tools and services provided to them. The Commission will take action on areas not favorably rated in order to improve processes and services to maintain the Commission's history of organizational excellence. Through these investments in the organization and employees, the Commission will be in a better position to meet the challenges facing the energy industry going forward.

BUSINESS PLAN

The Commission's annual Business Plan details the activities and resources allocated to meet the Strategic Plan's goals and objectives. This increases internal accountability by enabling management to link individual office responsibility and budget resources to Commission activities. The Business Plan is an iterative process that helps to identify which activities are leading the Commission towards achieving particular goals and objectives. During FY 2014, the Commission reported actual FTE usage at a detailed activity level in its Business Plan, which improved offices' ability to organize and allocate resources effectively.

FULL COST RECOVERY

The Commission recovers the full cost of its operations through annual charges and filing fees assessed on the industries it regulates as authorized by the FPA and the Omnibus Budget Reconciliation Act of 1986. The Commission deposits this revenue into the Treasury as a direct offset to its appropriation, resulting in no net appropriations.

PROGRAM PERFORMANCE OVERVIEW

The performance measurement data and other achievements included below constitute several of the Commission's key achievements during FY 2014. The performance measures and targets were taken from the Commission's FYs 2014 – 2018 Strategic Plan. A complete list of the Commission's performance measurement data for fiscal years 2009 through 2014 is included in the Performance Report section of this report.

Goal 1: Ensure Just and Reasonable Rates, Terms, and Conditions
Ensure that rates, terms, and conditions of jurisdictional energy services are just, reasonable, and not unduly discriminatory or preferential.

Objective 1.1: Establish Commission rules and policy that will result in just, reasonable, and not unduly discriminatory or preferential rates, terms, and conditions of jurisdictional service.

FERC draws on both market and regulatory means to establish rules and policies. FERC determines the appropriate approach balancing two important interests: protecting consumers against excessive rates, and providing an opportunity for regulated entities to recover their costs and earn a reasonable return on their investments. The Commission ensures that interested stakeholders have the opportunity to provide their views and that the Commission's ultimate decisions are adequately supported by the evidentiary record. These techniques produce just, reasonable, and not unduly discriminatory or preferential rates, terms, and conditions.

Performance Measure 1					
Percentage change[1] in interchange flows that are uneconomic, representing market inefficiency.					
	FY 2014	FY 2015	FY 2016	FY 2017	FY2018
Target	-	-1.25%	-1.25%	-1.25%	-1.25%
Result	1.09%	n/a	n/a	n/a	n/a
Status	Baseline	n/a	n/a	n/a	n/a

Description of Measure

The percentage change in uneconomic interchange flows (i.e., electricity flowing from a high-cost market to a low-cost market) between adjacent organized markets is one indication of market inefficiency and thus could serve as an indicator of the Commission's effectiveness in achieving Objective 1.1. The measure assesses hourly real-time net scheduled interchange flows between adjacent Commission-jurisdictional organized markets where such data are readily available and there is established market energy trading.

Explanation of Results

The FY 2014 baseline result represents the percentage change between FY 2013 and FY 2014 in interchange flows that were uneconomic. A number of factors may have influenced the FY 2014 baseline result. In addition to generally applicable events like the weather, the economy, and unpredictable market behavior, unusual weather events, such as the Polar Vortex in early 2014, may have caused an increase in uneconomic interchange flows as organized markets searched for power sources to make up for unexpected demand and outages. Further, the seam between the Midcontinent Independent System Operator, Inc. (MISO) and the Southwest Power Pool, Inc. (SPP) changed with the December 19, 2013, integration of MISO South into the rest of MISO. In addition, interchange flows may have been affected by SPP's implementation of its day-ahead market on March 1, 2014. Finally, on April 1, 2014, PJM Interconnection, L.L.C. (PJM) changed its price definition of the Midcontinent Independent System Operator, Inc. (MISO) interface to more accurately reflect actual prices, which may have changed the interchange flows between these markets.

Rationale for Targets

As organized markets increase coordination and implement policies and rules that better promote efficiency between adjacent organized markets and remove incentives to schedule uneconomic interchange, the percentage of uneconomic interchange flow should decrease. The FYs 2015 – 2018 targets are based on the Commission staff's belief that any new policies, rules, and/or proposals are likely to have effects that are roughly on the same scale as past implementation of policies and rules meant to improve interface scheduling. The exact magnitude of those effects, particularly as isolated from unknown external factors, is hard to identify precisely, but those effects appear to be on the order of 1.25 percent improvement per year. Further, certain organized markets have proposed changes to better coordinate interface transaction scheduling on varying timelines, so some interfaces will see improvements to interface scheduling efficiency earlier than others. A change to one interface will account for only a small change in the overall percentage of schedules that are uneconomic.

[1] In the Commission's FYs 2014-2018 Strategic Plan, the title for this performance measure indicates that the "percent of" interchange flows that are uneconomic will be assessed. However, during the development of the baseline and targets in FY 2014, the measure was changed to the "percentage change in" interchange flows that are uneconomic.

Performance Measure 2					
Level of participation of stakeholders in regional transmission planning meetings.					
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Target	-	To be determined.	To be determined.	To be determined.	To be determined.
Result	n/a	n/a	n/a	n/a	n/a
Status	Baseline	n/a	n/a	n/a	n/a

Description of Measure

In order to achieve just and reasonable rates for consumers, public utility transmission providers must work together to address electric transmission needs in an efficient and cost-effective manner. Furthermore, collaboration across a diverse group of stakeholders, including transmission customers and non-incumbent entities proposing solutions to transmission needs, promotes effective transmission planning and the identification of efficient and cost-effective solutions. Recognizing the importance of effective transmission planning to minimizing inefficiencies, FERC issued Order No. 1000, which requires public utility transmission providers to collaborate in regional transmission planning and takes steps to encourage participation by all stakeholders in those planning activities. The success of these regional transmission planning processes is difficult to quantify. However, participation by a broad group of stakeholders in a regional transmission planning process is a leading indicator of the usefulness of that process because stakeholders will cease devoting time and resources to a process they feel is ineffective. Accordingly, the level of participation by stakeholders in regional transmission planning meetings, as demonstrated through attendance records, provides a measure of FERC's impact on transmission planning processes and serves as an indicator of the Commission's effectiveness in achieving Objective 1.1.

Explanation of Results

Commission staff is unable to calculate a baseline analysis for FY 2014. Order No. 1000 became effective on October 11, 2011. However, since that time the Commission has been processing individual regions' proposals on how to comply with Order No. 1000. Also, many regions have not begun to fully implement Order No. 1000 reforms or determined when transmission planning meetings will begin in their region. Staff will begin monitoring the formally planned regional transmission planning meetings in January 2015.

Rationale for Targets

As discussed earlier, participation in meetings will be calculated through the attendance records provided by the regions; there are no such records to date. Accordingly, there is no data upon which to develop out-year targets. Therefore, staff will calculate a baseline and project out-year targets using FY 2015 results. However, the FY 2015 baseline will only reflect nine months of data.

Performance Measure 3					
Percentage of cases set for hearing or settlement procedures that are resolved by settlements.					
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Target	-	75%	75%	75%	75%
Result	78%	n/a	n/a	n/a	n/a
Status	Baseline	n/a	n/a	n/a	n/a

Description of Measure

Contested rate, tariff or complaint cases may be set for hearing and then resolved by settlement or formal adjudicatory hearing. Settling cases saves energy companies, their customers, and the Commission significant time and resources and provides quicker determination of appropriate rates, terms and conditions of service. Where settlement is not possible, a full hearing develops the evidentiary record and permits FERC to decide contested issues; create, apply or modify its policies; provide guidance to the public and the energy industry.

The ability of the Commission to pursue a litigated outcome to a proceeding when an appropriate settlement proves impossible is a critical component of the Commission's responsibility to fulfill its statutory responsibilities.

Explanation of Results

The FY 2014 baseline result reflects the Commission's approach to balance its efforts between settling cases and litigating cases when appropriate. Commission staff settled 40 cases (31 full settlements, 8 partial settlements, one pre-filing negotiation that resulted in the filing of a docketed settlement) out of 51 resolved cases during the fiscal year.

Rationale for Targets

The FYs 2015 – 2018 targets are based on historical results of the percent of cases set for hearing/settlement by the Commission, or initiated through the ADR process, that were in fact settled. The targets are a reasonable representation of the percentage of cases that properly can and should be settled by the Commission. The targets also take into consideration the impact of external factors on the settlement process and the fact that not all cases can or should be settled.

OTHER NOTEWORTHY ACCOMPLISHMENTS DURING FY 2014
OBJECTIVE 1.1: ESTABLISH RULES AND POLICY

- In November 2013, the Commission issued Order No. 787, Communication of Operational Information Between Natural Gas Pipelines and Electric Transmission Operators, allowing interstate natural gas pipelines and electric transmission operators to share non-public operational information to promote the reliability and integrity of their systems.

- In November 2013, the Commission issued Order No. 792, Small Generator Interconnection Agreements and Procedures, amending 18 C.F.R. Part 35 to incorporate revisions to the pro forma Small Generator Interconnection Agreements and pro forma Small Generator Interconnection Procedures.

- In January 2014, the Commission issued an order approving New York Independent System Operator's (NYISO's) tariff revisions resulting from its triennial review of the capacity market demand curves. NYISO submitted revisions to: 1) define the installed capacity demand curves for capability years 2014/2015, 2015/2016, and 2016/2017; 2) update existing demand curves for the New York City, Long Island, and New York Control Area; and 3) establish the first installed capacity demand curve for a new zone.

- In February 2014, the Commission exercised its emergency authority under section 1(15) of the Interstate Commerce Act to temporarily provide priority treatment for shipments of propane to consumers in the Midwest and Northeast during a period of extreme cold to assist in the protection of public health and safety. Subsequently, the Commission extended the priority treatment for propane shipments for an additional period of time, thus helping to address the needs of those regions for propane supplies.

- In March 2014, the Commission issued a Notice of Proposed Rulemaking, Coordination of the Scheduling Processes of Interstate Natural Gas Pipelines and Public Utilities, to gather public comments on its proposals to revise the natural gas operating day and scheduling practices used by interstate pipelines to schedule natural gas transportation service.

- In March 2014, the Commission issued an order accepting, subject to compliance, revisions to California Independent System Operator, Inc.'s (CAISO) transmission planning process in order to clarify the process, implement improvements and respond to issues raised by stakeholders.

- In March 2014, the Commission approved a request by Champlain VT, LLC to sell transmission rights at negotiated rates for a transmission project between Quebec, Canada and Ludlow, Vermont. The project entails 150 miles of 1,000 MW high voltage direct current transmission lines that will connect the markets in Quebec and ISO- New England (ISO-NE).

- In March 2014, the Commission issued an Order to Show Cause, which required all interstate natural gas pipelines to either revise their respective tariffs to provide for the posting of offers to purchase released capacity as required by section 284.8(d) of the Commission's regulations (18 C.F.R. § 284.8(d) (2014)), or to demonstrate that their existing tariffs are in full compliance with that section. The Commission received 157 compliance filings.

- On April 1, 2014, the Commission held a technical conference on Winter 2013-2014 Operations and Market Performance in Regional Transmission Organizations and Independent System Operators to explore the impacts of recent cold weather events in the markets operated by those entities and to discuss actions taken to respond to those impacts.

- In May 2014, the Commission addressed concerns that ISO-NE's capacity market was not adequately incenting capacity resource to perform during tight system conditions and was not procuring the flexible, high-availability resources most needed for reliable operation of the system. The Commission issued an order that rejected both ISO-NE's and the New England Power Pool Participants Committee's competing proposals but instituted a section 206 proceeding finding that a combination of the elements of the two proposals created a just and reasonable approach to improve capacity resource performance.

- In May 2014, the Commission accepted Grain Belt Express Clean Line LLC's application, inter alia, to sell transmission rights at negotiated rates on its proposed 750-mile High Voltage Direct Current (HVDC) transmission system which will be capable of delivering up to 3,500 MW of power, originating in Kansas and terminating in Indiana. In August, the Commission accepted a similar proposal from Plains and Eastern Clean Line LLC and Eastern Clean Line Oklahoma LLC to sell transmission rights at negotiated rates on their proposed 700-mile HVDC transmission system that will be capable of delivering up to 3,500 MW of power, originating in Oklahoma and terminating in Tennessee.

- In June 2014, the Commission proposed to amend its regulations governing market-based rates for public utilities pursuant to the Federal Power Act. The Commission proposed streamlining and clarifying certain aspects of its filing requirements to reduce the administrative burden on applicants and the Commission.

- In June 2014, the Commission conditionally accepted proposed tariff revisions submitted to offer participation in the imbalance energy portion of the CAISO's real-time market to other balancing authority areas. Also in June 2014, the Commission issued an order conditionally accepting proposed tariff revisions filed by PacifiCorp to enable it to participate in the expanded Energy Imbalance Market being created by CAISO.

- In July 2014, based on a review of the transmission formula rate protocols and annual formula rate updates of all jurisdictional electric utilities, the Commission posted on its website FERC staff's general guidance for electric utilities' annual formula rate updates, and issued orders requiring reforms to the formula rate protocols of six utilities to meet certain minimum requirements designed to ensure that all jurisdictional transmission owners provide adequate information to the Commission and interested parties to demonstrate that they are accurately implementing their formula rates.

- In September 2014, the Commission held a workshop on Price Formation in Energy and Ancillary Services Markets Operated by Regional Transmission Organizations and Independent System, to commence a discussion with industry on existing market rules and operational practices affecting price formation issues.

- In September 2014, the Commission addressed requests for rehearing on a final rule changing the reporting requirements for the Annual Cost of Service Based Analysis Schedule in the interstate oil pipeline industry's annual report, the FERC Form No. 6. The modifications require reporting of additional financial information regarding the pipeline's investment or rate base, regulated cost of capital for debt and equity capital, and composite income tax rate related to the regulated provision for income taxes.

- In FY 2014, the Commission issued a number of orders addressing return on equity (ROE) issues in pending complaints and established formal proceedings to resolve outstanding issues in order to ensure rates are just and reasonable. The Commission announced a new policy in one of those proceedings, Martha Coakley, Massachusetts Attorney General vs. Bangor Hydro-Electric Co. (Opinion No. 531), in which the Commission adopted a two-step ROE methodology, determined the placement in the range of allowable equity returns, and discussed alternative cost of equity methodologies.

- In FY 2014, the Commission issued 12 orders addressing requests for rehearing of the orders on initial filings to comply with the regional transmission planning requirements of Order No. 1000 and related second round regional compliance filings.

- During FY 2014, the Commission issued orders accepting all but one of the compliance filings made to implement Order No. 764, which adopted changes to the Commission's regulations to support the efficient and nondiscriminatory integration of variable energy resources such as wind and solar generation.

- The Commission acted on three electric utility acquisitions in FY 2014, including: authorizing Dynegy to acquire substantially all of the generation assets of Ameren or about 4,200 MW; authorizing MidAmerican Energy Holding Company to acquire NV Energy, Inc. and its two subsidiaries Nevada Power Company and Sierra Pacific Power Company; and authorizing NRG Energy Holdings, Inc. to acquire Edison Mission Energy and substantially all of its assets.

- In FY 2014, the Commission approved several proposals to ensure that PJM Interconnection, LLC's (PJM) capacity market procured adequate resources to meet the region's reliability needs.

- In FY 2014, the Commission issued orders approving the ISO-New England (ISO-NE) Winter Reliability Program for 2013-2014 to ensure reliability during the winter months.

- During FY 2014, the Commission issued a number of orders involving MISO's designation of a number of generators as System Support Resources (SSR). SSR generators are those which are seeking to retire or suspend operation, but which are determined by MISO to be needed and required to operate to ensure reliability until alternative resources, (e.g., generation, transmission, or demand response, are in place to ensure reliability). The SSR orders addressed, inter alia, issues concerning MISO's process for consideration of alternative resources, the appropriate level of compensation for SSRs, and the allocation of the cost of such compensation.

- During FY 2014, the Commission issued a number of orders addressing filings to facilitate the integration of the Entergy, Inc. operating companies into the MISO regional transmission organization and markets, allowing the integration to take place successfully as planned in December 2013.

- During FY 2014, the Commission issued a number of orders addressing filings to facilitate the start on March 1, 2014, as planned, of the Southwest Power Pool's (SPP) Day 2 market, called the Integrated Marketplace, which includes day-ahead and real-time energy and operating reserve markets with locational marginal pricing, financial transmission rights, virtual transactions, and a revised market power mitigation plan.

- During FY 2014, the Commission acted on 20 petitions for declaratory order in support of the development of new or repurposed crude oil and refined product pipelines to move increased supplies of oil and refined products to market.

- During FY 2014, Commission staff's efforts to promote settlements in electric utility and natural gas pipeline cases led to agreements resulting in savings of approximately $314 million stated on an annual basis for American energy consumers as well as facilitated the settlements of oil pipeline proceedings which secured approximately $15 million in refunds for the pipeline's customers.

- During FY 2014, Commission staff facilitated several settlements among various parties which had entered into short-term energy transactions in the Pacific Northwest during the Western energy crisis in 2001, ending a history of long, protracted litigation for these parties.

OBJECTIVE 1.2: Increase compliance with the FERC rules; deter market manipulation.

The Commission's oversight and enforcement program takes proactive steps to detect problems in energy markets and to reduce the probability that violations of applicable laws, the Commission's regulations, or market rules will occur. FERC uses a balanced approach to oversight and enforcement efforts: conducting surveillance and analysis of market trends and data; promoting internal compliance programs; employing robust audit and investigation programs; and, when appropriate, exercising the Commission's civil penalty authority to deter violations. FERC also makes market data transparent to the public and market participants so that market efficiency is promoted and anomalies and areas of concern may be identified and reported.

Performance Measure 4					
Percentage of audit recommendations implemented within six months of issuance.					
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Target	-	95%	95%	95%	95%
Result	95%	n/a	n/a	n/a	n/a
Status	Baseline	n/a	n/a	n/a	n/a

Description of Measure

The Commission's Office of Enforcement (OE) issues audit reports to regulated entities that include a number of recommendations for corrective actions. These recommendations enforce FERC's regulations of the interstate transmission of electricity, natural gas, and oil. The desired outcome is timely implementation of audit recommendations because it ensures greater compliance with Commission regulations and re-enforces a strong compliance culture throughout the industry.

Explanation of Results

The FY 2014 baseline result represents the percent of recommendations implemented within the six month timeframe. OE issued 319 number of recommendations and 336, or 95% were implemented within 6 months.

Rationale for Targets

The FYs 2015 – 2018 targets are based on the Commission's continued focus on promoting compliance programs in the regulated energy industry. A 95% implementation rate is appropriate in consideration of the Commission's current authority and a company's ability to implement costly or complex recommendations. While FERC has audit authority through Section 301 of the Federal Power Act (FPA), 16 U.S. Code § 825 (2012), it has no explicit authority to enforce the timeline and there is no statute in place to hold companies accountable to this specific deadline.

Although a significant majority of recommendations can be implemented within six months, the timeline for completing corrective actions for certain recommendations may exceed the six month target, especially if they involve significant changes to current practices, polices, or procedures (e.g., major software upgrades).

OTHER NOTEWORTHY ACCOMPLISHMENTS DURING FY 2014
OBJECTIVE 1.2: INCREASE COMPLIANCE AND DETER MARKET MANIPULATION

- In FY 2014, Commission staff developed and improved its data analytic screens to incorporate newly available unmasked exchange data, as well as newly available Large Trader Report financial position data obtained pursuant to a memorandum of understanding on information sharing between the Commission and the Commodity Futures Trading Commission. Commission staff also improved electric market screens for both organized and exchange-traded electric markets utilizing using Order No. 760-related data, EQR data, Large Trader Report financial position data, e-Tags, and exchange data. These surveillance activities resulted in fact-finding outreach to a number of market participants and new investigations.

- In FY 2014, Commission staff conducted a review of the events surrounding the Polar Vortex, including the extreme price spikes in the natural gas market, natural gas pricing anomalies, and high electric generation costs that arose in light of the gas market conditions. One purpose of this extensive review was to determine if manipulative trading behavior contributed to the high natural gas prices and elevated electricity costs. Staff found no evidence of widespread or sustained market manipulation; however, the Office of Enforcement has opened an investigation, which alleges downward price manipulation related to the formation of a single monthly natural gas index. The Commission's Office of Enforcement has opened two additional non-public investigations to determine whether certain generators may have improperly benefited from the constrained conditions in the electric markets.

- In FY 2014, Commission staff implemented comprehensive Order No. 760 data collections for NYISO and for the SPP Integrated Market and installed updated versions of the data collection for each of the other four organized markets. Each organized market submits to the Commission, on a daily basis, its latest data relating to physical and virtual offers and bids, market awards, resource outputs, marginal cost estimates, shift factors, financial transmission rights, internal bilateral contracts, uplift, and interchange pricing. Also during the year, several of the markets submitted data from as far back as January 2011 to improve the historical data set. Since the beginning of the fiscal year, the Commission has collected over 8.6 billion lines of data which is used to screen for market manipulation and other improper behavior within the markets.

- Commission staff completed formula rate audits of South Carolina Electric and Gas Company, Idaho Power Company, NSTAR Electric Company, and San Diego Gas & Electric Company. These audits reinforced the Commission's accounting, tariff rules, and regulations, and the jurisdictional companies were able to strengthen their compliance culture and programs through a rigorous implementation plan. Staff also conducted audits related to mergers (FirstEnergy Corporation) and transmission incentives (Southern Indiana Gas and Electric Company and Trans-Allegheny Interstate Line Company). These audits resulted in significant refunds and recoveries to customers.

- The Commission finalized eight settlements of investigations initiated by the Office of Enforcement, on a range of violations within the Commission's jurisdiction, including, for example, violations of the anti-manipulation rule, Reliability Standards, prior filing requirements, OATT requirements, and hydroelectric facility licenses.

- Office of Enforcement staff filed a petition in the U.S. District Court for the Eastern District of California for an order affirming the Commission's penalty assessment order against Barclays Bank, PLC and four of its traders. Staff also filed petitions in the U.S. District Court for the District of Massachusetts for orders affirming the Commission's penalty assessment orders against Lincoln Paper and Tissue LLC, Competitive Energy Services, LLC, and Dr. Richard Silkman.

- In May 2014, the Commission set for hearing before an administrative law judge issues raised in its 2013 Order to Show Cause in the BP America Inc. matter involving alleged violations of the Natural Gas Act and the Commission's anti-manipulation rule.

- In FY 2014, the Commission received 62 self-reports of violations. Staff reviewed every self-report promptly to determine if any warranted opening an investigation. The Commission also received 203 calls to its Enforcement Hotline, each of which received prompt attention.

- The Commission's enforcement staff opened 17 investigations and continued dozens of other investigations involving potential market manipulation and other Commission regulations, tariff violations, and reliability violations.

The Commission successfully implemented Order No. 770, changing the process for filing Electric Quarterly Reports (EQR) and adopting a web-based approach to filing EQRs. The new approach serves the public and enhances market transparency by upgrading the EQR software from an outmoded, ineffective, and unsustainable system. Market transparency is enhanced under the new software by ensuring that filed data is screened for formatting and errors before it is made public.

Goal 2: Promote Safe, Reliable, Secure, and Efficient Infrastructure
Promote the development of safe, reliable, secure, and efficient infrastructure that serves the public interest.

Objective 2.1: Foster economic and environmental benefits for the nation through approval of natural gas and hydropower projects.

Demand for natural gas in the United States is at its highest levels on record, and natural gas production continues to increase due to the development of shale gas. Among its many uses, natural gas is a substantial and growing resource for electric power generation, in part due to the current low price of natural gas. The responsible development of interstate natural gas infrastructure— pipelines, storage, and LNG facilities—is a critical link in ensuring that natural gas supply can reach market areas.

Interest in developing hydropower projects has also increased, in part because hydropower offers the benefits of a renewable, domestic energy source that supports efficient, competitive electric markets by providing low-cost energy reserves and ancillary services. Hydropower projects may also provide other public benefits such as environmental protection and enhancement, water supply, irrigation, recreation and flood control.

Performance Measure 5					
Percent of orders issued within established timeframes.					
	FY 2014	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Target	-	Hydropower Orders: 75% Natural Gas Orders: 90%	Hydropower Orders: 75% Natural Gas Orders: 90%	Hydropower Orders: 75% Natural Gas Orders: 90%	Hydropower Orders: 75% Natural Gas Orders: 90%
Result	Hydropower Orders: 80% Natural Gas Orders: 100%	n/a	n/a	n/a	n/a
Status	Baseline	n/a	n/a	n/a	n/a

Description of Measure
FERC-regulated entities must obtain authorization before beginning the construction of natural gas pipeline, natural gas storage, LNG, and hydropower facilities and before implementing measures required from relicensing a hydropower facility. In order to maximize both the economic and environmental benefits of these projects, the Commission must process applications in an efficient and timely manner and ensure that its authorizations are based on thorough environmental analysis. FERC has established timeframes that balance the competing demands of timeliness and thorough analysis.

Explanation of Results
The FY 2014 baseline result reflects the Commission's emphasis on consistently meeting its established timeframes in order to maximize the economic and environmental benefits of the proposed projects. The targets are split for hydropower and natural gas pipeline orders due to the inherent differences in the two programs. While each program is required to conduct thorough analysis in an efficient and timely manner, the processes in which to do so have different elements and unique requirements.

Specifically, 16 out of 20, or 80% of hydropower orders were issued in a timely manner. Additionally, 68 out of 68, or 100% of natural gas orders were issued within the appropriate timeframes. Six natural gas cases were removed from the calculation due to processing delays by other agencies.

Rationale for Targets
The FYs 2015 – 2018 targets reflect the Commission's expectation to issue 75% of hydropower orders within 24 months of issuance of either the Ready for Environmental Analysis Notice or the Notice of Application (as appropriate). For natural gas orders, filings are grouped into varying categories based on the size of the project and/or the complexity of the issues presented in the filing with target order issuance timeframes ranging from 159 days to 480 days. The Commission expects to issue 90% of natural gas orders within the appropriate timeline depending upon the category the original filing. These targets reflect the Commission's continued emphasis on meeting the growing demand for energy by responding to energy infrastructure applications with timely and well-reasoned decisions that protect the environment while fostering the growth for sustainable infrastructure.

OTHER NOTEWORTHY ACCOMPLISHMENTS DURING FY 2014
OBJECTIVE 2.1: REVIEW AND APPROVE NATURAL GAS AND HYDROPOWER PROJECTS

- The Commission issued hydropower related orders authorizing the construction of 12 new projects with a combined generating capacity of 1,444 MW. Ten of these orders (83%) were issued within two years of the REA notice.

- The Commission issued orders authorizing the construction and operation of approximately 407 miles of natural gas pipeline and nearly 398,000 horsepower of compression that created approximately 11.7 Bcf of natural gas transportation capacity.

- The Commission issued authorizations to three LNG export terminals capable of liquefying nearly 5.0 Bcf of natural gas per day.

- The Commission issued orders authorizing an additional 1.6 Bcf per day of underground natural gas storage capacity.

OBJECTIVE 2.2: Minimize risks to the public associated with FERC-jurisdictional energy infrastructure.

FERC is responsible for energy infrastructure subject to its jurisdiction including ensuring the safety of non-federal hydropower projects and LNG facilities throughout their entire life cycle; overseeing the development and review of, as well as compliance with, mandatory reliability and security standards for the bulk power system; and collaborating with regulated entities and other governmental agencies at the federal and state levels to identify and seek solutions to threats to FERC-jurisdictional infrastructure from cyber and physical attacks. Through these actions, FERC minimizes risks to the public associated with jurisdictional infrastructure.

Performance Measure 6					
Percent of hydropower facilities that have approved dam safety programs.					
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Target	-	75%	80%	85%	90%
Result	64%	n/a	n/a	n/a	n/a
Status	Baseline	n/a	n/a	n/a	n/a

Description of Measure
In order to minimize risks to the public, licensees with hydropower facilities are required to implement safety programs that comply with Commission regulations and industry standards for the life of the facility. In addition, FERC requires all licensees with high and significant hazard dams to develop and obtain approval for a rigorous Owners Dam Safety Program, which acknowledges the dam safety responsibilities of each level of the licensee's organization, establishes protocols for internal and external dam safety communication, and has clear designation of dam safety responsibilities among the licensee's staff. To the extent that these efforts are successful, licensees will maintain compliant safety programs which will serve as an indicator of the effectiveness in achieving Objective 2.2.

Explanation of Results
The FY 2014 baseline result reflects a relatively new Commission requirement. In 2012, FERC began requiring licensees with high or significant hazard hydropower facilities to have an Owners Dam Safety Program. In FY 2014, an emphasis has been placed on discussing the Owners Dam Safety Program at every annual inspection of a high or significant hazard dam. For licensees with a high or significant hazard dam but without an Owners Dam Safety Program, the project engineers are monitoring and providing assistance to help the licensees develop a complete program. As a result of these efforts, currently, 64% (or 152 out of 239) of the licensees with high or significant hazard hydropower facilities have a complete Owners Dam Safety Program. This result

represents significant progress in getting the licensees to complete their programs since 2012, when FERC initially instituted the Owners Dam Safety Program requirement.

Rationale for Targets

Because dam safety is important and can save lives as well as protect homes, businesses, and the environment, the Commission is committed to increasing the number of licensees with a complete Owners Dam Safety Program. The incremental improvement over the next four years takes into consideration ongoing efforts by many of the licensees to develop such programs. If it is determined that the annual targets cannot or will not be met, the Commission will consider providing more assistance to the licensees that have an on-going program. The assistance may come from holding informational meetings or by having one-on-one discussions with the licensee.

Performance Measure 7					
Percentage[2] of LNG facility recommendations implemented by established timeframes.					
	FY 2014	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Target	-	70%	90%	90%	90%
Result	n/a	n/a	n/a	n/a	n/a
Status	Baseline	n/a	n/a	n/a	n/a

Description of Measure

The Commission seeks to detect and prevent potential structure failures and to ensure LNG facilities comply with requirements through physical inspections of LNG facilities. The recommendations issued by Commission staff address the safety of LNG facilities, including certain security issues, and reliability, which can also impact efficiency. Implementing recommendations associated with these inspections supports the Commission's efforts to minimize risks to the public. This measure assesses whether LNG companies adequately implemented staff's safety and reliability recommendations within the established timeframes.

Explanation of Results

Prior to June 2014, Commission recommendations related to LNG facilities did not include specific target dates for implementation, therefore results for this measure are not available for FY 2014. Initial results will not be available until the end of the FY 2015 performance period.

Rationale for Targets

The FYs 2015 – 2018 targets reflect the Commission's priority to reduce risks to the public through the timely implementation of safety and compliance related recommendations associated with LNG facility inspections. Adding a target date for the completion of each recommendation is an internal enhancement to the Commission's inspection program and should have a positive impact on safety and recommendation implementation rates. The Commission expects its efforts after the first full year to result in sustained performance of 90% timely implementation of recommendations by LNG facility owners and operators.

[2] In the Commission's FYs 2014-2018 Strategic Plan, the title for this performance measure indicates that the "number" of LNG recommendations will be assessed. However, during the development of the baseline and targets in FY 2014, the measure was changed to the "percentage" of LNG facility recommendations implemented by established timeframes.

The Commission's targets take into account various reasons why an LNG company may not implement a safety or reliability recommendation within the established timeframe, such as:

- Inadequate or re-prioritized funding within the timeframe;
- Disagreement with the recommended action or timeframe;
- Lack of concern for meeting the target date;
- Assumption that an inadequate implementation strategy would be sufficient;
- Complications discovered during implementation;
- Contractor scheduling issues;
- Parts or material acquisition issues;
- Adverse weather;
- Change of facility operating status to not operating; or
- Other unforeseen circumstances.

Performance Measure 8					
The amount of lost firm load Megawatts in a given year resulting from bulk power system transmission related events (unplanned outages), excluding weather related outages.					
	FY 2014	**FY 2015**	**FY 2016**	**FY 2017**	**FY2018**
Target	-	Below 0.5%	Below 0.5%	Below 0.5%	Below 0.5%
Result	0.1%	n/a	n/a	n/a	n/a
Status	Baseline	n/a	n/a	n/a	n/a

Description of Measure

The annual amount of lost load resulting from unplanned disturbances on the bulk power system other than severe weather provides a measure of FERC's impact on system reliability and serves as an indicator of the Commission's effectiveness in achieving its Objective 2.2 to minimize risks to the public associated with FERC-jurisdictional energy infrastructure. FERC will monitor causes of outages and the nature and frequency of emerging issues in order to inform the interpretation of the measure results.

Explanation of Results

The preliminary data for the baseline year being measured includes events from October 1, 2013 to September 30, 2014. The total MW lost was 0.1% during the measured four quarters. The metric shows a consistent reliability level for the fiscal year 2014.

Rationale for Targets

Any fiscal year with a major blackout event that has more than 0.5% of load loss, or multiple events of lesser magnitude that cumulative exceed 0.5% will be considered a poor performance year.

Since mandatory standards development and enforcement began on June 18, 2007, two major, non-weather-related blackout events occurred – the February 26, 2008 Florida Blackout and September 8, 2011 Arizona-Southern California Blackout. Maintaining load loss less than 0.5% is a challenging target that measures FERC's impact for the actions taken. The target will not be met if a major non-weather blackout were to happen.

The target scenario is challenging when considering the lag time that may result from factors that are largely outside of FERC's control. For example, when FERC determines that poor performance warrants a directive to develop a new mandatory reliability standard, there is typically a period of years until that standard is developed by NERC and implemented. Similarly, investigations of major outages can take several years.

This target scenario is also challenging when considering technological changes facing the grid that are largely outside of FERC's control. For example, changes in the generation mix along with potential retirements of some generation might pose challenges for operators.

OTHER NOTEWORTHY ACCOMPLISHMENTS DURING FY 2014
OBJECTIVE 2.2: MINIMIZE RISKS TO THE PUBLIC

- The Commission issued an order granting NERC's continued application of the Find, Fix, Track and Report (FFT) program to moderate risk possible violations and expansion of the pool of FFT candidates to include possible violations with mitigation completion targets of one year. The order also noted staff's annual sampling of FFTs, which tests whether included possible violations are appropriate for the FFT program and successfully remediated.

- The Commission reviewed 55 Notices of Penalty filed by the ERO addressing 888 violations of Reliability Standards, and reviewed 522 possible violations processed as FFTs.

- Commission staff issued data requests to six Regional Entities to determine readiness for winter 2014-15 concerning generator unavailability resulting from frozen equipment during the January 2014 polar vortex and winter storms and the February 1-5, 2011 Southwest cold weather event.

- Commission staff initiated a joint staff review with NERC and the Regional Entities to gauge the electric utility industry's level of preparation to recover quickly and efficiently from reliability events which have the potential to cause widespread adverse effects on the bulk power system. The review will assess the restoration plans and the clarity of the relevant Reliability Standards, and identify best practices and recommendations for effective restoration and recovery plans.

- The Commission approved the Electric Reliability Organization's filed Reliability Standard on Frequency Response and Bias, which provides a consistent method for calculating the Frequency Bias component of Area Control Error.

- The Commission approved the several Reliability Standards filed by the ERO, including: Geomagnetic Disturbance, which mitigates the impact of geomagnetic disturbances on the reliability of the Bulk-Power System by implementing Operating Procedures; Generator Relay Loadability, which sets load-responsive protective relays associated with generation Facilities at a level to prevent unnecessary tripping of generators during a system disturbance for conditions that do not pose a risk of damage to the associated equipment; and Contingency Reserve, which specifies the quantity and types of contingency reserve required to ensure reliability under normal and abnormal conditions.

- The Commission approved Version 5 of the ERO's CIP Standards, which pertain to the cyber security of the bulk electric system. CIP version 5 includes new cyber security controls and extends the scope of the systems that are protected by the CIP Standards.

- In March 2014, the Commission directed the ERO to submit, on an expedited schedule, a reliability standard to address the physical security of facilities most critical to the reliable operation of the Bulk-Power System. In July 2014, after receiving the ERO's response to that directive, the Commission proposed to approve with limited modifications the ERO's physical security standard, which would require entities to identify their most critical facilities and implement measures to protect those facilities against physical attacks.

- The Commission approved the retirement of 34 requirements within 19 Reliability Standards that (1) provide little protection for Bulk-Power System reliability or (2) are redundant with other aspects of the Reliability Standards. The Commission also approved the withdrawal of 42 Commission directives for the ERO to develop modifications to Reliability Standards. The directives at issue have either been addressed in some other manner, are redundant with another directive or provide general guidance as opposed to a specific directive.

- Commission staff attended monthly calls with EPA about regulations that EPA may develop and their potential impact on reliability. Staff also attended the monthly conference call with RTOs on compliance with EPA's Mercury and Air Toxics (MATS) rule.

- Commission staff assisted DHS/DOE/FBI/NERC with a 13-city physical security awareness campaign for the electric sector. Commission staff also partnered with DHS on voluntary, proactive cybersecurity assessments. Commission staff participated in the establishment and conduct of the Cybersecurity Forum for Independent and Executive Branch Regulators. This forum was formed to identify, coordinate, and deconflict independent approaches to cybersecurity by the regulators as well as their jurisdictional entities.

- Commission staff assisted with a DHS project undertaken pursuant to Section 9 of Executive Order 13636, regarding identification of critical infrastructure where a cybersecurity incident reasonably could result in catastrophic regional or national effects on public health or safety, economic, or national security.

- Commission staff has provided over 35 briefings to a variety of audiences including industry partners to share vulnerabilities and threats regarding physical and cyber security and best practices and mitigation measures to enhance security of critical energy infrastructure. Staff also has collaborated with NERC and industry partners on sharing best practices to facilitate enhanced energy infrastructure security.

- Commission staff worked with NERC to develop information bulletins and alerts to timely disseminate critical threat information across the energy sector.

- Commission staff has kept abreast of initiatives to better understand and protect the power grid against infrequent but significant events. For example, staff has participated in government and industry forums to better identify the impacts and mitigation measures from geomagnetic disturbances and electromagnetic pulses, such as the DOE Electric Sector Coordinating Council and the Electric Grid Protection Executive Steering Committee.

Goal 3: Mission Support through Organizational Excellence
Achieve organizational excellence by using resources effectively, adequately equipping FERC employees for success, and executing responsive and transparent processes that strengthen public trust.

Objective 3.1: Manage Commission resources effectively and efficiently.

The Commission must prioritize resource allocations and make prudent investments in relation to specific program activities or challenges. These investments should yield returns which directly benefit the agency's mission. Additionally, Federal statues require the Commission to recover its operating costs from the entities it regulates. The Commission must do this in a manner that avoids unnecessarily increasing the cost of energy to consumers. Given these considerations, the Commission must be steadfast in its commitment to use its resources in an efficient manner. In meeting the demands of this commitment, the Commission must consistently develop comprehensive resource plans, execute planned requirements through the delivery of compliant services, and monitor resource utilization through established control activities.

Performance Measure 9					
Average Hiring Cycle Time.					
	FY 2014	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Target	-	55 calendar days	55 calendar days	55 calendar days	55 calendar days
Result	55 calendar days	n/a	n/a	n/a	n/a
Status	Baseline	n/a	n/a	n/a	n/a

Description of Measure

In order to efficiently use its resources, the Commission must ensure planned staff levels are sufficiently maintained. Over two-thirds of the Commission's budget is allocated to employee compensation. Any undue lapse in recruiting and hiring new employees has the potential to impact the ability of the Commission to recover its annual appropriation as required by statute. Additionally, the potential staff losses the agency could incur as a result of retirements or normal attrition impacts the ability of the agency to meet its objectives. Since the Federal Government's Hiring Reform Initiative of 2011, the Commission has been employing strategies aimed at reducing the amount of time it takes to fill vacant positions.

Explanation of Results

The FY 2014 baseline result of 55 days demonstrates the Commission's commitment to hire employees in a timely manner to support the execution of FERC's mission as well as its commitment to use its resources effectively. The FY 2014 result reflects several Commission efforts, including deploying an automated hiring system and increased coordination with hiring managers throughout the Commission.

Rationale for Targets

The FYs 2015 – 2018 targets are based on maintaining the Commission's historical actual hiring cycle time of 55 calendar days from need validation to offer and candidate selection. The Commission's adoption of a 55-calendar day hiring target accounts for the time between when the need for the position is validated to the date the candidate is selected and the offer is made. This targeted timeframe is a subset of the Office of Personnel Management's (OPM) end to end hiring process 80-calendar day hiring model which measures the time between the need for the position is validated, to the date the candidate enters on duty. After analyzing the external factors that may lead to a candidate delaying their start date, such as the need to relocate or graduate from school, ending the hiring cycle calculation at the point of offer is a more relevant internal indicator of success with this measure. The targets take into account recent and ongoing efforts to maintain this level of success, including shared responsibility and accountability with human resource specialists and hiring managers to ensure vacancy paperwork is completed and submitted on time, instituting new tracking tools, and using the automated hiring system.

Performance Measure 10					
Percent reduction in targeted information technology costs.					
	FY 2014	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Target	-	To be determined.	To be determined.	To be determined.	To be determined.
Result	n/a	n/a	n/a	n/a	n/a
Status	Baseline	n/a	n/a	n/a	n/a

Description of Measure

This measure is a direct indicator of how well the Commission manages the cost of delivering secure and effective technology solutions. These services must be delivered at a cost that is reasonable to the Commission.

Explanation of Results
The Commission is continuing to develop baseline data for this measure, which includes realigning costs to services delivered. This is a significant effort that began in FY 2014 and will continue through FY 2015.

Rationale for Targets
The Commission has set a performance goal of developing a structured way to capture IT costs for services delivered and identifying targeted cost reductions. The Commission must carefully consider its service catalog, current levels of service, costing methodologies, and opportunities for cost reductions before setting targets. The Commission expects to complete this analysis and set out year targets for one third of its service catalog by the end of FY 2015.

Performance Measure 11					
Time and cost of building modernization effort relative to established schedule and budget.					
	FY 2014	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Target	-	6 Milestones completed.	To be determined.	To be determined.	To be determined.
Result	4 Milestones completed.	n/a	n/a	n/a	n/a
Status	Initial Planning Milestones Met.	n/a	n/a	n/a	n/a

Description of Measure
The Commission must establish a design plan and budget for an extensive building modernization effort within its Headquarters facility. This budget will fund a multi-million dollar renovation effort that will span the next 5-6 years. The Commission has requested adequate resources to cover the cost of the effort. The Commission will partner with the General Services Administration, private contractors and the facility owner to execute the required work. It is imperative that management closely monitors project performance relative to schedule and resources given the significant investment at play and the numerous entities involved.

Explanation of Results
The FY 2014 result reflects the completion of critical planning milestones to support the overall building modernization project. Milestones in FY 2014 represent the Commission's actions to provide information and/or funding to support either project activities in FY 2015 or key GSA milestones dependent on FERC's timely action. Those specific milestones were 1) the completion of a requirements development study that will serve as a cornerstone for future project activities; 2) the execution of the lease renewal; 3) providing funding for the Headquarters design; and 4) identifying the location and initial requirements for swing space necessary to facilitate future construction activities. The completion of these activities positions the Commission well as we move forward with this effort.

Other Indicators
Project funding remains a critical outside factor. Presently, appropriations for FY 2015 are not finalized, which has a direct impact on the project schedule for the out-years.

Rationale for Targets
The target established for FY 2015 represent a continuation of critical planning activities as well as initial construction activities that establish the conditions necessary to finalize the project plan and establish budget and schedule milestones for the out years (2016-2018).

Targets for FYs 2016 – 2018 will be determined upon completion of the Headquarters design phase in FY 2015.

OTHER NOTEWORTHY ACCOMPLISHMENTS DURING FY 2014
OBJECTIVE 3.1: MANAGE RESOURCES EFFECTIVELY

- The Commission successfully transferred all mail and online documents from Google into a Microsoft environment, Microsoft O365. This migration achieved two goals: 1) a targeted reduction of cost of service for email; and 2) a standardized technology platform that leverages cloud based applications for email, collaboration and document storage.

- The Commission successfully completed its annual FISMA audit, conducted by the Department of Energy. The work done this year led to a successful audit that yielded no new findings and closed out prior findings.

- The Commission received an Unmodified Opinion on its FY 2014 financial statements and supporting notes. As part of the annual audit of the Commission's financial statements, the external auditors determined the Commission's financial statements represent fairly in all material respects the Commission's financial position.

- As part of the Commission's FY 2014 assessment of its internal control over financial reporting, the Commission asserts reasonable assurance that its internal controls are operating effectively.

- In FY 2014, the Commission procured a new eLibrary system that will replace the current system. The Commission's eLibrary system serves as the system of record for all FERC-issued orders, filings, and public comments. The system is used by Commission staff and is the single entry point for the public to access docketed information. This refresh will further leverage cloud technologies and will reduce or eliminate vulnerabilities in the current system. The system is expected to be implemented in FY 2015.

- The Commission expanded its recruiting program to include social media outreach through Facebook, Twitter, and LinkedIn. This effort supports the Commission's proactive hiring efforts and enhanced its ability to connect with candidates nationwide, as well as market the Commission's on-campus presence during recruitment fairs.

Objective 3.2: Empower Commission employees to drive success.

Commission employees are directly responsible for achieving FERC's mission. On an annual basis, the Commission allocates over two-thirds of its budget to directly cover the compensation costs of its employees. Given this significant investment, the Commission places extremely high value on its employees and is focused on ensuring their success. The Commission seeks to become an employer of choice for individuals who can contribute a diverse set of needed skills. With this objective in mind, the Commission recognizes that a model regulatory organization must ensure that its employees are equipped with the requisite tools and services they need to accomplish the mission.

Performance Measure 12					
Percent of milestones that are met in the deployment of a competency-based training program using automated tools.					
	FY 2014	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Target	-	100% of planned milestones achieved.	100% of planned milestones achieved.	100% of planned milestones achieved.	100% of planned milestones achieved.
Result	Resource Planning Completed.	n/a	n/a	n/a	n/a
Status	Baseline	n/a	n/a	n/a	n/a

Description of Measure

The Commission must maintain a highly skilled workforce to address its regulatory responsibilities. The deployment of a competency-based training program addresses critical developmental needs the Commission will be required to address due to the likelihood of 30% of the current workforce retiring within the next five years. A competency-based training program will ensure employees will be equipped with the requisite knowledge to perform their job expectations. This measure provides an indication of FERC's progress in developing and deploying a competency-based training program.

Explanation of Results

The FY 2014 result reflects the completion of critical resource planning milestones necessary to establish and deploy a competency-based training program. Specifically, the Commission has assigned additional FTE resources, deployed a learning management system and is seeking a contractor to support this effort. In addition, the Commission developed project milestones that will accurately track progress towards meeting the targets and ultimate completion of the competency-based training program.

Rationale for Targets

Establishing and deploying a competency-based training program requires significant effort and is a significant change in the current learning and development strategy. The Commission's project plan spreads the workload evenly over the strategic plan period so that by the end of FY 2018, a competency based training program will be utilized for 30% of FERC's most populous occupations. In order to be successful, the Commission must complete 100% of milestones in each year. The project plan and milestones established will reflect the full execution of the resource plan established in the baseline period. The project plan and annual targets represent the support of senior leadership, subject matter experts and other key stakeholders.

Performance Measure 13					
Employee Satisfaction Favorability Rating.					
	FY 2014	**FY 2015**	**FY 2016**	**FY 2017**	**FY2018**
Target	-	69%	69%	69%	71%
Result	69%	n/a	n/a	n/a	n/a
Status	Baseline	n/a	n/a	n/a	n/a

Description of Measure

The Commission must ensure that employee performance is aligned with the Commission's strategic goals and that employees have the resources they need to accomplish the Commission's goals. Using the Federal Employee Viewpoint Survey (FEVS) to measure employee perceptions on the Commission's performance management system and the adequacy of resources is essential for the Commission to fulfill its mission. For purposes of this measure, employee satisfaction favorability rating is defined as the percentage of employees who responded favorably to questions related to performance management and adequacy of resources in the FEVS.

Explanation of Results
The FY 2014 result reflects the Commission's weighted average score of a total of fifteen questions from the FEVS relating to performance management and resource adequacy. The Office of Personnel Management (OPM) considers a response of at least 65 percent positive as a strength. Based on OPM standards, the overall employee satisfaction favorability result of 69% for FY 2014 is strength. Of the fifteen questions used to calculate this rating, the ones with the highest ratings (above 84% positive) were: (a) In the last six months, my supervisor has talked with me about my performance and (b) employees are protected from health and safety hazards on the job. The questions with the lowest ratings (below 50%) were: (a) In my work unit, differences in performance are recognized in a meaningful way and (b) Creativity and innovation are rewarded. The FY 2014 favorability results do not reflect the Commission's upcoming renovation effort to implement its facilities modernization plan, which will span the next 5-6 years.

Rationale for Targets
The targets established for FYs 2015 – 2018 represent the Commission's desire to maintain, and even to slightly improve, its favorability rating in two key areas despite upcoming challenges related to the building modernization effort. The Commission will develop action plans to ensure transparency of information and employee engagement regarding the modernization plan. In addition, the Commission will focus on improving the performance management system during this period of time.

OTHER NOTEWORTHY ACCOMPLISHMENTS DURING FY 2014
OBJECTIVE 3.2: EMPOWER EMPLOYEES

- The Commission established a Diversity and Inclusion Strategic Plan in response to the President's Executive Order on Diversity and Inclusion, Executive Order 13583: "Establishing a Coordinated Government-wide Initiative to Promote Diversity and Inclusion in the Federal Workforce." As part of these efforts, the Commission implemented a process for establishing and supporting Employee Resource Groups. The Commission has encouraged groups of employees with common interests to formalize their professional relationships creating a positive work environment by actively contributing to the Commission's mission, values, and efforts specific to diversity and inclusion. In FY 2014, two groups have been formed, EL FERC, a Hispanic employee resource group, and FERC Vets, a Veterans employee resource group.

- The Commission installed new entry turnstiles and ID card readers at all Headquarters Building entrances to support its security and safety efforts. The Commission implemented additional requirements that have facilitated employee accountability as part of its occupancy emergency planning efforts.

Objective 3.3: Facilitate public trust and understanding of Commission activities by promoting transparency, open communication, and a high standard of ethics.

Facilitating understanding of how the Commission carries out its responsibilities and maintaining public trust in the Commission are important components of the Commission's commitment to organizational excellence. Trust and understanding increase acceptance of FERC decisions and reduces the potential for contentiousness toward FERC rules and regulations, thus enabling the creation and enforcement of policy. The Commission advances this objective by promoting transparency and open communication with respect to conduct of the Commission's business, thereby increasing awareness and understanding of the Commission's activities. The Commission furthers this objective by cultivating relationships with sister government agencies and stakeholder groups, which supports understanding of Commission procedures and actions. The Commission also promotes a high standard of ethics, which encourages public confidence in the Commission's activities and ability to fulfill its responsibilities.

Performance Measure 14					
Percent of Commission filings and issuances that are disseminated to public within established timeframes					
	FY 2014	**FY 2015**	**FY 2016**	**FY 2017**	**FY2018**
Target	-	86%	92%	96%	97%
Result	81%	n/a	n/a	n/a	n/a
Status	Baseline	n/a	n/a	n/a	n/a

Description of Measure
Timely communication with stakeholders helps to demonstrate a spirit of transparency and openness that is essential to maintaining public trust and understanding. Accordingly, FERC has established timeframes for responding to requests for information, for disseminating policy decisions and actions, for the issuance of approved orders, and for public notification of filings submitted to the Commission as well as Off-the-Record (Ex Parte) Communications. The extent to which FERC meets these timelines is an indication of its performance with regard to timely communication and serves as an indicator of the Commission's effectiveness in achieving Objective 3.3.

Explanation of Results
The FY 2014 result reflects the weighted average of the four separate components of this measure, i.e., eFilings, electronic issuances, paper filings at HQ, and paper filings at the Regional Offices. Historical data exists for the first three components, with results generally averaging at 96% timely dissemination or higher. The last component had not previously existed as a specific target. FERC estimated the baseline result at 25% timely dissemination which reflects the fact that this filing channel relies upon postal mail and is subject to significant processing delays.

Rationale for Targets
The targets established for FYs 2015 – 2018 represent the Commission's commitment to openness and transparency. The Commission desires to achieve and sustain a high level of performance across all four separate components of this measure. The targets take into consideration differing thresholds for timeliness depending on the type of document, the extent to which the document is processed electronically, and the degree of control which FERC exercises over the document filing channel.

OTHER NOTEWORTHY ACCOMPLISHMENTS DURING FY 2014
OBJECTIVE 3.3: FACILITATE PUBLIC TRUST AND UNDERSTANDING OF FERC ACTIVITIES

- Commission staff addressed hundreds of questions, including from the general public, regarding contested matters pending before the Commission, including a proposal to establish the Lower Hudson Valley Capacity Zone within the New York Independent System Operator footprint, a proposal seeking approval to construct facilities to export liquefied natural gas from the Cove Point terminal, and proposals for certification of possible natural gas pipelines. During FY 2014, Commission staff organized noteworthy meetings and briefings with members of Congress as well as several key stakeholder organizations, such as: a CIP Standards briefings to keep members of NARUC informed about the Commission's recent rulemaking and a resource adequacy briefing for NARUC which provided an opportunity to discuss recent court cases and present the Commission's views.

- The Commission met with several international energy groups, including: a large delegation from China's national energy agencies; several delegations from Japan who are involved in restructuring their country's electric industry and regulatory structures; and representatives from the Brazil hydro industry, in a joint meeting with the U.S. Army Corps of Engineers.

- The Commission enhanced its social media presence in order to communicate more effectively with the public and to provide an avenue for interested parties to maintain awareness of Commission actions.

- The Commission's ethics program was recognized by the Office of Government Ethics as a model practice, in part because ethics training was provided to all Commission staff instead of limiting the training to financial disclosure filers.

FINANCIAL PERFORMANCE OVERVIEW

As of September 30, 2014, the financial condition of the Commission was sound with sufficient funds to meet program needs and adequate controls were in place to ensure Commission obligations did not exceed budget authority. The Commission prepared its financial statements in accordance with the accounting standards codified in the Statements of Federal Financial Accounting Standards and with OMB Circular No. A-136, Financial Reporting Requirements.

Sources of Funds.
The Commission is financed from offsetting collections. However, the Commission initially receives an appropriated amount from the Treasury general fund at the beginning of the fiscal year, which is used to fund its operating and capital expenditures. Throughout the year, the Commission collects monies through annual charges and filing fees and returns the appropriated amount to the Treasury general fund at year-end, resulting in a net zero appropriation to the Treasury general fund. The offsetting collections serve as the financing source for any unexpended appropriations at year-end.

Additional funds available to obligate in FY 2014 were $21.4 million from prior-year unobligated appropriations and $1.9 million of prior-year obligations that were subsequently de-obligated in the current year. The sum of all operating funds available to obligate in FY 2014 was $327.9 million. Separately, the Commission receives an appropriation from OMB to pay states the fees collected for the occupancy and use of public lands. The Commission's payment to states budget authority for FY 2014 was $4.3 million, which included a $0.3 million sequestered amount that was identified as temporarily unavailable.

Consistent with the requirements of the Omnibus Budget Reconciliation Act of 1986, as amended, the Commission collected fees to offset 100% of its budget authority in FY 2014.

Costs by Function. The Commission incurred costs of $306.8 million in FY 2014, which was an increase of $1.6 million from FY 2013. Approximately 71 percent of costs were used for salaries and benefits. The remaining 29 percent was used to obtain technical assistance for the Commission's principal regulatory programs, to cover operating expenses, staff travel, and reimbursable work. For FY 2014, Salaries and benefits decreased by $11.2 million as compared to FY 2013 with the net effect on the other cost categories of an increase of $12.8 million.

Costs by Function (millions)

Costs by Function	**FY 2014**	**FY 2013**
Salaries and Benefits	$216.6	$227.8
Travel/Transportation	3.1	2.8
Rent/Communication/Utilities	26.1	24.9
Contract Support	49.7	43.8
Printing/Supplies/Other	11.3	5.9
Total Costs	**$306.8**	**$305.2**

Audit Results. The Commission received an unmodified audit opinion on its FY 2014 financial statements. This was the twenty first consecutive year the Commission has received an unmodified opinion. For FY 2014, the Commission reported its Statement of Changes in Net Position and the equity section of its Balance Sheet differently to accurately report how it is financed. As a result, the Commission restated the FY 2013 Statement of Changes in Net Position and Balance Sheet to reflect the change.

Financial Statement Highlights. The Commission's financial statements summarize the financial activity and financial position of the agency. The financial statements and footnotes appear in the financial section of this report.

Analysis of the Balance Sheet

The Commission's assets were approximately $112.8 million and $117.6 million as of September 30, 2014 and 2013, respectively. FY 2014 decreased by $4.8 million as compared to September 30, 2013. The assets reported in the Commission's Balance Sheet are summarized in the Asset Summary table below.

Assets Summary (millions)

Assets	**FY 2014**	**FY 2013**
Fund Balance with Treasury	$90.8	$76.4
Accounts Receivable, net	9.4	29.1
Property and Equipment, net	12.6	12.1
Total Assets	**$112.8**	**$117.6**

The Fund Balance with Treasury represents the Commission's largest asset of $90.8 million as of September 30, 2014, which is an increase of $14.4 million over the FY 2013 balance. This increase is primarily due to a higher amount of unpaid obligations, approximately $9 million and the change in prior year unpaid obligations of $1.8 million at the end of FY 2014 as compared to FY 2013.

The Accounts Receivable, net has a balance of $9.4 million as of September 30, 2014. This balance represents the outstanding amounts due from annual charges, civil penalties or other penalties issued by the Commission to entities under its regulation. The $19.7 million net decrease in FY 2014 compared to FY 2013 is primarily due to writing off uncollectible civil penalties of approximately $13.8 million; and $5.6 million of the decrease is a result of the due date for annual charges occurring later in September 2013 than in 2014, resulting in higher receivables at the end of 2013 and thus higher collections of those receivables in FY 2014. This allowed the Commission to collect more of the accounts receivable as opposed to the previous fiscal year.

The Property and Equipment, net was $12.6 million as of September 30, 2014, an increase of $0.5 million over FY 2013. The balance is comprised of the net value of the Commission’s equipment, furniture, leasehold improvements, computer hardware and software. The $0.5 million net increase is primarily due to the on-going development of the internal software and related capital items which was offset by reductions in Equipment, Furniture, Leasehold Improvements, and ADP Software.

The Commission's liabilities were $62.1 million as of September 30, 2014. The Liabilities Summary table shows a decrease in total liabilities of $13.0 million over FY 2013. The decrease is primarily due to writing off of uncollectible civil penalties. The $62.1 million balance consists primarily of accrued expenditures for payroll, benefits, operating expenses, and collected disgorged funds.

Liabilities Summary (millions)

Liabilities	**FY 2014**	**FY 2013**
Accounts Payable	$14.9	$13.4
Federal Employee Benefits	5.7	5.2
Resources Transferable to Treasury and Other Federal Entities	1.5	21.1
Accrued Leave	14.6	14.7
Other Liabilities	25.4	20.7
Total Liabilities	**$62.1**	**$75.1**

The difference between total assets and total liabilities is the Net Position. The Commission’s net position was approximately $50.8 million as of September 30, 2014. The increase in net position in FY 2014 compared to FY 2013 is the result of increased financing sources on hand at the end of FY 2014.

Analysis of Statement of Changes in Net Position

The Statement of Changes in Net Position reports the change in net position during the reporting period. The Commission's net position was $50.8 million and $42.6 million at September 30, 2014 and 2013, respectively. Net position is affected by changes in the Commission's Cumulative Results of Operations. The increase in net position in FY 2014 compared to FY 2013 is the result of higher financing sources on hand at the end of FY 2014 as compared to the end of FY 2013.

Net Position Summary (millions)

Position	**FY 2014**	**FY 2013**
Unexpended Appropriations	$0	$0
Cumulative Results of Operations	50.8	42.6
Total Net Position	**$50.8**	**$42.6**

Analysis of the Statement of Net Cost of Operations

The Statement of Net Cost presents the net cost of the Commission's three strategic goals as identified in the Commission's Strategic Plan. The purpose of the statement is to show separately the components of the net cost of operations that can be linked to the costs of program performance under the Government Performance and Results Act of 1993 (GPRA). Net costs by strategic goal are shown in the Summary Net Cost of Operations table below.

Net Cost of Operations (dollars)

Operation	**FY 2014**	**FY 2013**
Just and Reasonable Rates, Terms, and Conditions	$0	($19,406)
Infrastructure	(3,371)	(16,229)
Mission Support	0	0
Net Cost of Operations	**($3,371)**	**($35,635)**

The Commission's net cost of operations for FY 2014 was ($3,371) as a result of prior year unbilled reimbursable costs. The Commission is a full cost recovery agency and recovers all of its costs through the allocated annual charges to the entities that it regulates.

Analysis of the Statement of Budgetary Resources

The Statement of Budgetary Resources shows the sources of budgetary resources available and the status at the end of the period. It represents the relationship between budget authority and budget outlays, and reconciles total obligations to total outlays. For FY 2014, the Commission had budgetary resources available of $332.1 million, the majority of which was derived from offsetting collections. This represents an increase of $18.1 million over FY 2013 budgetary resources available of $314.0 million. The increase in the Commission's budgetary resources was a result of not being sequestered in FY 2014 as compared to the $15.3 million sequestered in FY 2013.

The status of budgetary resources includes obligations incurred of $304.4 million, or 91.7 percent of funds available. Similarly, FY 2013 obligations incurred were $292.6 million, or 93.2 percent of funds available. The unobligated budget authority available at September 30, 2014 was $27.6 million, which is an increase of $6.2 million over the FY 2013 amount of $21.4 million.

Total net outlays for FY 2014 were $42.9 million, which represents a $262.8 million decrease over FY 2013 net outlays of $305.7 million. The decrease from last year is a result of approximately $262.7 million reduced distributed offsetting receipts and a small decrease in gross outlays in FY 2014 as compared to FY 2013. The decrease in distributed offsetting receipts was largely due to a $282.1 million decrease in civil penalty collections in FY 2014 netted by $19.7 million in excess appropriations.

Analysis of the Statement of Custodial Activity

The Statement of Custodial Activity displays the total Custodial Revenue and Disposition of Collections related to that revenue activity. This statement ensures that revenue billed and collected by the Commission on behalf of other federal agencies will not be reported twice as revenue on the consolidated government's Statement of Net Cost. In FY 2014, the Commission reported $28.7 million in custodial revenue compared to $341.6 million in FY 2013. The majority of the FY 2014 decrease over FY 2013 is due to reduced collections of civil penalties of approximately $282.1 million that was subsequently transferred to the U.S. Treasury, and the change in the accrued collections of $29.0 million. The change in accrued collections primarily consists of $13.8 million higher receivables in FY 2013 that were written off as uncollectable in FY 2014 causing a $27.7 million decrease.

CONTROLS, SYSTEMS, AND LEGAL COMPLIANCE

This section provides information on the Commission's compliance with the:
- Federal Managers' Financial Integrity Act of 1982;
- Revised OMB Circular No. A-123;
- Federal Financial Management Improvement Act of 1996;
- Prompt Payment Act;
- Debt Collection Improvement Act of 1996; and
- Improper Payments Information Act (IPIA)

Management Assurances

During Fiscal Year 2014, the Commission focused its efforts on assisting consumers in obtaining reliable, efficient, and sustainable energy services at a reasonable cost through appropriate regulatory and market means. In fulfilling this mission, the Commission has pursued three primary goals. First, we have worked diligently to ensure that rates, terms and conditions for jurisdictional services, including wholesale sales and transmission of electric energy and natural gas, are just, reasonable and not unduly discriminatory or preferential. Second, we continue to promote the development of safe, reliable, and efficient energy infrastructure that serves the public interest. Third, we are achieving organizational excellence by maintaining processes and providing services in accordance with governing statutes, authoritative guidance, and prevailing best practices. We are progressing in each of these areas while we continue to improve our capabilities to meet the challenges of the energy issues confronting our nation.

To accomplish our goals, we must manage our resources efficiently and integrate our budget, performance measures, and management controls to improve performance and accountability. Our OMB A-123 internal control program is helping us accomplish this by monitoring our financial, human capital and information resources to safeguard our assets, improve the integrity of our reporting, and use our resources more effectively in reaching our goals. Problems that impede our progress or our ability to safeguard our assets continue to be brought to the attention of management and are addressed appropriately.

For example, this year the Commission became aware of an incident where internal processes regarding the treatment of certain energy infrastructure information may not have been followed, contributing to confusion as to the proper protected status of sensitive information that the Commission created with respect to the nation's electric grid, as well as to the disclosure beyond relevant industry and government officials of parts of that information. Although the Commission believes that this incident was a unique occurrence and that its current internal processes are reasonable, the Commission quickly took steps to evaluate this matter and ensure appropriate controls are in place. At the Commission's request, the Department of Energy Inspector General (DOE IG) is conducting a review of both the particular incident, in which the Commission treated the information at issue as Critical Energy Infrastructure Information, as well as the existing Commission controls for sensitive energy infrastructure information. As recommended by the DOE IG, the Commission requested a classification determination of the information at issue from relevant classification authorities, which stated that they view the information as sensitive but unclassified. Prior to completion of the IG's review, the Commission has already taken steps to enhance further its protection of sensitive energy infrastructure information. It is making procedural modifications to ensure this information is treated securely throughout its mandated retention cycle and is providing additional guidance to employees regarding the appropriate treatment and disclosure of CEII. Moreover, the Commission will seek to implement any recommendations provided by the IG upon the issuance of its final report in this matter.

More generally, the Commission's internal control program enhances our ability to safeguard government assets from fraud, waste and abuse. We will continue to maintain a strong management control system. The Commission's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). In accordance with OMB Circular No. A-123-Management's Responsibility for Internal Controls, we evaluated the effectiveness and efficiency of our internal controls over operations and our compliance with applicable laws and regulations as of September 30, 2014. Based on the results of this evaluation, the Commission identified a material weakness due to one instance of noncompliance of following federal accounting standards (i.e., GAAP), which resulted in restating the FY 2013 Balance Sheet and Statement of Changes in Net Position to correct a material misstatement. Other than this exception, the Commission can provide reasonable assurance that its internal controls over the effectiveness and efficiency over operations and compliance with laws and regulations were operating effectively in its design and operation as of September 30, 2014.

In addition, the Commission assessed the effectiveness of internal controls over financial reporting, which includes the safeguarding of assets, and our compliance with applicable laws and regulations in accordance with the requirements of OMB Circular A-123, Appendix A. The results of this assessment found one material weakness in the design of our controls over financial reporting. This exception resulted in the restatement of the FY 2013 Statement of Net Position and Balance Sheet to correct a material misstatement. Other than this exception, the Commission can provide reasonable assurance that its internal controls over financial reporting as of June 30, 2014, are operating effectively.

Furthermore, the Federal Financial Management Improvement Act (FFMIA) requires agencies to implement and maintain financial management systems that are substantially in compliance with federal financial management system requirements, federal accounting standards promulgated by the Federal Accounting Standards Advisory Board (FASAB), and the U.S. Standard General Ledger (USSGL) at the transaction level. The evaluation results of the Commission's review indicated one instance of noncompliance related to federal accounting standards as noted above. Other than this exception, the results found the Commission to be in substantial compliance with FFMIA.

Cheryl A. LaFleur
Chairman
Federal Energy Regulatory Commission
November 2014

Federal Managers' Financial Integrity Act of 1982

The Federal Managers' Financial Integrity Act of 1982 (Integrity Act) mandates that agencies establish controls that reasonably ensure that: (i) obligations and costs comply with applicable laws; (ii) assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and (iii) revenues and expenditures are properly recorded and accounted for. This act encompasses program, operational, and administrative areas as well as accounting and financial management. The Integrity Act requires the Chairman to provide an annual assurance statement on the adequacy of management controls and conformance of financial systems with Government wide standards.

Management Control Review Program.
Annually, managers throughout the Commission are responsible for ensuring that effective controls are implemented in their areas of responsibilities. Each office director and regional administrator prepared an annual assurance statement that identified any control weaknesses that required the attention of the Chairman. These statements were based on various sources and included:

- Management knowledge gained from the daily operation of agency programs and reviews;
- Management reviews;
- Annual performance plans; and,

- Inspector General and Government Accountability Office reports.

The Commission's ongoing management control program requires, among other things, that management control deficiencies be integrated into office action plans. The action plan process has provisions for periodic updates and attention from senior managers. The management control information in these plans, combined with the individual assurance statements discussed previously, provides the framework for monitoring and improving the agency's management controls on an ongoing basis.

FY 2014 Integrity Act Results
The Commission evaluated its internal controls over financial reporting for the fiscal year ending September 30, 2014. Based on the results of this evaluation, the Commission identified one instance of noncompliance. As a result of an error related to the reporting of unexpended appropriations in the FY 2013 financial statements, the Commission's FY 2013 Balance Sheet and Statement of Changes in Net Position were restated to correct a material misstatement. Other than this exception, the Commission's internal controls are operating effectively and no other material weaknesses were found in the design or operation of our internal controls.

FY 2014 OMB Circular No. A-123, Appendix A

The Commission evaluated its internal controls over financial reporting for the fiscal year ending September 30, 2014. Based on the results of this evaluation, the Commission provides reasonable assurance that internal controls over financial reporting were operating effectively, as of June 30, 2014, with the exception of the financial reporting process, where a material weakness has been identified.

Federal Financial Management Improvement Act of 1996

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires each agency to implement and maintain systems that comply substantially with: (i) FFMIA system requirements, (ii) applicable Federal accounting standards, and (iii) the U.S. standard general ledger at the transaction level. The FFMIA requires the Chairman to determine whether the agency's financial management systems comply with the FFMIA and to develop remediation plans for systems that do not comply.

FY 2014 FFMIA Results.
As of September 30, 2014, the Commission evaluated its financial management system to determine if it complied with applicable Federal requirements and accounting standards required by FFMIA. As a result of this evaluation, the Commission identified one instance of a noncompliance with applicable Federal accounting standards (i.e., GAAP). As a result, the Commission's FY 2013 Balance Sheet and Statement of Changes in Net Position were restated to correct a material misstatement. Other than this exception, the results found the Commission to be in substantial compliance with FFMIA.

Prompt Payment Act

The Prompt Payment Act requires Federal agencies to make timely payments to vendors for supplies and services, to pay interest penalties when payments are made after the due date, and to take cash discounts when they are economically justified. As of September 30, 2014, the Commission made 98 percent of its payments, that were subject to the Prompt Payment Act, on-time. The Commission incurred $924.84 in interest penalties in FY 2014 and $209.64 in FY 2013. The agency made 100 percent of its vendor payments electronically in FY 2014.

Debt Collection Improvement Act of 1996

The Debt Collection Improvement Act of 1996 was enacted to enhance the ability of the Federal Government to service and collect debts. The agency goal is to maintain the delinquent debt owed to the Commission at year-end at less than two percent of its current annual billings. As of September 30, 2014, delinquent debt was approximately $0.8 million, which is approximately one quarter of a percent of its current annual billings. The Commission continues to aggressively pursue the collection of delinquent debt and continues to meet the requirement that all eligible delinquent debt over 120 days is referred to the U.S. Treasury for collection.

Improper Payments Information Act (IPIA) Reporting

The Commission has performed a review of its payments through September 30, 2014 and it has processed 99 percent of its payments without error. The Commission found only 54 erroneous payments out of 5,828 total payments. The value of those erroneous payments totaled $0.5 million out of total payments of $56.5 million for FY 2014.

POSSIBLE FUTURE EFFECTS OF EXISTING EVENTS AND CONDITIONS

Certain hydroelectric licensees have filed appeals claiming the Commission erroneously accepted certain “other agency costs” (costs incurred by Other Federal agencies in administering Part I of the FPA component of the licensees’ annual charges) in its calculation of FY annual charges. In addition, certain licensees have filed appeals against their hydropower administrative annual charges to seek a partial or 100% municipal exemption. The combined liability of these appeals total $4.3 million and $4.7 million as of September 30, 2014 and 2013, respectively, and is included herein as revenue collected under protest. The FY 2014 liability is fully funded and therefore poses no adverse or material future effect on the Commission’s financial position.

In addition, the Commission has one Equal Employment Opportunity and two Freedom of Information Act cases pending where the probability of success for the claimants is reasonably possible. The amount of monetary relief in the EEO case could total $125,000, as of September 30, 2014. The monetary relief in the two FOIA cases could total $50,000 each, as of September 30, 2014.

LIMITATIONS OF THE FINANCIAL STATEMENTS

The financial statements have been prepared to report the financial position and results of operations of the FERC, pursuant to the requirements of 31 U.S.C. 3515(b). While the statements have been prepared from the books and records of the Commission in accordance with accounting principles generally accepted in the United States of America for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.

Financial Section

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

Office of the
Executive Director

Message from the Chief Financial Officer

I am pleased to present the Federal Energy Regulatory Commission's (Commission) comparative financial results for fiscal years 2014 and 2013. The accompanying financial statements and related notes fairly present the Commission's financial position and were prepared in conformity with accounting principles generally accepted in the United States of America, and requirements set forth in Office of Management and Budget (OMB) Circular No. A-136, Financial Reporting Requirements.

During FY 2014, the Commission continued to focus on its statutory responsibilities. Through strict adherence to its primary mission, the Commission assisted consumers in obtaining reliable, efficient, and sustainable energy services at a reasonable cost through appropriate regulatory and market means. In fulfilling this mission, the Commission continued to establish policies and processes designed to ensure that rates, terms and conditions for wholesale sales and transmission of electric energy and natural gas are just, reasonable and not unduly discriminatory or preferential. Additionally, the agency took action to continually promote the development of safe, reliable, and efficient energy infrastructure that serves the public interest.

My organization focused on core responsibilities that supported mission accomplishment through organizational excellence. In this regard, we maintained a robust internal control environment which facilitated compliance with an extensive regulatory framework. We continued to implement innovative processes which optimized productivity and delivered required goods and services to our customers. Moreover, we have built and maintained a highly-skilled workforce that successfully executed operational and policy requirements. This strategic approach to managing our acquisition and financial functions has aligned my organization's efforts with the broader mission of the agency. This Performance and Accountability Report further demonstrates this vital alignment of resources to agency mission.

Additionally, I would like to offer the following achievements to demonstrate the effectiveness and efficiency of the Commission's acquisition and financial functions.

- The Commission obtained an unmodified opinion on its financial statements for the 21st consecutive year. In addition, it strengthened its internal control program by continuing on-going self-assessment efforts as required by OMB Circular No. A-123, Management's Responsibility for Internal Control. During its assessment, the Commission identified one material weakness in the design of its controls over financial reporting that resulted in the restatement of the FY 2013 Commission's Statement of Changes in Net Position and Balance Sheet. Other than this exception, the Commission has reasonable assurance that its internal controls over financial reporting were operating effectively during FY 2014.

- The Commission collected over $323.0 million in offsetting receipts during the fiscal year, which was more than $19.0 million in excess of its statutory collections requirements. In FY 2014, the Financial Management staff issued 100 percent of the related regulatory assessments electronically to jurisdictional entities and hydropower.

- The Commission awarded over 25 percent of its total contract dollars to small, women-owned and minority businesses.

- The Commission updated its strategic plan as required by the GPRA Modernization Act of 2010. The updated plan captures all of the major functions of the Commission and aligns the Commission's work within three strategic goals: (1) Just and Reasonable Rates, Terms and Conditions; (2) Safe, Reliable, Secure, and Efficient Infrastructure; and (3) Mission Support through Organizational Excellence.

Our keen focus on program performance and significant financial accomplishments demonstrate the high regard we have for accountability and public disclosure. This report demonstrates a lasting commitment to fulfill our fiduciary responsibilities to Commission stakeholders. I am proud of the role my organization has played in being effective and efficient stewards protecting the interests of the American public.

W. Doug Foster, Jr.
Chief Financial Officer
Federal Energy Regulatory Commission
November 24, 2014

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

The Federal Energy Regulatory Commission and the
Inspector General, United States Department of Energy

Report on the Financial Statements

We have audited the accompanying financial statements of the Federal Energy Regulatory Commission (the Commission), which comprise the balance sheets as of September 30, 2014 and 2013, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Federal Energy Regulatory Commission as of September 30, 2014 and 2013, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 18 to the financial statements, the 2013 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis section be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Letter from the Chairman, Message from the Chief Financial Officer, Other Information - Schedule of Spending, Performance Report section, and the Appendices of the Performance and Accountability Report are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2014, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in Exhibit I, we identified a deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Exhibit I to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contract agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 14-02. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 14-02.

We also performed tests of its compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of FFMIA disclosed instances, described in the accompanying Exhibit I, in which the Commission's financial management systems did not substantially comply with the applicable Federal accounting standards. The results of our tests of FFMIA disclosed no instances in which the Commission's financial management systems did not substantially comply with the Federal financial management systems requirements and United States Government Standard General Ledger at the transaction level.

Commission's Response to Findings

The Commission's response to the findings identified in our audit is described in Exhibit I. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

***Purpose of the Other Reporting Required by* Government Auditing Standards**

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, D.C.
November 24, 2014

Independent Auditors' Report
Exhibit I – Material Weakness

Financial Reporting

Management's review and knowledge of the financial statements preparation and presentation, as well as the journal entries supporting the underlying transactions related to Appropriations, were not adequately designed at a sufficient level of detail to include a review to prevent, or detect and correct, material misstatements in FY 2014 related to proper accounting/reporting in accordance with Federal accounting standards. Similarly, this ineffective control environment existed in FY2013, which allowed a material error to occur and not be detected and corrected in the prior year financial statements.

During our review of the fiscal year 2014 draft financial statements, we identified a material change in amounts between the fiscal years 2014 and 2013 presentation of the comparative balance sheets and statements of changes in net position. Furthermore, the draft financial statements and related notes did not include a disclosure or explanation that there had been a change in how the Commission was accounting for the unexpended appropriation. We identified this as a material weakness in the Commission's internal controls over financial reporting related to the accounting for appropriations.

The Commission receives and uses an annual appropriation from Congress for "necessary expenses … to carry out the provisions of the Department of Energy Organization Act." The 2014 appropriation law (Public Law 113-76) further provides that the sum appropriated from the general fund "shall be reduced as revenues are received during fiscal year 2014 so as to result in a final fiscal year appropriation from the general fund estimated at not more than $-0-." The United States Treasury, based on this appropriation, issues a warrant to the Commission to pay its expenses. This same provision to receive and repay an appropriation was also included in previous years' authorizing legislation.

The Commission receives and uses the appropriation during the year to operate (i.e., to pay for salaries and expenses). Consistent with the requirements of the Omnibus Budget Reconciliation Act of 1986, the Commission also collects revenues for fees, annual charges and other services during the year to offset 100% of its budget authority (i.e., offsetting collections). At year end, the Commission repays the Treasury the full amount of the appropriation by using offsetting collections for the appropriations used throughout the year, plus returning any unused portion of the appropriation, resulting in no remaining unexpended appropriations. The Commission also transfers to Treasury the amount of offsetting collections in excess of the appropriations. The remaining unused offsetting collections become a financing source to replace the unused portion of the appropriation.

During review of its authorizing legislation in FY 2014, the Commission determined it had been incorrectly accounting for the appropriations in the current fiscal year by carrying over from one year to the next the residual "unexpended appropriations" instead of reflecting "unexpended appropriations" at the end of the year at $-0-. The Commission initially believed the accounting for and presentation of the appropriations and offsetting collections only affected FY 2014 and prepared journal entries at year end to reflect the change in FY 2014 balances. However, based upon our review of the draft FY 2014 statement of changes in net position and audit testing performed on the underlying FY 2014 accounting transactions related to appropriations we identified errors that resulted in incorrect amounts reported in the FY 2014 and FY 2013 balance sheets and statements of changes in net position. Management reviewed the identified errors and corrected FY 2014 accounting transactions to properly present the Unexpended Appropriations in FY 2014 and also agreed the FY 2013 balance sheet and statement of changes in net position were in error and that a restatement of that year was required.

The effect of the restatement is described in more detail in Footnote 18 to the Commission's FY 2014 and 2013 financial statements. In summary, the September 30, 2013 Unexpended Appropriations reported of

$49,840,825 should have been reported at $-0- and the Cumulative Results of Operations reported of $(7,280,772) should have been reported at $42,560,053.

In addition to the material weakness in internal control, the deficiency resulted in instances of noncompliance with U.S. generally accepted accounting principles, and consequently, noncompliance with *Federal Financial Management Improvement Act of 1996* (FFMIA) in which financial management systems did not substantially comply with the applicable Federal accounting standards.

Recommendation: Develop training to improve the knowledge of technical matters related to financial reporting of budgetary resources for those who are preparing and reviewing journal entries, as well as preparing and reviewing the financial statements and increase the level of detail in the review of appropriations, related journal entries, and the financial statements.

Management's response:

We concur with this finding. The Commission's Chief Financial Officer will ensure appropriate Commission staff is adequately trained to enhance their knowledge of technical accounting matters related to the accounting and reporting of budgetary resources. Furthermore, as part of the enhanced training, the Chief Financial Officer will document the procedures necessary for specific accounting transactions to be used in accounting for the Commission's complex and/or unique financial transactions related to both budgetary and proprietary accounting in addition to an increased level of detail review of accounting for and presentation of budgetary resources.

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FEDERAL ENERGY REGULATORY COMMISSION

Balance Sheet

As of September 30, 2014 and 2013

(in dollars)

		2014		2013 (as restated)
Assets (note 3):				
Intragovernmental:				
Fund balance with Treasury (note 4)	$	90,789,268	$	76,415,467
Accounts receivable (note 5)		51,529		40,592
Total intragovernmental		90,840,797		76,456,059
Accounts receivable, net (note 5)		9,383,725		29,132,143
Property and equipment, net (note 6)		12,613,725		12,060,878
Total assets	$	112,838,247	$	117,649,080
Liabilities:				
Intragovernmental:				
Accounts payable	$	1,748,539	$	2,024,877
Other (note 7):				
Accrued payroll and benefits		1,060,763		876,171
Resources transferable to Treasury and other Federal entities		1,482,834		21,135,545
Workers' compensation payable (note 9)		779,273		777,328
Total intragovernmental		5,071,409		24,813,921
Accounts payable		13,165,720		11,408,629
Other (note 7):				
Accrued payroll and benefits		4,657,481		4,296,995
Collections due to states (note 13)		4,303,639		3,064,076
Revenue collected under protest (note 11)		4,273,755		4,677,480
Refunds and other amounts due		4,536,551		432,517
Accrued leave (note 9)		14,597,109		14,676,007
FECA Actuarial Liability (note 9)		3,619,514		3,884,643
Resources transferable to other entities from disgorged funds		7,834,759		7,834,759
Total liabilities		62,059,937		75,089,027
Commitments and Contingencies (note 11)				
Net Position:				
Unexpended appropriations - other funds (note 18)		-		-
Cumulative results of operations - other funds (note 18)		50,778,310		42,560,053
Total net position		50,778,310		42,560,053
Total liabilities and net position	$	112,838,247	$	117,649,080

The accompanying notes are an integral part of these statements.

FEDERAL ENERGY REGULATORY COMMISSION
Statement of Net Cost
For Years Ended September 30, 2014 and 2013
(in dollars)

		2014		2013
Program costs:				
Regulation:				
Just and Reasonable Rates, Terms, & Conditions (note 14):				
Gross costs	$	144,564,347	$	166,209,235
Less: earned revenue		144,564,347		166,228,641
Net program costs	$	-	$	(19,406)
Infrastructure (note 14):				
Gross costs	$	103,563,920	$	138,997,815
Less: earned revenue		103,567,291		139,014,044
Net program costs	$	(3,371)	$	(16,229)
Mission Support (note 14):				
Gross costs	$	58,661,393	$	-
Less: earned revenue		58,661,393		-
Net program costs	$	-	$	-
Total (note 14):				
Gross costs	$	306,789,660	$	305,207,050
Less: earned revenue		306,793,031		305,242,685
Net Cost of Operations	$	(3,371)	$	(35,635)

The accompanying notes are an integral part of these statements.

FEDERAL ENERGY REGULATORY COMMISSION
Statement of Changes in Net Position
For Years Ended September 30, 2014 and 2013
(in dollars)

	2014	2013 (as restated)
Cumulative Results of Operations:		
Beginning balances	$ 42,560,053	$ (19,197,481)
Adjustments:		
Correction of errors (note 18)	-	37,566,059
Beginning balances, as adjusted	42,560,053	18,368,578
Budgetary Financing Sources:		
Appropriations used	292,743,193	292,325,234
Other Financing Sources (Non-Exchange):		
Transfers – out to Treasury without reimbursement	(299,421,726)	(282,105,305)
Imputed financing from costs absorbed by others (note 10)	14,893,419	13,935,911
Total Financing Sources	8,214,886	24,155,840
Net Cost of Operations	3,371	35,635
Net Change	8,218,257	24,191,475
Cumulative Results of Operations	$ 50,778,310	$ 42,560,053
Unexpended Appropriations:		
Beginning balances	$ -	$ 37,566,059
Adjustments		
Correction of errors (note 18)	-	(37,566,059)
Beginning balances, as adjusted	-	-
Budgetary Financing Sources:		
Appropriations received	304,600,000	304,600,000
Appropriations used	(292,743,193)	(292,325,234)
Other Adjustments	(11,856,807)	(12,274,766)
Total Budgetary Financing Sources	-	-
Total Unexpended Appropriations	$ -	$ -
Net Position	$ 50,778,310	$ 42,560,053

The accompanying notes are an integral part of these statements.

FEDERAL ENERGY REGULATORY COMMISSION
Statement of Budgetary Resources
For Years Ended September 30, 2014 and 2013
(in dollars)

	2014	2013
Budgetary Resources:		
Unobligated balance, brought forward, Oct 1	$ 21,431,669	$ 20,897,888
Recoveries of prior year unpaid obligations	1,898,682	798,727
Unobligated balance from prior year budget activity, net	23,330,351	21,696,615
Appropriations	4,005,028	2,985,827
Spending authority from offsetting collections	304,774,768	289,313,760
Total budgetary resources	$ 332,110,147	$ 313,996,202
Status of Budgetary Resources:		
Obligations incurred (note 15)	$ 304,437,132	$ 292,564,533
Unobligated balances, end of year:		
Apportioned	27,594,710	21,431,669
Unapportioned	78,305	-
Total unobligated balance, end of year	27,673,015	21,431,669
Total budgetary resources	$ 332,110,147	$ 313,996,202
Change in Obligated Balance:		
Unpaid Obligations:		
Unpaid obligations, brought forward, Oct 1	$ 34,518,470	$ 36,415,201
Obligations incurred	304,437,132	292,564,533
Outlays gross	(293,675,495)	(293,662,537)
Recoveries of prior year unpaid obligations	(1,898,682)	(798,727)
Unpaid obligations, end of year	43,381,425	34,518,470
Uncollected payments:		
Uncollected payments, Federal sources, brought forward, Oct 1	(46,059)	(117,909)
Change in uncollected payments, Federal sources	(151,189)	71,850
Uncollected payments, Federal sources, end of year	(197,248)	(46,059)
Memorandum (non-add) entries:		
Obligated balance, start of year	$ 34,472,411	$ 36,297,292
Obligated balance, end of year	$ 43,184,177	$ 34,472,411

continued on the next page

Budget Authority and Outlays, Net:		
Budget authority, gross	$ 308,779,796	$ 292,299,587
Actual Offsetting collections	(304,623,579)	(304,708,818)
Change in uncollected customer payments from Federal Sources	(151,189)	71,850
Budget authority, net	$ 4,005,028	$ (12,337,381)
Outlays, gross	$ 293,675,495	$ 293,662,537
Actual Offsetting collections	(304,623,579)	(304,708,818)
Outlays, net	(10,948,084)	(11,046,281)
Less: Distributed offsetting receipts	(31,952,802)	(294,674,362)
Agency outlays, net	$ (42,900,886)	$ (305,720,643)

The accompanying notes are an integral part of these statements.

FEDERAL ENERGY REGULATORY COMMISSION

Statement of Custodial Activity

For Years Ended September 30, 2014 and 2013

(in dollars)

	2014	2013
Revenue Activity:		
Sources of Collections:		
Cash collections:		
Annual Charges	$ 31,190,700	$ 32,977,829
Other	12,249,758	294,386,000
Accrual adjustments	(14,757,932)	14,216,016
Total custodial revenue (note 12)	28,682,526	341,579,845
Disposition of Collections:		
Transferred to others:		
United States Army – Corps of Engineers	(8,352,794)	(8,343,409)
Department of Interior	(8,316,839)	(7,102,342)
United States Treasury	(22,623,450)	(308,854,069)
Various states	(4,147,375)	(3,064,009)
Decrease (increase) in Amounts Yet to be transferred	14,757,932	(14,216,016)
Total Disposition of Collections	(28,682,526)	(341,579,845)
Net Custodial Activity	$ -	$ -

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

(1) Description of Reporting Entity

The Federal Energy Regulatory Commission (the Commission) is an independent Federal agency that oversees key operating functions of the United States' natural gas and oil pipeline transportation, electric utility and hydroelectric power industries.

The Commission was created through the Department of Energy Organization Act on October 1, 1977. The Commission's predecessor, the Federal Power Commission (FPC), established in 1920, was abolished, and the Commission inherited most of FPC's regulatory mission.

The Commission administers laws and regulations involving key energy issues. These include the transportation and sale of natural gas and oil in interstate commerce; regulation of electric utility wholesale rates and transactions; licensing and inspection of private, municipal, and state hydroelectric projects; and oversight of related environmental matters.

The Commission's main legal authority is derived from the Federal Power Act of 1935, the Energy Policy Act of 2005, the Natural Gas Act of 1938, the Natural Gas Policy Act of 1978, the Interstate Commerce Act and the Public Utility Regulatory Policies Act of 1978.

On March 4 2014, the Commission submitted to Congress its updated Strategic Plan which will serve as a guide through FY 2018. As part of the update process, the Commission reviewed and updated its strategic objectives to align its core functions and authorities with the intended outcome. Further, the Commission added a third goal to capture management initiatives and responsibilities related to public trust, transparency and communication. The Commission reviewed its resource alignment and made changes where appropriate.

The Commission's activities are separated into the following three goals:

Just and Reasonable Rates, Terms and Conditions

One of the Commission's fundamental statutory responsibilities is to ensure that rates, terms and conditions for wholesale sales and transmission of electric energy and natural gas are just and reasonable and not unduly discriminatory or preferential. The Commission uses a combination of regulatory and market means to achieve this goal, including: reviewing and analyzing tariffs and other filings; establishing rules and policy that will result in appropriate rates; and employing competitive forces through markets. Oversight of the energy markets and enforcement of the associated laws, rules and regulations are essential complements to the regulatory and market means. The Commission uses a balanced approach in its oversight and enforcement efforts, including: conducting surveillance and analysis of market trends and data; educating affected entities about market rules and other regulations; promoting internal compliance programs; employing robust audit and investigation programs; and, where appropriate, exercising the Commission's civil penalty authority as a deterrent to violations.

Safe, Reliable, Secure and Efficient Infrastructure

The Commission plays an important role in the development of a strong energy infrastructure that operates efficiently, safely and reliably. The Commission authorizes the construction and operation of interstate natural gas pipelines and storage projects, liquefied natural gas (LNG) facilities, and non-federal hydropower projects. Other Commission responsibilities include ensuring the safety of non-federal hydropower projects and LNG facilities throughout their entire life cycle; overseeing the development and review of, as well as compliance with, mandatory reliability and security standards for the bulk power system; and collaborating with regulated entities and other federal and state governmental agencies to identify and seek solutions to cyber and physical threats to FERC-jurisdictional infrastructure.

Mission Support Through Organizational Excellence

The public interest is best served when the Commission operates in an efficient, responsive and transparent manner. The Commission achieves this operational state by maintaining processes and providing services in accordance with governing statutes, authoritative guidance, and prevailing best practices.

Cost Recovery

As described below, the Commission recovers 100 percent of its annual budget authority from offsetting collections through annual charges and filing fees which are authorized by the Omnibus Budget Reconciliation Act of 1986 and other laws.

Annual Charges

The Commission recovers its administrative program costs through allocated annual charges to the entities it regulates, regardless of the number or type of services rendered to any particular entity during the year. The annual charge assessed in a fiscal year is based on an estimate of costs to be incurred during that year. Final program costs are determined from year-end accounting reports and time distribution reports by office and program. The difference in assessments that results from estimated versus final program costs is an adjustment to the following fiscal year’s assessments. The authority and related implementation methods for the annual changes are summarized as follows:

Hydropower

Authority – Section 10(e) of FPA makes the general provision that licensees under Part I of FPA shall pay reasonable annual charges to compensate the Federal government for the costs of administering Part I.

Implementation – The methods for assessing annual charges to hydropower licensees are codified at 18 Code of Federal Regulations (C.F.R.) Part 11. Costs are prorated based on capacity (municipal projects), on capacity and generation (non-municipal projects), or on a flat rate per horsepower under 1,000 (minor projects).

Gas, Electric, and Oil

Authority – Section 3401 of the Omnibus Budget Reconciliation Act of 1986 provides that the Commission shall “assess and collect fees and annual charges in any fiscal year in amounts equal to all of the costs incurred by the Commission in that fiscal year.” It further provides that “fees or annual charges assessed shall be computed on the basis of methods that the Commission determines, by rule, to be fair and equitable.”

Implementation – The methods for assessing annual charges to gas and oil pipelines and to electric utilities and power marketing administrations are codified at 18 C.F.R. Parts 382.201 - 203. Costs are prorated to gas pipelines based on volume transported and sold, to electric utilities and power marketing administrations based on energy sold, and to oil pipelines based on operating revenues.

Filing Fees

Filing fees are calculated annually. Regulated entities pay the current fee when filing with the Commission for a specific service. The fees are based on the average time spent to perform the particular type of service and the average cost per employee, including salary, benefits, and indirect costs. Fee structure and procedures are codified in 18 C.F.R. Part 381.

The Independent Offices Appropriations Act of 1952 (IOAA) authorizes agencies to prescribe regulations establishing charges for services, benefits, or items of value provided by an agency. In establishing a fee under the IOAA, the Commission must:

- Identify the service for which the fee is to be assessed;
- Explain why that particular service benefits an identifiable recipient more than it benefits the general public;
- Base the fee on as small a category of service as possible; and
- Demonstrate what direct and indirect costs are incurred by the Commission in rendering the service.

Section 3401 of the Omnibus Budget Reconciliation Act of 1986 also provides for fees and annual charges "computed on the basis of methods that the Commission determines, by rule, to be fair and equitable."

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements have been prepared to report the financial position of the Commission and its net costs, changes in net position, budgetary resources, and custodial activity in accordance with accounting principles generally accepted in the United States of America applicable to Federal government entities.

These financial statements have also been prepared in accordance with the form and content for financial statements specified by OMB Circular No. A-136, Financial Reporting Requirements.

The financial statements include all activity related to the Commission's portion of appropriation (89X0212), including the budget authority allotted by DOE to other DOE agencies. In addition, the Commission receives small allotments from DOE appropriation (89X5105). Both of the Commission's appropriations relate to budget functional classification code 276, Energy Information Policy and Regulation and (89X5105) appropriations relate to budget functional classification code 806, Energy Information Policy and Regulation.

Entity assets disclosed in notes 3 and 5 include those assets that the Commission has the authority to use in its operations.

Non-entity assets disclosed in notes 3 and 5 include those assets that result from the Commission's custodial billing activities for other Federal agencies, including the U.S. Army Corps of Engineers, the Treasury and the U.S. Department of Interior.

(b) Budgets and Budgetary Accounting

Congress annually adopts budget authority that provides the Commission with authority to use funds from the Treasury to meet its operating and capital expenditure requirements. The budget authority is not restricted to use in a specific fiscal year. All revenue from annual charges and filing fees in excess of its' budget authority is remitted to the Treasury when received.

(c) Basis of Accounting

The Commission's financial statements are prepared using the accrual method of accounting. The accrual method of accounting requires recognition of the financial effects of transactions, events, and circumstances in the period(s) when those transactions, events, and circumstances occur, regardless of when cash is received or paid. The Commission also uses budgetary accounting to facilitate compliance with legal constraints and to monitor its budget authority at the various stages of execution, including allotment, obligation, and eventual outlay.

(d) Revenue and Financing Sources

As described above, the Commission is granted budget authority from offsetting collections. The Commission receives an appropriated amount from the Treasury general fund at the beginning of the fiscal year, which is used for its operating and capital expenditures. Throughout the year, the Commission collects monies through annual charges and filing fees and returns the appropriated amount to the Treasury general fund at year-end. The offsetting collections serve as the financing source for any unexpended budget authority.

The Commission recognizes revenue for hydropower, gas, oil, and electric annual charges when earned. Annual charges are based on estimated current year program costs and adjustments from the prior year. At year-end, the Commission records a financial statement adjustment to accurately reflect the amount to be billed or credited to regulated entities based on the difference between the charges and the actual program costs for the year. The Commission adjusts the subsequent year's charge for such amount.

The Commission recognizes an imputed financing source for the estimated annual pension, life and health insurance costs in excess of contributions made by the Commission during the year. These costs will ultimately be funded by the Office of Personnel Management.

Reimbursable work agreement revenue is recognized when the related services are rendered.

Transfers-out represent receipts collected and remitted to the Treasury during the year and net accounts receivable that, once collected, will be returned to the Treasury, less any amounts due to regulated entities for the excess of estimated and billed costs over actual costs incurred.

(e) Fund Balance with Treasury

The Commission does not maintain cash in commercial bank accounts. Cash receipts and disbursements are processed by the Treasury. The balance of funds with the Treasury represents funds that are available to pay current liabilities and finance authorized purchase commitments relative to goods or services that have not been received and monies held in suspense until final disposition is determined.

(f) Allowance for Doubtful Accounts

The Commission calculates its allowance for doubtful accounts using historical collection data and specific account analysis.

(g) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. The Commission capitalizes property and equipment purchases (other than furniture and software) with a cost greater than $25,000 and a total useful life exceeding two years. The Commission capitalizes individual furniture purchases with a cost greater than $50,000 and bulk furniture purchases related to the acquisition of newly leased space or total renovation of existing Commission space with a cost greater than $250,000. The Commission also capitalizes commercially purchased or internally developed software with a cost greater than $100,000 and leasehold improvements over $250,000 that are related to initial move-ins, build-outs of newly leased space, and/or a complete renovation of already leased space. Depreciation is calculated based on an estimated useful life of the shorter of 20 years or the life of the lease for leasehold improvements, 10 years for furniture, 2 to 5 years for commercially purchased or internally developed software, and 5 years for all remaining assets. Expenditures for repairs and maintenance are charged to program costs as incurred.

(h) Liabilities

Liabilities represent amounts owed by the Commission as the result of transactions or events that have occurred as of year-end. Liabilities for which Congress has not appropriated funds are disclosed in note 9 as liabilities not covered by budgetary resources.

(i) Workers' Compensation Payable

The Federal Employees Compensation Act (FECA) provides income and medical cost protection to cover Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for the Commission's employees under FECA are administered by the United States Department of Labor (DOL) and are ultimately paid by the Commission. The workers' compensation payable represents billings from DOL that are unpaid at year-end.

(j) Collections Due to States

The Commission disburses 37.5% of the fees it collects from licensees for the occupancy and use of public lands to affected states in the year following collection. These collections are initially deposited into the Treasury's miscellaneous receipts fund.

(k) Revenue Collected Under Protest

Revenue collected under protest is deferred and recorded as a liability until the protest is resolved.

(l) Accrued Leave

Annual leave is accrued as a liability as it is earned. The accrual is reduced as leave is taken. Each year, the balance in the accrued annual leave account is adjusted to reflect current year pay rates. To the extent that the current or prior year appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future appropriations. Sick leave and other types of nonvested leave are charged to expense as the leave is used.

(m) Disgorged Funds

The Commission seeks to detect abuses of market power or statutory or rule violations by investigating observed market anomalies, complaints, and referrals from regional transmission organizations and/or independent system operators, and by conducting both targeted and random audits. Once the Commission identifies violations, it applies remedies to mitigate the effects of market power, requires disgorgement of unjust profits where appropriate, and imposes civil penalties or other sanctions when available under existing laws. The Commission records disgorged funds as a liability until they are disbursed to appropriate entities

(n) Net Position Accounts

Cumulative results of operations – Represents the Commission's net results of operations since inception, including (1) the amount in the fund balance with Treasury from spending authority from offsetting collections less outstanding payables, (2) the cost of property and equipment acquired that has been financed by prior-year appropriations or financing sources, less accumulated depreciation, and (3) the amount of appropriated funding that will be needed in future periods to liquidate liabilities incurred through the current fiscal year. Funding for these items is generally received in the year that amounts become due and payable.

(o) Tax Status

The Commission, as a Federal agency, is not subject to Federal, state, or local income taxes, and accordingly, no provision for income tax is recorded.

(p) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Also affected are the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(q) Comparative Data

In FY 2014, the Commission identified three strategic goals and attributed costs to each of those goals; as compared to FY 2013 the Commission attributed costs across two strategic goals. As a result of the additional goal in FY 2014, the attributed costs are not directly comparable between the two years presented.

(3) Non-Entity Assets

Non-entity assets at September 30, 2014 and 2013 consisted of:

	2014	2013
Intragovernmental:		
Fund balance with Treasury:		
Collections due to states	$ 4,303,639	$ 3,064,009
Revenue collected under protest	4,273,755	4,677,480
Miscellaneous receipts held in suspense	114,584	432,518
Total Fund balance with Treasury assets	8,691,978	8,174,007
Accounts receivable, net (note 5)	8,690,988	22,867,762
Total intragovernmental non-entity assets	17,382,966	31,041,769
Total entity assets	95,455,281	86,607,311
Total assets	$ 112,838,247	$ 117,649,080

(4) Fund Balance with Treasury

Fund balance with Treasury at September 30, 2014 and 2013 consisted of:

	2014	2013
Fund Balances:		
General funds	$ 82,097,290	$ 68,241,460
Other:		
Collections due to states	4,303,639	3,064,009
Revenue collected under protest	4,273,755	4,677,480
Miscellaneous receipts held in suspense	114,584	432,518
Total	$ 90,789,268	$ 76,415,467
Status of Fund Balance with Treasury:		
Unobligated balance:		
Available	$ 27,397,686	$ 21,307,527
Unavailable	15,621,819	15,479,472
Obligated balance not yet disbursed	43,381,425	34,518,470
Non-budgetary fund balance with Treasury	4,388,338	5,109,998
Total	$ 90,789,268	$ 76,415,467

The amounts listed above in the 'Unobligated balance: Unavailable' line are sequestered for FY 2013 and FY 2014, and are not currently available for Commission use.

(5) Accounts Receivable, net

Entity and non-entity accounts receivable at September 30, 2014 and 2013 consisted of:

	2014		
	Annual Charges	Other	Total
Entity			
Uncollected billings	$ 626,605	$ 70,198	$ 696,803
Unbilled billings	-	-	-
Uncollected intragovernmental billings	-	51,529	51,529
Allowance for doubtful accounts	-	(4,066)	(4,066)
Total entity accounts receivable, net	626,605	117,661	744,266
Non-entity			
Uncollected billings	203,227	507,766,527	507,969,754
Allowance for doubtful accounts	-	(499,278,766)	(499,278,766)
Total non-entity accounts receivable, net (note 3)	203,227	8,487,761	8,690,988
Total accounts receivable, net	$ 829,832	$ 8,605,422	$ 9,435,254

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	2013		
	Annual Charges	Other	Total
Entity			
Uncollected billings	$ 6,102,608	$ 68,727	$ 6,171,335
Unbilled billings	98,050	-	98,050
Uncollected intragovernmental billings	-	40,592	40,592
Allowance for doubtful accounts	-	(5,004)	(5,004)
Total entity accounts receivable, net	6,200,658	104,315	6,304,973
Non-entity			
Uncollected billings	256,584	508,139,944	508,396,528
Allowance for doubtful accounts	-	(485,528,766)	(485,528,766)
Total non-entity accounts receivable, net	256,584	22,611,178	22,867,762
Total accounts receivable, net	$ 6,457,242	$ 22,715,493	$ 29,172,735

As of September 30, 2014, there were four civil penalty cases, totaling $466.8 million, that have elected to have the district court procedures of section 31(d)(3)(a) of the Federal Power Act (FPA) apply. Under these proceedings, the district court of the United States may rule to find these defendants not liable for the imposed civil penalty in whole or part. Until final determination of the district courts, the Commission is not allowed under the FPA to collect any imposed civil penalties, and therefore these cases are included in the Allowance for Doubtful Accounts.

(6) Property and Equipment, net

Property and equipment and related accumulated depreciation at September 30, 2014 and 2013 consisted of:

	2014		
	Acquisition Amount	Accumulated Depreciation	Net
Equipment	$ 6,873,710	$ 5,333,965	$ 1,539,745
Furniture	11,500,547	9,974,937	1,525,610
Leasehold improvements	11,713,238	9,897,264	1,815,974
ADP software	19,442,500	17,605,317	1,837,183
Construction in process	-	-	-
Internal software in development	5,895,213	-	5,895,213
Capital leases	29,000	29,000	-
Total property and equipment, net	$ 55,454,208	$ 42,840,483	$ 12,613,725

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	2013					
		Acquisition Amount		Accumulated Depreciation		Net
Equipment	$	6,089,933	$	4,471,667	$	1,618,266
Furniture		11,500,547		9,731,969		1,768,578
Leasehold improvements		11,713,238		9,200,510		2,512,728
ADP software		19,442,500		16,699,141		2,743,359
Construction in process		313,035		-		313,035
Internal software in development		3,104,912		-		3,104,912
Capital leases		29,000		29,000		-
Total property and equipment, net	$	52,193,165	$	40,132,287	$	12,060,878

(7) Other Liabilities

Other liabilities at September 30, 2014 and 2013 consisted of:

	2014					
		Current		Non-Current		Total
Intragovernmental						
Accrued payroll and benefits	$	1,060,763	$	-	$	1,060,763
Resources transferable to Treasury and other Federal entities		1,482,834		-		1,482,834
Workers' compensation payable (note 9)		384,155		395,118		779,273
Total other intragovernmental liabilities		2,927,752		395,118		3,322,870
Accrued payroll and benefits		4,657,481		-		4,657,481
Collections due to states		4,303,639		-		4,303,639
Revenue collected under protest		4,273,755		-		4,273,755
Refunds and other amounts due		4,536,551		-		4,536,551
Accrued leave (note 9)		14,597,109		-		14,597,109
FECA Actuarial Liability (note 9)		-		3,619,514		3,619,514
Resources transferable to other entities from disgorged funds		7,834,759		-		7,834,759
Total other liabilities	$	43,131,046	$	4,014,632	$	47,145,678

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	2013		
	Current	Non-Current	Total
Intragovernmental			
Accrued payroll and benefits	$ 876,171	$ -	$ 876,171
Resources transferable to Treasury and other Federal entities	21,135,545	-	21,135,545
Workers' compensation payable	78,404	698,924	777,328
Total other intragovernmental liabilities	22,090,120	698,924	22,789,044
Accrued payroll and benefits	4,296,995	-	4,296,995
Collections due to states	3,064,076	-	3,064,076
Revenue collected under protest	4,677,480	-	4,677,480
Refunds and other amounts due	432,517	-	432,517
Accrued leave	14,676,007	-	14,676,007
FECA Actuarial Liability	-	3,884,643	3,884,643
Resources transferable to other entities from disgorged funds	7,834,759	-	7,834,759
Total other liabilities	$ 57,071,954	$ 4,583,567	$ 61,655,521

Resources transferable to Treasury and other Federal entities represent future collections on accounts receivable that will be forwarded to Treasury upon receipt.

Revenue collected under protest represents monies that, once the protest is resolved, may either be recognized as revenue by the Commission or returned to the protesting entity.

Refunds and other amounts due represent monies that ultimately will be returned to entities due to overpayments of prior billings and interim reporting of deferred revenues.

Resources transferable to other entities from disgorged funds represents monies that will be disbursed to specific entities in the future.

(8) Leases

The General Services Administration (GSA) enters into lease agreements for government buildings and maintains those lease agreements. The Commission pays GSA a standard level users charge for the annual rental of building space, of which Commission Headquarters is in Washington, DC and several other regional offices are located in various parts of the country. The standard level users charge approximates the commercial rental rates for similar properties. The Commission generally executes an occupancy agreement with GSA, which normally includes a requirement to give 30-120 days notice to vacate. Expenses incurred for building leases amounted to $22.3 million and $22.2 million for the years ended September 30, 2014 and 2013, respectively.

The table on the next page identifies minimum lease amounts that the Commission may be liable for in the future based on current agreements or current negotiations to renew existing lease agreements. The Commission also anticipates to renew expiring leases that are not currently in negotiations, for similar terms and conditions upon the expiration of those current agreements.

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Real Property Operating Leases – Future Payments

Fiscal Year		GSA		Non-GSA		Total
FY 2015	$	14,072,690	$	46,374	$	14,119,064
FY 2016		19,818,923		35,695		19,854,618
FY 2017		19,821,317		35,695		19,857,012
FY 2018		19,675,985		25,288		19,701,273
FY 2019		19,448,496		-		19,448,496
Beyond FY 2019		110,497,516		-		110,497,516
Total future minimum lease payments	$	203,334,927	$	143,052	$	203,477,979

(9) Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources at September 30, 2014 and 2013 consisted of:

		2014		2013
Intragovernmental				
Workers' compensation payable (note 7)	$	779,273	$	777,328
Total intragovernmental		779,273		777,328
Accrued leave (note 7)		14,597,109		14,676,007
FECA Actuarial Liability (note 7)		3,619,514		3,884,643
Total liabilities not covered by budgetary resources	$	18,995,896	$	19,337,978

(10) Employee Benefits

Commission employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). Employees participating in CSRS contribute 7% of their basic pay to the plan, and the Commission makes a matching contribution. For employees participating in the FERS program hired before January 1, 2013, the Commission makes a contribution of 11.9% of basic pay. For employees participating in the FERS-Revised Annuity Employees (RAE) program hired after January 1, 2013, the Commission makes a contribution of 9.6% of basic pay. For employees participating in the FERS-Further Revised Annuity Employees (FRAE) program hired after December 31, 2013, the Commission makes a contribution of 9.6%.

On January 1, 1987, FERS went into effect pursuant to Public Law 99 335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, could elect either to join FERS and Social Security or remain in CSRS. FERS offers a savings plan in which the Commission automatically contributes 1% of employees' basic pay and matches any employee contribution up to an additional 4% of basic pay. For most employees hired since December 31, 1983, the Commission also contributes the employer's matching share for Social Security. Public Law 112-96, Section 5001 of the "Middle Class Tax Relief and Job Creation Act of 2013," makes a significant change to the FERS program. Beginning January 1, 2013, new employees under FERS-RAE will contribute 3.1% of their basic salaries compared to 0.8% contributed by employees hired prior to January 1, 2013. Furthermore, new employees hired after December 31, 2013 under FERS-FRAE will contribute 4.4% of their basic salaries compared to the contribution rates of FERS and FERS-RAE employees.

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The actuarial present value of accumulated benefits, assets available for benefits, and unfunded pension liability of CSRS and FERS is not allocated to individual departments and agencies and is, therefore, not disclosed by the Commission. For the years ended September 2014 and 2013 both plans cost approximately $18.0 million and $17.9 million, respectively. The total imputed costs for pension, life and health insurance recognized by the Commission for FY 2014 and FY 2013 are $14.9 million and $13.9 million, respectively and will ultimately be funded through the Office of Personnel Management.

(11) Commitments and Contingencies

Certain hydroelectric licensees have filed appeals claiming the Commission erroneously accepted certain "other agency costs" (costs incurred by Other Federal agencies in administering Part I of the FPA component of the licensees' annual charges) in their calculation of FY annual charges. In addition, certain licensees have filed appeals against their hydropower administrative annual charges to seek a partial or 100 percent municipal exemption. The combined liabilities of these appeals total $4.3 million and $4.7 million as of September 30, 2014 and 2013, respectively, and are included herein as revenue collected under protest. The FY 2014 liability is fully funded and therefore poses no adverse or material future effect on the Commission's financial position.

In addition, the Commission has one Equal Employment Opportunity and two Freedom of Information Act cases pending where the probability of success for the claimants is reasonably possible. The amount of monetary relief in the EEO case could total $125,000, as of September 30, 2014. The monetary relief in the two FOIA cases could total $50,000 each, as of September 30, 2014.

(12) Custodial Activity

The Commission currently bills regulated companies annual charges as a custodian for certain Federal agencies. These agencies include the United States Army Corps of Engineers, the Department of Interior's Bureau of Reclamation, and the Treasury. Accrual accounting is used to account for the Commission's custodial activities. The receivables are maintained by the Commission, and the collections are processed to each Federal agency on a monthly basis. In addition to the annual charges, penalty and administrative costs are assessed on past-due bills and remitted to the Treasury when received. For FY 2014 and FY 2013, these custodial collections totaled approximately $43.4 million and $327.4 million, respectively.

(13) Funds from Dedicated Collections

In accordance with the Federal Accounting Standards Advisory Board's Statement on Federal Financial Accounting Standards (SFFAS) No. 27 and as amended by SFFAS No. 43, the Commission is required to report separately on the Balance Sheets and Statements of Changes in Net Position, the non-exchange revenue, other financing sources, of operations and net position attributable to funds from dedicated collections. In addition, the Commission must disclose the fund for which it has program management responsibility. The Commission's Collections Due to States fund meets the criteria for funds from dedicated collections, however, these funds are custodial in nature and therefore do not impact the equity sections of the Balance Sheet's net position or the Statement of Changes in Net Position. The balances as of September 30, 2014 and 2013 were $4.3 million and $3.1 million, respectively.
Fund 89X5105 and 895105 pertains to the Use of Government lands. "Reasonable annual charges for recompensing the United States for the use, occupancy, and enjoyment of its lands or its other property will be fixed by the Commission." 18 C.F.R. CH 1, part 11.2(a).

The Commission disposes of the charges arising from licenses in accordance with USC, Title 16, CH 12, Part I, Sec 810 "All other charges arising from licenses hereunder, except charges fixed by the Commission for the purpose of reimbursing the United States for the costs of administration of this subchapter, shall be

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paid into the Treasury of the United States and credited to Miscellaneous Receipts. 37.5 per centum of the charges arising from licenses hereunder for the occupancy and use of national forests and public lands from development within the boundaries of any State shall be paid by the Secretary of the Treasury to such state."

(14) Intragovernmental Costs and Exchange Revenue

Costs classified as "Intragovernmental" represent the cost of goods or services obtained from Federal entities. Costs classified as "Public" represent the cost of goods or services obtained from non-federal entities. Revenues classified as "Intragovernmental earned" are generated when the buyer and seller of services are Federal entities. Revenues classified as "Public earned" are generated when the buyer of services is a non-federal entity.

Intragovernmental costs and exchange revenue at September 30, 2014 and 2013 consisted of:

	2014	2013
Just and Reasonable Rates, Terms, & Conditions		
Intragovernmental costs	$ 31,268,753	$ 35,904,725
Public costs	113,295,594	130,304,510
Total Just and Reasonable Rates, Terms, and Conditions costs	144,564,347	166,209,235
Intragovernmental earned revenue	16,302	57,525
Public earned revenue	144,548,045	166,171,116
Total Just and Reasonable Rates, Terms, and Conditions earned revenues	144,564,347	166,228,641
Infrastructure		
Intragovernmental costs	22,399,999	30,026,480
Public costs	81,163,921	108,971,335
Total Infrastructure costs	103,563,920	138,997,815
Intragovernmental earned revenue	46,191	48,107
Public earned revenue	103,521,100	138,965,937
Total Infrastructure earned revenues	103,567,291	139,014,044
Mission Support		
Intragovernmental costs	12,688,250	-
Public costs	45,973,143	-
Total Infrastructure costs	58,661,393	-
Intragovernmental earned revenue	6,615	-
Public earned revenue	58,654,778	-
Total Infrastructure earned revenues	58,661,393	-
Costs		
Intragovernmental costs	66,357,002	65,931,205
Public costs	240,432,658	239,275,845
Total costs	306,789,660	305,207,050

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Revenue		
Earned intragovernmental revenue	69,108	105,632
Earned public revenue	306,723,923	305,137,053
Total earned revenue	$ 306,793,031	$ 305,242,685

In FY 2014, the Commission identified three strategic goals and attributed costs to each of those goals; as compared to FY 2013 the Commission attributed costs across two strategic goals. As a result of the additional goal in FY 2014, the attributed costs are not directly comparable between the two years presented.

(15) Apportionment Categories of Obligations Incurred

Apportionment categories of obligations incurred as of September 30, 2014 and 2013 consisted of:

	2014	**2013**
Category A:		
Direct	$ 304,262,587	$ 292,527,564
Reimbursable	174,545	36,968
Total obligations incurred	$ 304,437,132	$ 292,564,533

Category A apportionments distribute budgetary resources by fiscal quarters.

(16) Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the United States Government

The Commission had no differences between the Statement of Budgetary Resources and the Budget of the United States as of September 30, 2013. The statement can be reconciled to the President's budget by combining both of the budgets for Federal Energy Regulatory Commission (89-0212-0-1-176) and Payments to States under Federal Power Act (89-5105-0-2-806). The reconciliation as of September 30, 2014 is not presented, because the submission of the FY 2014 budget occurs after publication of these financial statements. The Commission's Budget Appendix can be found under the DOE on the OMB website (http://www.whitehouse.gov/omb/budget) and will be available in early February 2015.

(17) Undelivered Orders at the End of the Period

Undelivered orders are obligations made by the Commission for services and purchases that have not been received and accepted as of the balance sheet date. The amount of Commission budgetary resources reported as undelivered orders as of September 30, 2014 and 2013 were $19.0 million and $13.3 million, respectively.

(18) Restatement

In FY 2014, through review of its authorization legislation (Public Law 113-76), the Commission determined that unexpended appropriations at year-end should be zero and therefore an error existed in the prior year. Management corrected the error as presented in the following table.

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	Balance as reported in FY 2013 financial statements	Restatement	Balance (as restated)
Balance Sheet			
Net Position:			
Unexpended appropriations - other funds	$ 49,840,825	$ (49,840,825)	$ -
Cumulative results of operations-other funds	(7,280,772)	49,840,825	42,560,053
Total net position	$ 42,560,053	$ -	$ 42,560,053
Statement of Changes in Net Position			
Cumulative Results of Operations:			
Beginning balances	$ (19,197,481)	$ -	$ (19,197,481)
Adjustments:			
Correction of errors	-	37,566,059	37,566,059
Beginning balances, as adjusted	(19,197,481)	37,566,059	18,368,578
Budgetary Financing Sources:			
Appropriations used	292,325,234	-	292,325,234
Other Financing Sources (Non-Exchange):			
Transfers – out to Treasury without reimbursement	(294,380,071)	12,274,766	(282,105,305)
Imputed financing from costs absorbed by others (note 10)	13,935,911	-	13,935,911
Total Financing Sources	11,881,074	12,274,766	24,155,840
Net Cost of Operations	35,635	-	35,635
Net Change	11,916,709	12,274,766	24,191,475
Cumulative Results Operations	$ (7,280,772)	$ 49,840,825	$ 42,560,053
Unexpended Appropriations:			
Beginning balances	$ 37,566,059	$ -	$ 37,566,059
Adjustments:			
Correction of errors	-	(37,566,059)	(37,566,059)
Beginning balances, as adjusted	37,566,059	(37,566,059)	-
Budgetary Financing Sources:			
Appropriations received	304,600,000	-	304,600,000
Appropriations used	(292,325,234)	-	(292,325,234)
Other adjustments	-	(12,274,766)	(12,274,766)
Total Budgetary Financing Sources	12,274,766	(12,274,766)	-
Total Unexpended Appropriations	$ 49,840,825	$ (49,840,825)	$ -
Net Position	$ 42,560,053	$ -	$ 42,560,053

(19) Reconciliation of Net Cost of Operations to Budget

The objective of this information is to provide an explanation of the differences between budgetary and financial (proprietary) accounting. This is accomplished by means of a reconciliation of budgetary obligations and non-budgetary resources available to the reporting entity with its net cost of operations.

	2014	2013
Resources used to finance activities:		
Budgetary resources obligated:		
Obligations incurred	$ 304,437,132	$ 292,564,533
Less: spending authority from offsetting collections and prior year recoveries	(306,673,450)	(305,435,696)
Obligations, net of offsetting collections and prior year recoveries	(2,236,318)	(12,871,163)
Less: Distributed offsetting receipts	(31,952,802)	(294,674,362)
Net obligations	(34,189,120)	(307,545,525)
Other resources:		
Transfers-out and other adjustments, net of appropriations received	(6,678,533)	10,219,929
Imputed financing from costs absorbed by others	14,893,419	13,935,911
Net other resources used to finance activities	8,214,886	24,155,840
Total resources used to finance activities	(25,974,234)	(283,389,685)
Resources (used to) or generating finance items not part of the net cost of operations:		
Change in budgetary resources obligated for goods/ services/benefits ordered but not yet provided (+/-)	(5,634,628)	(3,468,508)
Budgetary offsetting receipts that do not affect the net cost of operations	31,952,802	294,674,362
Resources that finance the acquisition of assets	(3,261,043)	(4,852,735)
Payments to States	(4,005,028)	(2,907,745)
Total resources (used to) or generating finance items not part of the net cost of operations	19,052,103	283,445,374
Total resources used to finance the net cost of operations	(6,922,131)	55,689

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Costs that do not require resources:		
Components requiring or (generating) resources in future periods:		
Increase (or decrease) in unfunded liabilities	(342,083)	1,288,225
Increase (or decrease) in exchange revenue receivable from the public	4,894,846	(3,641,200)
Total components of net cost of operations that will require or (generate) resources in future periods	4,552,763	(2,352,975)
Components not requiring or generating resources:		
Depreciation and amortization	2,708,196	2,196,719
Other	(342,199)	64,932
Total components of net cost of operations that will not require or (generate) resources	2,365,997	2,261,651
Total net cost of operations that do not require or (generate) resources in the current period	6,918,760	(91,324)
Net Cost of Operations	$ (3,371)	$ (35,635)

OTHER INFORMATION

FEDERAL ENERGY REGULATORY COMMISSION
Schedule of Spending (Unaudited)
For the Years Ended September 30, 2014 and 2013
(in millions)

	FY 2014	FY 2013
What Money is Available to Spend?		
Total Resources	$ 332	$ 314
Less Amount Available but Not Agreed to be Spent	28	21
Total Amounts Agreed to be Spent	**$ 304**	**$ 293**
How was the Money Spent/Issued?		
Personnel Compensation	$ 166	$ 165
Personnel Benefits	47	47
Benefits for Former Personnel	-	-
Travel and Transportation of Persons	3	3
Rent, Communication and Utilities	25	25
Printing and Reproduction	2	3
Other Contractual Services	43	42
Supplies and Materials	2	2
Equipment	3	3
Land and Structures	-	-
Grants, Subsidies and Contributions	3	3
Total Spending	294	293
Amounts Remaining to be Spent	10	-
Total Amounts Agreed to be Spent	**$ 304**	**$ 293**
Who Did the Money Go to?		
For Profit	$ 89	$ 64
Government	39	53
Higher Education	1	2
Individuals	175	174
Total Amounts Agreed to be Spent	**$ 304**	**$ 293**

The unaudited Schedule of Spending presents an overview of how and where the Commission spent its funding.

What Money is Available to Spend? summarizes the funds the Commission obligated during the fiscal year, the total amount agreed to be spent being equivalent to the obligations incurred shown on the Statement of Budgetary Resources (SBR). For FY 2014, $298,611 was not available to be spent for Payment to States; however that amount is not presented on the Schedule of Spending due to rounding.

How Was the Money Spent? summarizes the actual gross cash outlays for the fiscal year, the total spending being equivalent to the gross outlays shown on the SBR. These gross outlays are categorized by the OMB Budget Object Class definitions found in OMB Circular No. A-11.

Who did the Money go to? summarizes with whom the agencies are spending money and is based on obligations incurred as shown on the SBR. Outlays are not always made in the same fiscal year in which funds are obligated resulting in carryover obligated balances that will be disbursed in subsequent fiscal years. These timing differences are shown as increases/(decreases) in Amounts Remaining to be Spent.

Performance Report
(Unaudited)

INTRODUCTION

In accordance with Government Performance and Results Act of 1993 (GPRA) and the GPRA Modernization Act of 2010, the Commission developed its Strategic Plan, as well as its performance measures, to ensure it is fulfilling its mission. When comparing the planned and actual performance according to the guidelines set forth in Part 6 of OMB Circular No. A-11, the Commission:

- determined that its performance results are complete and reliable based on the fact that results are listed for every performance measure and target, that decision-makers use the information contained in the results "on an ongoing basis in the normal course of their duties," and that the information contained in the results are derived via internal tracking mechanisms; and
- identified no "significant or material" performance shortfalls based on the fact that none of the Commission's unmet performance measures or targets had an adverse effect on overall program performance.

The tables on the following pages include the Commission's complete performance measurement data for fiscal years 2009 through 2014.

As a result of the Commission's updated FY 2009 – 2014 Strategic Plan, which went into effect on September 30, 2009, the performance measures for fiscal years 2010 through 2014 are aligned with the Commission's current Strategic Plan. The Performance Measures for fiscal year 2009 are aligned with previous versions of the Commission's Strategic Plan.

The Commission did not engage in an independent program evaluation during FY 2014. However, the Commission is currently contracting with Energetics, Incorporated in order to develop an internal data validation and verification process and associated capabilities. During FY 2014, the Commission made a considerable effort to document data collection procedures for each strategic measure to ensure reported progress towards meeting Commission goals is valid, complete, accurate, consistent and timely. In FY 2015, the Commission will continue to build a strong data validation and verification framework by testing data collection processes and refining procedures.

PERFORMANCE DATA FOR ENERGY INFRASTRUCTURE: FY 2009

FY 2009		
Performance Measure	**Performance Target**	**Results**
Resolve Regulatory and Other Challenges to Needed Development		
Timeliness of processing complete filings containing amendments to non-independent electric transmission provider OATTs	100% processed by statutory due date or applicant's requested date, whichever is later	Target Met. 100% of the 62 amendments to non-RTO/ISO OATTs were completed within the 60-day statutory timeframe
Issue Alaska Gas Pipeline Reports to Congress	Issue Reports in February and August 2009	Target Met. Reports issued in February and August 2009.
Percentage of pipeline certificate cases with no precedential issues completed	▪ 90% of unprotested cases within 159 days of filing ▪ 90% of protested cases within 304 days of filing	▪ Target Met. 96.8% of unprotested cases completed within 159 days of filing ▪ Target Met. 100% of protested cases completed within 304 days of filing
Percentage of pipeline certificate cases of first impression or containing larger policy implications completed	90% within 365 days of filing	Target Met. 94.7% of first impression cases completed within 365 days of filing
Percentage of pipeline certificate cases requiring a major environmental assessment or EIS completed	90% within 480 days of filing	Target Met. 100% of major cases completed within 480 days of filing
Percentage of NEPA documents completed for projects utilizing the pre-filing processes	85% within 8 months of determining a pipeline or LNG facility application complete	Target Met. 100% of NEPA documents completed for projects utilizing the pre-filing process within 8 months of determining an application was complete
Percentage of qualifying LNG plants inspected during ongoing construction activity	90% of plants inspected every 8 weeks	Target Met. 100% of qualifying LNG plants were inspected at least once every 8 weeks during ongoing construction activity
Percentage of ILP pre-filing study plan determinations completed	75% within 30 days of applicant filing revised study plan for Commission approval	Target Met. 100% of determinations were completed within 30 days of applicant filing revised study plan for Commission approval
Percentage of infrastructure studies completed	▪ 95% for regional and issue-based infrastructure conferences ▪ 95% for Commission- and Congressional-directed studies	▪ Target Met. 100% studies completed for regional and issue-based infrastructure conferences ▪ Target Met. 100% studies completed for Commission- and Congressional-directed studies
Percentage of electric transmission siting cases completed	90% within 365 days of filing	n/a. One electric transmission case entered the pre-filing stage, but it was withdrawn.
Timeliness of processing complete applications for incentive rates	▪ 100% of statutory cases processed within statutory deadlines or by applicant's requested date, whichever is later ▪ 80% of declaratory orders filed for Commission action within 180 days of filing date or by applicant's requested date, whichever is later.	▪ Target Met. 100% of the 15 statutory incentive rate cases were processed within the statutory timeframes ▪ Target met; 100% (6 of 6) of declaratory orders related to incentive rates were filed within target dates.
Timeliness of processing cost recovery cases (including prudently-incurred expenses to safeguard and enhance the reliability, security and safety of the energy infrastructure)	▪ 100% of statutory cases processed within statutory deadlines or by applicant's requested date, whichever is later ▪ 90% of rate inserts for certificate cases processed within 30 days prior to lead office's target date for completion of pipeline certificate case ▪ 85% of cases that were set for hearing filed for Commission action within 12 months of briefs opposing exceptions	▪ Target Met. 100% of the 3,808 statutory items, including cost recovery cases, were processed within the statutory deadlines ▪ Target Met. Provided timely rate inserts for 94% (47 out of 50) of the cases that were targeted for completion by the lead office during the fiscal year

FY 2009		
Performance Measure	**Performance Target**	**Results**
		▪ Target not met; 50% (2 of 4) filed within 12 months of Briefs Opposing Exceptions.
Timeliness of verification of EQR submissions	Within 10 business days of filing due date	Target Met. 100 percent of EQR submissions were verified within 10 business days.
Percentage of Accounting Inserts completed for inclusion in merit orders on cost recovery proposals for new gas pipeline infrastructure	95%	Target Met. 100 percent of gas certificate accounting inserts were completed on time.
Percentage of financial accounting filings completed timely	75% within 60 days of filing date	Target Met. 97 percent of financial accounting filings were completed on time.
Percentage of reporting requirement filings completed timely	75% within 60 days of filing date	Target Met. 100 percent of reporting requirement filings was completed within 60 days.

Assure Reliability of Interstate Transmission Grid		
Timely approval of ERO/RE budgets and business plans	Complete by November 1, 2008	Target Met. The draft order approving the 2009 ERO/RE budgets and business plans was issued in Docket No. RR08-6-000 on October 16, 2008.
Timeliness of processing proposed reliability standards	75% of filed proposed reliability standards are remanded or approved within 18 months, unless found incomplete	Target Met. 100% of filed reliability standards have orders issued within 18 months.
Review the performance of the ERO	Complete within 12 months of the submission by the ERO of an assessment of its performance	n/a. ERO performance assessment filing was made on July 20, 2009 in Docket No. RR09-7-000, with a targeted completion date of December 2009.
Number of ERO Regional Entity compliance audits in which FERC participates	At least one in each of the eight regions	Target Met. Participated on 8 Regional Entity audits, one in each region, by June 25, 2009.
Percentage of ERO / industry reliability readiness evaluations of Reliability Coordinators in which FERC participates	75%	N/A. The ERO/industry reliability readiness evaluations of Reliability Coordinators were discontinued in FY 2009.
Percentage of load served, included in ERO / industry reliability readiness evaluations, in which FERC participates	35%	Target Met. Participated in 2 readiness evaluations which represented 78% of load served.
Percentage of ERO penalty action rulings reviewed or tolled to prevent inappropriate rulings from going into effect by default	100%	Target Met. In FY 2009, 35 Notices of Penalty covering 83 violations were filed. All 35 were reviewed for appropriateness of the finding of violation and penalty and accepted by operation of law, with a public notice of each acceptance issued within the required period for Commission action.
Assess Notices of Alleged Violation and Sanction received from the ERO	Review 60% of Notices of Alleged Violation and Sanction received from ERO within two weeks of receipt for appropriateness of sanction	Target Met. In FY2009, 149 Notices of Alleged Violations and Sanctions covering 579 alleged violations were submitted through the portals. Each was reported on and recorded routinely by way of (1) The Overview of Reliability Orders, Matters and Deadlines Chart, and (2) The Pending Case Report prepared by the Division of Investigations.

FY 2009		
Performance Measure	**Performance Target**	**Results**
Timeliness of reporting to the Commission on ERO and Regional Entity audits	Within 120 days of the Commencement Letter	Target Met. 100 percent (3/3) of Regional Entity audits reported to the Commission within 120 days.
Percentage of ERO and Regional Entity audit recommendations issued and implemented	90% within 6 months	Target Met. 100 percent (20/20) of Regional Entity audit recommendations implemented in 6 months.

Protect Safety at LNG and Hydropower Facilities		
Percentage of high- and significant- -hazard-potential dams inspected annually	90%	Target Met. 90% of high- and significant- hazard-potential dams inspected
Percentage of high- and significant-hazard-potential dams that either meet all current structural safety standards or are undergoing investigation or remediation	90%	Target Met. 90% of high- and significant hazard-potential dams either met all current structural safety standards or are undergoing investigation or remediation.
Percentage of LNG peak-shaving facilities inspected biennially	90%	Target Met. 100% of LNG peak-shaving facilities were inspected
Percentage of LNG import terminals inspected annually	90%	Target Met. 100% of the LNG import terminals were inspected
Percentage of qualifying dams that either comply with EAP requirements or are conducting follow-up action(s) on outstanding item(s)	90%	Target Met. 90% of qualifying dams complied with EAP requirements or are conducting follow-up action(s) on outstanding item(s)
Control access to CEII	No instances of improper access or improper denial affecting national security or Commission proceedings	Target Met. No instances.

Incorporate Environmental Considerations into Commission Decisions		
Percentage of final inspection reports completed	75% within 4 months of inspection	Target Met. 100% of final inspection reports completed within 4 months of inspection
Timeliness of issuing environmental licensing requirements	Licensing responsibility letters sent within 60 days of license issuance date	Target Met. All licensing responsibility letters sent within 60 days of license issuance date
Percentage of final NEPA documents issued for ALP/TLP cases: ▪ with settlement agreements ▪ without settlement agreements	▪ 75% within 12 months of settlement filing date ▪ 75% within 24 months of REA date	▪ Target Met. 100% within 12 months of settlement filing date ▪ Target Met. 100% within 24 months of REA date
Percentage of qualifying, major, on-shore-pipeline projects inspected during ongoing construction activity	90% of projects inspected at least once every four weeks	Target Met. 97% of qualifying projects were inspected at least once every 4 weeks.

PERFORMANCE DATA FOR COMPETITIVE MARKETS: FY 2009

FY 2009		
Performance Measure	**Performance Target**	**Results**
Employ Best Practices in Rules		
Percentage of initial orders completed on third-party complaints	▪ 75% filed with the Commission within 60 days of the date of the answer or by complainant's requested date, whichever is later ▪ 90% filed with the Commission within 180 days of the date of the answer, or by complainant's requested date, whichever is later	▪ Target met; 78% (28 of 36) filed within 60 days. ▪ Target met; 97% (35 of 36) filed within the 180 days.
Timeliness of review of proposed RTO/ ISO market rules	100% by the statutory due date or the applicant's requested date, whichever is later	Target Met. 100% of the 221 filings from PJM, ISO New England, New York ISO, Southwest Power Pool, Midwest ISO, and California ISO were acted on by the statutory due dates
Timeliness of processing cases that encourage demand response in organized markets	100% of statutory cases processed within statutory deadlines or by the applicant's requested date, whichever is later	Target Met. 100% of the 15 filings to encourage demand response were acted on by the statutory deadlines
Industry and state outreach to increase Commission awareness and understanding on emerging energy issues	Participate in and/or facilitate 10 sessions per quarter	Target Met. Participated in and/or facilitated 23 sessions in the first quarter, 24 sessions in the second quarter, 17 sessions in the third quarter, and 11 sessions in the fourth quarter of the fiscal year
Reduce Barriers to Trade Between Markets and Among Regions		
Timeliness of processing complete filings to reduce or eliminate border utility issues between markets	100% processed by the statutory due date or applicant's requested date, whichever is later	Target Met. 100% of the 8 filings dealing with border utility issues between markets were completed by the statutory due dates
Assure Proposed Mergers and Acquisitions are in the Public Interest		
Timeliness of processing complete filings for the disposition, consolidation, or acquisition, under section 203 of the FPA, of jurisdictional facilities (including transactions involving certain transfers of generation facilities and public utility holding company transactions, and issues of cross subsidization or encumbrances of utility assets)	100% processed within 180 days for non-major dispositions 100% processed within 360 days for major dispositions	Target Met. 100% of the 95 non-major dispositions and the 1 major merger case were completed by the established deadlines
Address Market Power in Jurisdictional Wholesale Markets		
Timeliness of processing initial electric market-based rate filings	100% processed within 60 days of the filing date of a complete application or by applicant's requested date, whichever is later	Target Met. 100% of the 189 initial market-based rate applications were completed by the established target date
Revise and clarify Standards of Conduct	Issue Final Rule by December 31, 2008	Target Met. Order No. 717 revising Standards of Conduct for Transmission Providers issued October 16, 2008, and became effective November 26, 2008.

PERFORMANCE DATA FOR ENFORCEMENT: FY 2009

FY 2009		
Performance Measure	**Performance Target**	**Results**
Identify and remedy problems with structure and operations in energy markets		
Regular monitoring of natural gas and electric markets with significant issues of market structure and operations identified	Weekly reporting of significant issues of market structure and operations	Target Met. The Division of Energy Market Oversight (DEMO) produced a Weekly Market Review (WMR) in 48 weeks during FY 2008. The weeks during which we did not publish a WMR occurred during holiday periods. These WMRs included 24 special reports that provided in depth analysis of emerging market issues.
Timeliness of actions on significant issues identified by regular monitoring of natural gas and electric markets	Within 6 months of completed report	Target Met. The Division of Energy Market Oversight completed all items within 6 months.
Fully implement the Research in Market Oversight (RIMO) program	Perform at least four RIMO projects per year	Target Met. The Division of Energy Market Oversight hosted staff of Italy's Regulatory Authority for Electricity and Gas. In addition, DEMO has hosted over ten foreign delegations and State Public Service Commission representatives in the Market Monitoring Center.
Establish clear and fair processes		
Apply current clear and fair processes to investigations during the fiscal year	Provide recommendations to the Commission for each proposed remedy and penalty with clear and consistent criteria	Target Met. Submitted recommendations for civil penalties to be assessed on 16 subjects. Each recommendation included discussion of facts, analysis of applicable Policy Statement factors, and comparison to actions taken in similar cases.
Timeliness of reporting to the Commission on operational audits	Within 120 days of the Commencement Letter	Target Met. 100 percent (19/19) of operational audits reported to the Commission within 120 days.
Percentage of operational audit recommendations issued and implemented	90% within 6 months	Target Met. 99 percent (75/76) of operational audit recommendations implemented in 6 months.
Timeliness of reporting to the Commission on financial audits	Within 120 days of the Commencement Letter	Target Met. 100 percent (9/9) of financial audits reported to the Commission within 120 days.
Percentage of financial audit recommendations issued and implemented	90% within 6 months	Target Met. 100 percent (36/36) of financial audit recommendations implemented in 6 months.
Conduct investigations promptly and impose penalties where appropriate		
Timeliness of initiating or deciding action on MMU referrals	80% acted on within 30 days	Target Met. Four MMU referrals were received and all were acted on within 30 days.
Percentage of enforcement investigations not involving market manipulation issues completed	75% within one year of initiation	Target Not Met. 41% of non-manipulation investigations completed in FY 2009 (9 of 22) were completed within one year. This target was missed due to circumstances surrounding two major market manipulation cases in which management was required to shift staff resources from non-market manipulation cases to these two high-profile market manipulation cases. This did not have a negative impact on the performance of the enforcement

FY 2009		
Performance Measure	**Performance Target**	**Results**
		program. To the contrary, the successful outcome of these market manipulation cases demonstrates the strength of the Commission's enforcement program. The Commission has consistently met this target in previous years.
Percentage of market manipulation enforcement investigations completed	75% within two years of initiation	Target Met. All market manipulation investigations completed in FY2009 were completed within two years.
Percentage of Hotline calls resolved	70% within 2 weeks of initial contact	Target Met. DOI received 502 Hotline calls and closed 485 Hotline matters. 70.5% of the calls were resolved within two weeks of initial contact.
Encourage self-policing and -reporting of violations		
Percentage of regulated entities audited to ensure internal compliance programs and processes are in place	85% of regulated entities included in annual audit plan	Target Met. 100 percent of regulated entities included in annual audit plan audited to ensure internal compliance programs and processes are in place.
Process complete requests for "No Action"	Within 60 days of receipt of final request	Target Not Met. Three out of four No-Action letters were issued in fewer than 60 days; the fourth was issued in 69 days. This did not have a negative impact on the program.
Timeliness of reporting on compliance issues raised by regulated entities	Reports completed monthly	Target Met. Compliance issues raised by regulated entities are reported monthly as part of the DOI Pending Case Report.

PERFORMANCE DATA FOR SUPPORTING INITIATIVES: FY 2009

FY 2009		
Performance Measure	**Performance Target**	**Results**
Number of ADR requests and referrals addressed by DRS	Increase number over FY 2004	Target Met. In FY 2009, DRS addressed 71 new ADR requests and referrals. FY 2009 results exceeded the results of the base year, FY 2004, by 17 requests/referrals. (In FY 2004 DRS received 54 total requests and referrals.)
Percentage of mediated or facilitated case that achieve partial or complete consensual agreement	75%	Target Met. Of 18 cases DRS completed in FY 2009, all achieved consensual agreement through mediation and facilitation, resulting in a 100% success rate.
Favorable DRS customer satisfaction for casework and outreach	80% customer satisfaction rate	Target Met. In FY 2009, customers for all casework and outreach services expressed favorable satisfaction with DRS. Of respondents to casework surveys, DRS received a 100% customer satisfaction rate. Of respondents to outreach surveys, DRS received a 91% customer satisfaction rate.
Number of outreach events (e.g., trainings, workshops, and presentations) to promote the use of dispute resolution skills	Increase number over FY 2004	Target Met. In FY 2009, DRS delivered 24 outreach events, 13 more events than FY 2004's 11 outreach events. (In FY 2004, the DRS delivered 13 outreach events.)

FY 2009		
Performance Measure	**Performance Target**	**Results**
Of ADR processes concluded, percentage that resulted in savings of time and/or money over traditional processes	75%	Target Met. 100% of respondents to casework surveys affirmed that involvement of DRS saved them time and/or money over traditional processes.
Percentage of cases set for hearing that achieve partial or complete consensual agreement	75%	Target Met. 90%
Ensure timely and effective communication to all stakeholders	▪ Issue 95% of press releases for important agency actions within 1 hour of action being taken ▪ Post 95% of important and time-sensitive agency actions on the Commission's internet website within 1 hour of issuance ▪ Provide an initial and complete response to 70% of inquiries at the time of the receipt of the request ▪ Develop webpages within the assigned timeframe to enhance and support the Commission's initiatives and goals	▪ Target Met. In FY 2009, 42 out of 43or 99% of press releases were issued within 1 hour of action being taken. ▪ Target Met. In FY 2009, 4066 out of 4066 or 100% of important agency actions were posted on the Commission's internet website within 1 hour of issuance. ▪ Target Met. In FY 2009, the office provided an initial and complete response to 3476 out of 4753 or 73% of public inquiries at the time of receipt. ▪ Target Met. In FY 2009, this office developed 11 out of 11 web page requests. All were completed on schedule.
Enhance communication with National and International groups	▪ Provide responses to 95% of Congressional inquiries and briefing requests by the date requested or by 10 business days from the date of the request ▪ Provide email notification of significant Commission actions to Congress within 1 to 2 business days of the underlying action along with briefing offers where appropriate ▪ Provide timely and effective briefings to members of Congress and State Officials within the timeframe requested and initiate at least three briefings on top priority issues within timeframe appropriate to effect that issue ▪ Provide email notification of outreach efforts (i.e., panel discussions, workshops, conferences or other forums) to State Officials and Governors within 3 business days ▪ Respond to 80% of international delegation meetings requests within 3 business days of rendering a decision	▪ Target Met. In FY 2009, External Affairs responded to 100% (211 out of 211) of congressional inquiries and briefing requests within 10 business days. ▪ Target Met. In FY 2009, 165 email notifications to members of Congress were sent out on top priority issues regarding significant Commission actions within 1 to 2 business days of the underlining action ▪ Target Met. In FY 2009, 46 briefings for Congress and State Officials were conducted on priority issues of natural gas pipelines, transmission planning and integration of renewables, demand response, and cyber security. ▪ Target Met. In FY 2009, email notifications were sent out simultaneously for 142 out of 142 (100%) Commission actions of interest to State regulatory agencies on significant Commission actions within 1 to 2 business days of the underlining action. ▪ Target Met. In FY 2009, OEA responded to and coordinated 52 approved visits; 44 or 84.6% received responses within 3 business days.
Maintain an effective recruiting program	▪ Increase retention rate of new hires over FY 2008 ▪ Hire 20% of interns into permanent positions ▪ Implement a formal mid-career recruiting program by December 31, 2008	• Target Met. The annualized retention rate of new hires increased from 91.7% (144/157) for FY 08 to 92.1% (187/203) for FY 09. • Target Met. 34% (12 of 35) of interns from summer 2008 program were converted in FY 09. • Target Not Met. The formal four phase mid-level recruitment program strategy was launched on 6/1/09. No negative impact by the

FY 2009		
Performance Measure	**Performance Target**	**Results**
		delay in meeting original date.
Implement employee development programs	▪ Launch competency based training program for mainstream occupations ▪ Develop competency based training for all occupations	• Target Met. Competency-based training needs assessment was conducted during April 2009. • Target Not Met. The implementation of competency based training for all occupations was deferred, pending the selection and acquisition of a learning management system which will not be available until FY 2011 due to resource constraints. Accordingly, FERC will reevaluate its employee develop program measures for FY 2010.
Maintain an effective performance management system	▪ All employees and managers receive training annually ▪ Provide feedback to managers to ensure ratings reflect meaningful distinctions between performance ▪ High achievers are rewarded appropriately	• Target Met. all employees and managers received Performance Management Training • Target Met. Managers received feedback which explained meaningful distinctions between performance. • Target Met – The Commission's analysis identified that on average, FERC rewarded: ○ highly successful employees 31% higher monetary awards than fully successful employees; ○ outstanding employees 49% higher monetary awards than highly successful employees; and ○ outstanding employees with 96% higher monetary awards than fully successful employees.
Ensure appropriate representation of women and minorities at all levels within the organization	Increase over FY 2008 baseline	▪ Target Not Met. FY09 percentage for women was 44.6%. Decreased percentage from FY08 by less than 1% (FY08 – 45.5%). Modify target for FY 2010 and future years to be "Equal to or greater than Total Federal Workforce percentage." ▪ Target Not Met. FY09 percentage for minorities was 32.3%. Decreased percentage from FY08 by less than 1% (FY08 – 32.9%). Modify target for FY 2010 and future years to be "Equal to or greater than Total Federal Workforce percentage."
Maintain reliable financial management systems which generate accurate and timely financial information to support operating, budget, and policy decisions	▪ Unqualified audit opinion on financial statements ▪ Unqualified assurance assertion on internal controls	▪ Target Met – Received unqualified audit opinion on FY 09 principal statements 11/6/09. ▪ Target Met – Issued unqualified assurance assertion on controls in place as of 6/30/09.

FY 2009		
Performance Measure	**Performance Target**	**Results**
Manage acquisitions in accordance with federal requirements and ensure process provides for the efficient use of Commission resources	▪ 25% of total procurement dollars awarded to small, women-owned, and minority businesses ▪ 100% of qualified procurements are performance-based	▪ Target Met. 33% of total available procurement dollars were awarded to small businesses during FY09. ▪ Target Met. 100% of qualified FY09 procurements were performance-based acquisitions.

PERFORMANCE DATA FOR JUST & REASONABLE RATES, TERMS AND CONDITIONS: FY 2010 – 2014

Further barriers to participation by demand resources in organized wholesale electric markets will be identified and eliminated.		
Year	Target	Result
FY 2010	Evaluate ISO/RTO filings on barriers to demand response. Complete and submit National Action Plan on Demand Response	Target Met. In FY 2010, issued orders evaluating 6 filings submitted by RTOs and ISOs to identify barriers to demand response and to comply with other requirements of Order No. 719. Completed and published on June 17, 2010, a National Action Plan on Demand Response (Docket No. AD09-10)
FY 2011	As appropriate, issue Notice of Proposed Rulemaking on further steps to eliminate barriers to demand resources, including steps identified in National Action Plan on Demand Response	Target Exceeded. On March 18, 2010, the Commission issued a notice of proposed rulemaking in Docket No. RM10-17-000, on Demand Response Compensation in Organized Wholesale Energy Markets, which proposed to eliminate a barrier to demand response resources receiving the same compensation as other supply-side resources selling into the organized wholesale electric market. The Commission was able meet the FY 2012 target ahead of schedule and issued the final rule, Order No. 745, requiring that demand response resources be paid the same market-clearing price as other resources was issued on March 15, 2011.
FY 2012	As appropriate, issue Final Rule on further steps to eliminate barriers to demand resources	Target Met. On December 15, 2011, the Commission issued Order 745-A, Demand Response Compensation in Organized Wholesale Energy Markets order on rehearing.
FY 2013	Implement Final Rule as appropriate	Target Met. The Commission issued an order on the sixth and remaining initial compliance filing related to Order No. 745, Demand Response Compensation in Organized Wholesale Energy Markets (Docket No. ER11-4338-000).
FY 2014	Monitor implementation and performance. Evaluate performance and seek changes as necessary	Target Met. Commission staff, as appropriate, monitored participation of demand response in organized wholesale markets. On May 23, 2014, in a split ruling in the case of Electric Power Supply Association v. FERC, No. 11-1486 (D.C. Cir. May 23, 2014), the U.S. Court of Appeals for the District of Columbia Circuit (D.C. Circuit) vacated and remanded FERC's final rule on demand response compensation in organized wholesale electric markets. On July 7, 2014, the Commission requested to rehearing en banc of the May 23, 2014 decision. The court denied this request September 17, 2014. On October 20, 2014, the D.C. Circuit granted FERC's motion to stay the issuance of the court's mandate during the period in which the court's decision could be appealed to the U.S. Supreme Court.

Best practices for demand response products and procedures will be explored and, as appropriate, implemented in organized wholesale electric markets.		
Year	Target	Result
FY 2010	Perform outreach with ISOs/RTOs, demand response providers, and others; as appropriate, issue NOPR on best practices	Target Met. Engaged in outreach between October 1, 2009 and January 31, 2010 with RTOs/ISOs, demand response providers, retail industry, technology providers and state regulators regarding practices affecting demand response products and procedures. One of the best practices identified concerned the level of compensation paid to demand response resources participating in wholesale electricity markets. On March 18, 2010, issued a notice of proposed rulemaking entitled Demand Response Compensation in Wholesale Electric Markets (Docket No. RM10-17).
FY 2011	As appropriate, issue Final Rule on best practices	Target Met. The Commission issued Order No. 745, Demand Response Compensation in Organized Wholesale Energy Markets, on March 15, 2011.Having identified a best practice used by some RTOs to compensate demand response resources at the same price received by other supply-side resources, such as generation, the final rule required all RTOs to pay comparable compensation to demand response resources in their own markets.
FY 2012	Implement Final Rule as appropriate	Target Met. The Commission has reviewed the filings made by six RTOs and ISOs to comply with Order No. 745, Demand Response Compensation in Organized Wholesale Energy Markets. The Commission determined that implementation of the Final Rule as proposed by five of the six RTOs and ISOs is appropriate, subject to additional compliance requirements in some instances, and issued orders on these five compliance filings. The Commission is determining whether implementation of the Final Rule as proposed in the sixth compliance filing is appropriate. Further, the Commission addressed other best practices by issuing a notice of proposed rulemaking on Standards for Business Practice and Communication Protocols for Public Utilities - Wholesale Electric Quadrant Demand Response Standards on April 19, 2012.
FY 2013	Monitor implementation and performance	Target Met. The Commission issued an order on the sixth and remaining initial compliance filing related to Order No. 745, Demand Response Compensation in Organized Wholesale Energy Markets. Further, the Commission on February 21, 2013, issued a Final Rule (Order No. 676-G) adopting Standards for Business Practices and Communications Protocols for Public Utilities.

Best practices for demand response products and procedures will be explored and, as appropriate, implemented in organized wholesale electric markets.		
FY 2014	Evaluate performance and seek changes as necessary	Target Met. Commission staff, as appropriate, monitored participation of demand response in organized wholesale markets. On May 23, 2014, in a split ruling in the case of Electric Power Supply Association v. FERC, No. 11-1486 (D.C. Cir. May 23, 2014), the U.S. Court of Appeals for the District of Columbia Circuit (D.C. Circuit) vacated and remanded FERC's final rule on demand response compensation in organized wholesale electric markets. On July 7, 2014, the Commission requested to rehearing en banc of the May 23, 2014 decision. The court denied this request September 17, 2014. On October 20, 2014, the D.C. Circuit granted FERC's motion to stay the issuance of the court's mandate during the period in which the court's decision could be appealed to the U.S. Supreme Court.

All resources that are technically capable of providing needed ancillary services have the opportunity to provide those services.		
Year	Target	Result
FY 2010	Perform outreach to identify the need for modification or creation of additional ancillary services, and issue NOPR, as appropriate	Target Not Met. Engaged in outreach between October 1, 2009 and June 30, 2010 with RTOs/ISOs, storage and other technology providers, industrial customers, and research organizations. On January 21, 2010, issued a Notice of Inquiry seeking public comment on the extent to which reforms are necessary to ensure that wholesale electricity tariffs, including those governing ancillary services, remain just, reasonable and not unduly discriminatory (Integration of Variable Energy Resources, Docket No. RM10-11-000). The Commission received over 2,000 pages of comments from industry, state & federal agencies, and consumer interests, which are being analyzed by Commission staff to determine the need to modify existing, or create additional, ancillary services through a NOPR. Because of the large number of comments, more time is needed to develop specific proposals to include in a NOPR. Work on a NOPR proposal will continue into the FY11. Although the Commission did not issue the NOPR in FY10, it will not have a negative impact on achieving future targets or overall program performance.
FY 2011	As appropriate, issue Final Rule on ancillary service products and procedures	Target Not Met. Until recently, generation resources provided all ancillary services used to support open access transmission services offered by transmission-owning utilities, RTOs and ISOs. New technologies, such as demand response and energy storage devices, are now available and capable of providing some needed ancillary services. A notice of inquiry was issued on Third-Party Provision of Ancillary Services; Accounting and Financial Reporting for New Electric Storage Technologies on June 15, 2011 (RM11-24-000). A notice of proposed rulemaking on Frequency Regulation Compensation in the Organized Wholesale Power Markets was issued on February 17, 2011.A draft final rule was submitted for the Commission's consideration on September 29, 2011. This will not have a negative impact on program performance.

All resources that are technically capable of providing needed ancillary services have the opportunity to provide those services.		
Year	Target	Result
FY 2012	Implement Final Rule as appropriate	Target Met. The Commission issued Order Nos. 755 and 755-A, Frequency Regulation Compensation in Organized Wholesale Power Markets on October 20, 2011 and February 16, 2012, respectively. The Commission has reviewed the filings made by five RTOs and ISOs to comply with the Final Rule. The Commission determined that implementation of the Final Rule as proposed by three of the RTOs and ISOs is appropriate, subject to additional compliance requirements in some instances, and issued orders on these three compliance filings. The Commission is determining whether implementation of the Final Rule as proposed in the two remaining compliance filing is appropriate. Further supporting this measure, the Commission issued a notice of proposed rulemaking on Third-Party Provision of Ancillary Services; Accounting and Financial Reporting for New Electric Storage Technologies on June 21, 2012.
FY 2013	Monitor implementation and performance	Target Met. The Commission issued orders on the two remaining compliance filings associated with Order No. 755, Frequency Regulation Compensation in the Organized Wholesale Power Markets. Further, a filing by a regional transmission organization not initially subject to Order No. 755 was made in FY 2013 and is pending Commission action. Further supporting this measure, the Commission issued Order No. 784, adopting the notice of proposed rulemaking on Third Party Provision of Ancillary Services; Accounting for Financial Reporting for New Electric Storage Technologies.
FY 2014	Evaluate performance and seek changes as necessary	Target Met. The Commission issued an order on clarification of Order No. 784 on February 20, 2014. The Commission has also approved compliance filings for all of the ISO/RTOs, except CAISO, as well as numerous compliance filings authorizing ancillary services sales in the bilateral markets.

Market reforms which will allow renewable resources to compete fairly will be explored and, as appropriate, implemented in Commission-jurisdictional markets.		
Year	Target	Result
FY 2010	Perform outreach with industry and issue staff white paper identifying potential need for and types of market reforms	Target Met and Exceeded.Conducted outreach between October 1, 2009 and June 30, 2010 with RTOs/ISOs, storage and other technology providers, industrial customers, and research organizations. After the outreach was completed, the Commission determined a Notice of Inquiry could be issued in lieu of a staff white paper and still achieve the same purpose. On January 21, 2010, issued an NOI seeking comment on the integration of variable energy (renewable) resources (Integration of Variable Energy Resources, Docket No. RM10-11-000).

Market reforms which will allow renewable resources to compete fairly will be explored and, as appropriate, implemented in Commission-jurisdictional markets.		
FY 2011	Issue a NOI/NOPR on market reforms, if appropriate	Target Met. The Commission issued a notice of proposed rulemaking, Integration of Variable Energy Resources (RM10-17-000) on November 18, 2010.
FY 2012	Issue Final Rule on market reforms, if appropriate	Target Met. On June 21, 2012, the Commission issued Order No. 764, Integration of Variable Energy Resources.
FY 2013	Monitor implementation and performance	Target Met. On December 20, 2012 and September 19, 2013, the Commission issued orders on rehearing of Order No. 764, Integration of Variable Energy Resources. The Commission also extended the deadline for submission of compliance filings from September 11, 2013 to November 12, 2013.
FY 2014	Evaluate performance and seek changes as necessary	Target Met. The Commission has acted on 33 of 35 filings submitted in compliance with Order No. 764. The Commission issued Order No. 792 on November 21, 2013, implementing improvements in the process of interconnecting small generators and storage to the electric transmission grid.

By FY 2014, efficiency in market operations will be enhanced through deployment of new software and optimization of hardware.		
Year	Target	Result
FY 2010	Internal release of staff white paper; industry outreach, including technical conferences, to identify best practices	Target Met. Explored opportunities to enhance operational efficiency in jurisdictional markets through the deployment of new modeling software and optimization of market operations. Staff held three conferences in June 2010 to gather information from the public regarding modeling and software enhancements. On July 29, 2010, delivered a white paper to the Commission's Chief of Staff outlining opportunities for further work on this project.
FY 2011	Pursue voluntary adoption of best practices by RTOs/ISOs; if appropriate, issue Policy Statement and/or NOI/NOPR	Target Met. A technical conference exploring best practices was convened on June 28-30, 2011.At the conference, market operators and others discussed best practices, software improvements and optimization processes. This forum allows for the diffusion of knowledge of useful best practices, reports to a wide audience on improvements under development, and provides useful information that market operators can use to access improvements in their own operations based on the best practices of their peers.

By FY 2014, efficiency in market operations will be enhanced through deployment of new software and optimization of hardware.		
FY 2012	Follow-up workshops on best practices implementation; issue Final Rule, if relevant	Target Met. On March 20, 2012, a workshop on best practices in software planning modeling was held. A Final Rule is not relevant for this performance measure. In FY 2011, it was determined that a technical conference would be more effective in furthering implementation of best practices than initiating a rulemaking proceeding. Without a rulemaking proceeding in FY 2011, pursuance of a Final Rule in FY 2012 was no longer relevant. Rather, staff held a follow-up workshop to identify best practices in the specific area of software planning modeling.
FY 2013	Monitor implementation and performance	Target Met. The Commission held a meeting on Potential Improvements in Computational Models for Markets of the Future to Enhance the Efficiency of Independent System Operators Markets in 2025 on May 2, 2013. The Commission also held a Technical Conference on Increasing Real-Time and Day-Ahead Market Efficiency Through Improved Software (AD10-12-004) on June 24-26, 2013.
FY 2014	Evaluate performance and seek changes as necessary	Target Met. A meeting on ISO Market Design was held April 10, 2014 and a Technical Conference on Increasing Real-Time And Day-Ahead Market Efficiency Through Improved Software (AD10-12-005) was held June 23-25, 2014.

By FY 2014, the performance of markets within and outside of ISOs/RTOs will be measured using a common set of metrics.[3]		
Year	Target	Result
FY 2010	Explore and develop appropriate operational and financial metrics for ISOs/RTOs	Target Not Met. During FY 2010, Commission staff worked with RTO and ISO staff, stakeholders and other experts to develop standardized metrics to track the performance of RTOs and ISOs and transactions in the markets they administer. Proposed metrics were made publicly available for comment in February 2010, and Commission staff has reviewed comments submitted on the proposed metrics. While the final metrics were not issued during FY 2010, this had no adverse impact on the program. The Commission expects to release the final metrics in early FY 2011 and to collect data from the RTOs and ISOs shortly thereafter. These final metrics will measure performance with respect to a number of areas, including: reliability standards, customer costs, demand response market penetration, and transmission investment.

[3]The FY 2012 Performance Target reflects an adjustment made to the Commission's Strategic Plan as allowed by the GPRA Modernization Act of 2010.

By FY 2014, the performance of markets within and outside of ISOs/RTOs will be measured using a common set of metrics.[3]		
FY 2011	Explore and develop appropriate operational and financial metrics for non-ISO/RTO regions	Target Not Met. Commission staff has been engaged in a voluntary and collaborative process with a diverse group of non-RTO utilities to develop proposed operational and financial performance metrics for non-RTO regions. Outreach meetings were held in September 2011 with major industry organizations to discuss the proposed performance metrics. Following these outreach meetings, the proposed performance metrics will be issued for public comment. In FY 2012, Commission staff will issue a report that addresses the comments and recommends the final list of performance metrics. Participating non-RTO utilities will then issue their reports on these final metrics and Commission staff will issue a final report. While the final metrics were not issued during FY 2011, Commission staff is on schedule to issue final metrics in FY 2012 which will have no adverse impact on the program. Commission staff expects to release the final metrics and collect data from non-RTO utilities on these metrics by the third quarter of FY 2012.
FY 2012	Explore and develop appropriate operational and financial metrics for non-ISOs/RTO regions	Target Not Met. Beginning in FY 2011, Commission staff has been engaged in a voluntary and collaborative process with a diverse group of non-RTO utilities to develop proposed operational and financial performance metrics. It has taken longer than anticipated for this group to organize and reach consensus on a list of proposed metrics. In February 2012, the draft metrics were issued for public comment with an extended comment period of 75 days, 45 days longer than the typical 30 day comment period. Commission staff expects to issue in FY 2013 a report that will recommend a final list of performance metrics. This will not have a negative impact on program performance.
FY 2013	Establish appropriate common metrics between ISOs/RTOs and non-ISOs/RTOs	Target Met. Staff issued a report specifying performance metrics for regions outside ISO and RTO markets. The metrics in this report are a subset of the ISO and RTO performance metrics and therefore represent common metrics that are applicable to all regions.
FY 2014	Monitor implementation and performance	Target Met. In FY 2014, staff issued a report measuring the performance of markets within and outside ISOs/RTOs using a common set of metrics.

By FY 2014, appropriate filings and issues will employ alternative dispute resolution and collaborative processes first.[4]		
Year	Target	Result
FY 2010	Develop guidelines/tariff provisions to apply to filings/issues amenable to consensual resolution	Target Not Met. During FY 2010, staff reviewed and categorized two years of recent Commission orders which set cases for consensual resolution/hearing. Internal dialogue with senior staff and program managers provided additional understanding into the types of cases which may be amenable to consensual resolution. Through these efforts, a baseline of the types of cases and issues that the Commission traditionally sets for consensual resolution/hearing was established. Following this internal communication, staff identified a list of approximately 30 external stakeholders who could provide valuable insight to the guideline development process. Acquiring the input from these external stakeholders has taken significantly more time than anticipated because the number of external parties is much higher than originally planned. The meetings that have occurred to date have been very productive and the Commission staff will continue to meet with the remaining parties throughout the first and second quarters of FY 2011. Although the Commission did not finalize the guidelines in FY 2010, it will not have a negative impact on overall program performance. The Commission staff will work diligently in FY 2011 to incorporate into the guidelines the external parties' feedback. Further, the Commission will make every effort to initiate the pilot in the second half of FY 2011 in accordance with the established target date.
FY 2011	Implement rules setting forth guidelines/tariff provisions and initiate pilot programs	Target Not Met. The Commission was not able to meet this target due to the retirement of key management personnel during FY 2011. However, staff was able to make significant progress by meeting with 13 external stakeholder organizations. These organizations represent a broad spectrum of industries subject to Commission regulation. Their input was sought on new areas and types of issues where collaborative processes could foster the settlement of proceedings. Based on suggestions received in these meetings, staff prepared recommendations on additional issues and types of Commission proceedings where collaborative processes may be the most effective. Although the guidelines were not implemented in FY 2011, it will not have a negative impact on overall program performance.
FY 2012	Implement rules setting forth guidelines/tariff provisions and initiate pilot programs	Target Not Met. No additional measures for consensual resolution were identified as feasible; therefore, this measure is no longer applicable. This will not have a negative impact on program performance.

[4]The FY 2012 Performance Target reflects an adjustment made to the Commission's Strategic Plan as allowed by the GPRA Modernization Act of 2010.

By FY 2014, 70 percent of company compliance programs reviewed on Commission audits for the audit focus areas are found to be adequate to demonstrate a culture of compliance.		
Year	Target	Result
FY 2010	10%	Target Met. 50% (2/4) of compliance programs were found to demonstrate an adequate culture of compliance. Because this performance measure is new for FY 2010, only audits that were started and completed in FY 2010 were included. In determining which audits would be included in the universe for this measure, the Commission developed general guidelines. In order to maintain consistency over time, only large, multi-scope audits will be included in this measure's universe.
FY 2011	25%	Target Met. The Commission found that 63% (5/8) of compliance programs were adequate to demonstrate a culture of compliance.
FY 2012	40%	Target Met. The Commission found that 67% (8 of 12) compliance programs were adequate to demonstrate a culture of compliance.
FY 2013	55%	Target Met. 90% (18 out of 20) of compliance programs found to be adequate to demonstrate a culture of compliance.
FY 2014	70%	Target Met. 89% (17/19) of compliance programs found to be adequate to demonstrate a culture of compliance.

By 2014, 70 percent of compliance programs reviewed through investigations that involve a penalty are found to be sufficiently robust to merit credit to reduce the penalty.		
Year	Target	Result
FY 2010	10%	Target Met. During FY 2010, 26 percent (20 out of 77) of the relevant cases, the Commission found compliance programs in place at the time of the violation to be sufficiently robust as to merit credit to reduce or eliminate penalties.
FY 2011	25%	Target Met. In 32% (32/100) of the relevant cases, the Commission found compliance programs in place at the time of the violation to be sufficiently robust as to merit credit to reduce or eliminate penalties.
FY 2012	40%	Target Met. In 43% of the relevant cases, the Commission found compliance programs in place at the time of the violation to be sufficiently robust as to merit credit to reduce or eliminate penalties.
FY 2013	55%	Target Met. In 55% (10 out of 18) of the relevant cases, the Commission found compliance programs in place at the time of the violation to be sufficiently robust as to merit credit to reduce or eliminate penalties.
FY 2014	70%	Target Met. In 71% (5 out of 7) of the relevant cases, Commission staff found company compliance programs to merit credit to reduce or eliminate penalties.

By FY 2014, 80 percent of the Commission's audit program will be planned using a risk-based approach.		
Year	Target	Result
FY 2010	40%	Target Met. 55% (52/94) audits planned using a risk-based approach.
FY 2011	60%	Target Met. 85% (57/67) of the audits were planned by the Commission staff using a risk-based approach.
FY 2012	80%	Target Met. 88% (43/49) of the audits were planned by the Commission staff using a risk-based approach.
FY 2013	80%	Target Met. 98% (47/48) of audits planned using a risk-based approach.
FY 2014	80%	Target Met. 100% (33/33) of audits planned using a risk-based approach.

PERFORMANCE DATA FOR INFRASTRUCTURE: FY 2010 – 2014

By FY 2014, 50 percent of all new transmission projects will incorporate advanced technologies.		
Year	Target	Result
FY 2010	5%	Target Met. In FY 2010, the Commission acted on 11 requests for incentives or negotiated rate authority for new transmission. Of those 11 requests, the Commission found one project (9 percent) which included advanced transmission technologies.
FY 2011	10%	Target Met. Of the projects that met the criteria, 67% (10/15) incorporated advanced technologies.
FY 2012	20%	Target Met. Of the projects that met the criteria 68% (17 projects) incorporated advanced technologies.
FY 2013	35%	Target Met. Of the 25 projects that met the criteria, 16 (64%) incorporated advanced technologies.
FY 2014	50%	Target Met. Of the projects that met the criteria, 30 (61%) incorporated advanced technologies.

By 2014, all public utilities will implement open and transparent transmission planning processes that include analysis and consideration on a comparable basis of proposed solutions involving any of generation, transmission, and demand resources.		
Year	Target	Result
FY 2010	Assessment of transmission planning process best practices, including the potential for collaborative decision making, and issue NOPR, as appropriate (Assessment includes how options to transmission are considered.)	Target Met. Upon review of more than 3,000 pages of comments and significant staff-led outreach, staff prepared recommendations for Commission consideration that led to the issuance of a NOPR on June 17, 2010 (Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities, Docket No. RM10-23-000).
FY 2011	As appropriate, issue Final Rule on transmission planning process best practices	Target Met. The Commission issued the final rule, Order No. 1000, Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities, (RM10-23-000) on July 17, 2011.

By 2014, all public utilities will implement open and transparent transmission planning processes that include analysis and consideration on a comparable basis of proposed solutions involving any of generation, transmission, and demand resources.		
FY 2012	Implement Final Rule as appropriate	Target Met. The Commission in Order No. 1000 encouraged public utility transmission providers to engage in frequent dialogue with Commission staff to explore issues that are specific to each transmission planning region in preparing their compliance filings (which are due in October 2012). To facilitate that dialog, Commission staff identified regional meetings where public utilities intended to discuss compliance with Order No. 1000, and participated, by phone and in-person, at 173 of those meetings. Staff's participation was both to monitor the progress of each region and to act as a resource for public utility transmission providers and stakeholders about issues related to Order No. 1000. In addition, staff was available to answer questions and meet with public utility transmission providers and stakeholders that had specific questions about Order No. 1000 compliance.
FY 2013	Monitor implementation and performance	Target Met. In FY 2013, the Commission issued fifteen orders addressing all of the initial regional compliance filings. Also, Commission staff attended, in person and through teleconference, various Order No. 1000 open meetings held in each transmission planning region. At these meetings, staff provided assistance to public utilities, stakeholders and other interested parties regarding the interregional compliance requirements of Order No. 1000.
FY 2014	Evaluate performance and seek changes as necessary	Target Met. In FY 2014, the Commission issued orders on twelve second round regional compliance filings made by public utility transmission providers. The Commission has received and Commission staff have reviewed interregional compliance filings from all regions.

By FY 2014, 100 percent of jurisdictional natural gas companies will be examined for feasibility of installing waste heat recovery systems.		
Year	Target	Result
FY 2010	20%	Target Met. In FY 2010, Commission staff examined 44 (20 percent) of the Commission's jurisdictional natural gas companies for feasibility of installing waste heat recovery systems.
FY 2011	40%	Target Met. Commission staff examined a total of 40% of the Commission's jurisdictional natural gas companies (65 of 159) for feasibility of installing waste heat recovery systems. In FY 2011 specifically, Commission staff examined 32 companies.
FY 2012	60%	Target Met. In FY 2012, Commission staff examined a total of 62% of the Commission's jurisdictional natural gas companies (98 of 159) for feasibility of installing waste heat recovery systems. In FY 2012 specifically, Commission staff examined 33 companies.

By FY 2014, 100 percent of jurisdictional natural gas companies will be examined for feasibility of installing waste heat recovery systems.		
FY 2013	80%	Target Met. Between FYs 2010 and 2013, Commission staff examined a total of 81% of the Commission's jurisdictional natural gas companies (129 of 159) for feasibility of installing waste heat recovery systems. In FY 2013 specifically, Commission staff examined 31 companies.
FY 2014	100%	Target Met. Between FYs 2010 and 2014, Commission staff examined a total of 100% of the Commission's jurisdictional natural gas companies (169 of 169) for feasibility of installing waste heat recovery systems. In FY 2014 specifically, Commission staff examined 40 companies.

By FY 2014, risk-informed decision making will be incorporated into the FERC dam safety program.		
Year	Target	Result
FY 2010	Develop action plan	Target Met. In FY 2010, the Commission developed and finalized its RIDM Action Plan which outlines the work efforts required over the next four years to incorporate RIDM into its dam safety program.
FY 2011	Portfolio Risk Assessment of FERC dam inventory	Target Not Met. In FY 2011 the Commission did not complete the Portfolio Risk Assessment; however, the screening level portfolio risk assessment tool was finalized.
FY 2012	Determine RIDM is consistent with regulatory process	Target Met. As a result of the Screening Level Portfolio Risk assessment of the Commission's dams conducted in FY 2012, it was determined that RIDM could be incorporated into the Commission's dam safety program.
FY 2013	Finalize policy and technical guidelines	Target Met. Ten chapters finalizing the policy and technical guidelines on the use of Risk Informed Decision Making in the Commission's Dam Safety Program have been completed.
FY 2014	Fully incorporate RIDM into the dam safety program	Target Met. RIDM has been incorporated into the FERC Dam Safety Program; licensees may request the use of RIDM, and, if the necessary conditions are met, the request will be approved. The chapters developed to date provide the necessary guidelines to implement RIDM in the FERC Dam Safety Program. The Commission will continue to seek input on the Engineering Guidelines and current comments on seven Engineering Guidelines chapters. The comment period on these chapters will end April of 2015. In addition, two pilot studies are underway, and it is expected that two more will be conducted within the next year. The Commission expects to continually improve upon the RIDM program to maintain the highest levels of engineering expertise available.

By FY 2014, proposed Reliability Standards will be processed in a timely manner at least 80 percent of the time.		
Year	Target	Result
FY 2010	75%	Target Met.96% of filed reliability standards have orders issued within 18 months.
FY 2011	75%	Target Met. 97% of proposed reliability standards have been processed with orders issued within 18 months.
FY 2012	75%	Target Met. 100% of filed reliability standards (including regional and CIP standards) have been processed with orders issued within 18 months.
FY 2013	80%	Target Met. 100% of filed reliability standards have orders issued within 18 months (includes regional and CIP standards).
FY 2014	80%	Target Met. 100% (26 of 26) of filed reliability standards have been processed with orders issued within 18 months.

By FY 2014, Reliability Standards will be enforced effectively, resulting in a reduction of the frequency of repeat violations by at least 10 percent.		
Year	Target	Result
FY 2010	Establish tracking process	Target Met. The Commission developed in FY 2010 a database to track violations from Notices of Penalty filed by the ERO. As part of this process, the Commission determined the measurable parameters (e.g., what constitutes a repeat violation over a designated time period) to facilitate a determination as to the observed rate of repeat violations of the Reliability Standards.
FY 2011	Track violations per entity	Target Met. Through the tracking mechanism established in FY 2010, staff has been tracking violations per entity during FY 2011 to analyze the current rate of violations and establish a baseline rate. A report analyzing the collected data from Notices of Penalty filed by the ERO was completed by 8/31/11.
FY 2012	Track violations per entity	Target Met. The annual report analyzing FY 2011 data was completed on December 2, 2011 and an additional mid-year report was completed on July 30, 2012.
FY 2013	Identify number of repeat violations using NOPs	Target Met. The Commission developed a report, tracking and analyzing repeat violations.
FY 2014	Decrease repeat violations by 10%	Target Not Met. The cumulative repeat rate for FY 2014 was 35.8%, which is above the target rate of 19.5%. The measure was not met due to several external factors, including NERC's shift away from increasing penalties as a deterrent and towards resource efficiency. Nevertheless, staff concluded that the overall reliability objective, protecting reliability by effectively enforcing the Reliability Standards, was met.

By FY 2014, reliability parameters that could affect national goals of reducing carbon and increasing the penetration of renewable energy resources on the electric transmission grid will be finalized.		
Year	Target	Result
FY 2010	Establish contacts and develop research, data collection and reporting processes	Target Met. In FY 2010, Commission staff established approximately 100 industry contacts across the nation and internationally. The Commission has led and participated in the efforts to conduct technical studies on Frequency Response, Electromagnetic Pulse and the potential impact of early Coal Plant retirements due to potential regulations. The research the Commission staff has done on complex and highly technical studies provide guidance and direction in establishing the parameters to protect and preserve reliability as industry integrates large amounts of renewable generation into the bulk power system.
FY 2011	Track studies and identify or propose reliability parameters. Perform initial analysis to assess if they are feasible for the bulk power system	Target Met. Commission staff performed and completed analyses on the Frequency Response study including identifying reliability parameters. The report on Frequency Response was issued in January 2011. NERC's Reliability Metrics Work Group adopted Frequency Response as a reliability parameter to track on a trial basis.
FY 2012	Track studies and identify or propose reliability parameters. Perform expanded analysis to assess if they are feasible for the bulk power system	Target Met. Commission staff tracked three studies identifying several reliability parameters and performed two expanded analyses to assess their feasibility. Specifically, staff 1) performed detailed technical analysis related to the Arizona-Southern California outages showing system operating limits, interconnection reliability operating limits, voltage collapse and special protection scheme reliability parameters were not appropriately considered; 2) tracked and conducted an expanded detailed analysis of the EPA regulations on the Bulk Power System and participated in the Commission-led technical conference; and 3) analyzed documentation and conducted a technical workshop on voltage coordination on high voltage grids to assess the feasibility of adjusting voltage reliability parameters.
FY 2013	Present analysis to industry	Target Met. The Commission received and reviewed industry comments in response to the Commission-issued report on Frequency Response.
FY 2014	Consider industry input and finalize the parameters	Target Met. After reviewing the industry comments in response to the Commission-issued report on Frequency Response, Commission staff determined that no changes to the parameters were warranted.

Appendix A: Statutory Authority

Provided below is a listing of federal statutes applicable to the Commission. Links to these statutes are available on the Commission's website at www.ferc.gov under Legal Resources.

Electric, Hydropower, & General Statutes

Federal Power Act
Energy Policy Act of 2005
Energy Policy Act of 1992
Power Plant & Industrial Fuel Use Act
Department of Energy Organization Act
Electric Consumers Protection Act (ECPA)
Electronic Freedom of Information Act of 1996
Energy Independence and Security Act of 2007 (EISA)
Public Utility Holding Company Act of 2005 (PUHCA)
Public Utility Regulatory Policies Act of 1978 (PURPA)
Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA)
Information Technology Management Reform Act of 1996 (ITMRA/Clinger-Cohen Act)

Natural Gas Statutes

Natural Gas Act
Natural Gas Policy Act of 1978
Alaska Natural Gas Pipeline Act of 2004
Alaska Natural Gas Transportation Act of 1976
Outer Continental Shelf Lands Act of 1978 (OCSLA)
Natural Gas Wellhead Decontrol Act of 1989 (NGWDA)

Oil Statutes

Interstate Commerce Act
Oil Pipeline Regulatory Reform

Environmental and Other Statutes

Clean Air Act
Clean Water Act
Rivers and Harbors Act
Endangered Species Act
Wild and Scenic Rivers Act
Coastal Zone Management Act
National Historic Preservation Act
Fish and Wildlife Coordination Act
National Environmental Policy Act (NEPA)

Appendix B: Acronym Listing

Acronym	Full Description
ADR	Alternative Dispute Resolution
CAISO	California Independent System Operator
CSRS	Civil Service Retirement System
C.F.R.	Code of Federal Regulations
CIP	Critical Infrastructure Protection
DOE	Department of Energy
DOL	Department of Labor
DRS	Dispute Resolution Service
EQR	Electric Quarterly Report
ERO	Electric Reliability Organization
FEVS	Federal Employee Viewpoint Survey
FECA	Federal Employees Compensation Act
FERS	Federal Employees’ Retirement System
FERC	Federal Energy Regulatory Commission
FFMIA	Federal Financial Management Improvement Act of 1996
FPA	Federal Power Act
FPC	Federal Power Commission
FFT	Find, Fix, Track and Report
FY	Fiscal Year
FTE	Full Time Equivalent
FRAE	Further Revised Annuity Employees
GSA	General Services Administration
GPRA	Government Performance and Results Act
IOAA	Independent Offices Appropriations Act of 1952
ISO	Independent System Operator
ISO-NE	ISO New England
LNG	Liquefied Natural Gas
MISO	Midcontinent Independent System Operator
NEPA	National Environmental Policy Act
NYISO	New York Independent System Operator
NERC	North American Electric Reliability Corporation
NOI	Notice of Inquiry
NOPR	Notice of Proposed Rulemaking
OE	Office of Enforcement
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PJM	PJM Interconnection
RTO	Regional Transmission Organization

RAE	Revised Annuity Employees
RIDM	Risk-informed Decision Making
SPP	Southwest Power Pool
SBR	Statement of Budgetary Resources
SFFAS	Statement on Federal Financial Accounting Standards
SSR	System Support Resources
D.C. Circuit	U.S. Court of Appeals for the District of Columbia Circuit
WMR	Weekly Market Review