Federal Energy Regulatory Commission

Fiscal Year 2010 Congressional Performance Budget Request

Chairman Jon Wellinghoff

Federal Energy Regulatory Commission

Strategic Plan FY 2006 – FY 2011

Mission

Regulate and oversee energy industries in the economic, environmental, and safety interests of the American public.

Vision

Abundant, reliable energy in a fair competitive market.

Guiding Principles that Strengthen the Commission's Overall Performance

To fulfill its Mission, the Federal Energy Regulatory Commission commits to…

Organizational Excellence

Use resources efficiently and effectively to achieve its strategic priorities.

Due Process & Transparency

Complete regulatory proceedings in an open and fair manner, consistent with established regulations.

Regulatory Certainty

Provide regulatory certainty through consistent Commission approaches and actions.

Stakeholder Involvement

Ensure that interested parties are informed and provided an appropriate opportunity to participate in Commission proceedings.

Timeliness

Act on regulatory matters in an expeditious manner.

Goal 1: Energy Infrastructure

Promote the Development of a Strong Energy Infrastructure

Objective A: Stimulate Appropriate Infrastructure Development

- Resolve regulatory and other challenges to needed development
- Encourage investment and effect timely cost recovery

Objective B: Maintain a Reliable and Safe Infrastructure

- Assure reliability of interstate transmission grid
- Protect safety at LNG and hydropower facilities
- Incorporate environmental considerations into Commission decisions

Goal 2: Competitive Markets

Support Competitive Markets

Objective A: Develop Rules that Encourage Fair and Efficient Competitive Markets

- Employ best practices in market rules
- Reduce barriers to trade between markets and among regions

Objective B: Prevent Accumulation and Exercise of Market Power

- Assure proposed mergers and acquisitions are in the public interest
- Address market power in jurisdictional wholesale markets

Goal 3: Enforcement

Prevent Market Manipulation

Objective A: Provide Vigilant Oversight

- Identify and remedy problems with structure and operations in energy markets

Objective B: Provide Firm but Fair Enforcement

- Establish clear and fair processes
- Conduct investigations promptly and impose penalties where appropriate
- Encourage self-policing and -reporting of violations

TABLE OF CONTENTS

SUMMARY OF FY 2010 RESOURCE REQUEST

The Federal Energy Regulatory Commission (FERC or the Commission) requests funding of $298,000,000 and 1,528 full-time equivalents (FTE) for fiscal year (FY) 2010. The increase in resources through FY 2010 is primarily associated with the continued strengthening of its reliability and enforcement efforts. FERC is requesting an additional 44 FTEs in FY 2010 for electrical engineers to respond to increased workload related to the reliability standards development process; reliability compliance; critical infrastructure protection (CIP) standards work; emergency monitoring; and the regional planning process. An additional five FTEs are requested to support the market oversight functions. The Commission is also in need of additional attorneys to handle an increased workload associated with enforcement related orders and proceedings resulting from increased investigations. Lastly, additional resources are requested to further develop and fully implement the dam safety reliability/risk assessment program and to aid in the processing of hydroelectric license applications. The salary and benefit expense associated with the FTE increase accounts for over 84 percent of the Commission's funding increase. Additional rent expenses account for another twelve percent of the increase. The remainder of the increase is associated with additional funding for consultants necessary for enforcement proceedings as well as contractor support for hydroelectric project licensing and relicensing efforts. The tables below are a summary of the Commission's resources by program goals and objectives.

Program Funding (Dollars in Thousands)	**FY 2008 Actual**	**FY 2009 Estimate**	**FY 2010 Request**	**% (+/-) FY 2009 to FY 2010**
Energy Infrastructure	**$ 190,018**	**$ 205,680**	**$ 225,245**	**9.50%**
Stimulate Development	134,074	135,654	141,656	4.40%
Maintain Reliable & Safe Infrastructure	55,944	70,026	83,589	19.40%
Competitive Markets	**$ 28,964**	**$ 34,907**	**$ 36,442**	**4.40%**
Develop Rules	19,095	24,603	25,677	4.40%
Prevent Market Power	9,869	10,304	10,765	4.50%
Enforcement	**$ 28,707**	**$ 32,813**	**$ 36,313**	**10.70%**
Oversight	8,841	8,718	10,521	20.70%
Enforcement	19,865	24,095	25,792	7.00%
TOTAL	**$ 247,689**	**$ 273,400**	**$ 298,000**	**9.00%**

Program FTEs	**FY 2008 Actual**	**FY 2009 Estimate**	**FY 2010 Request**	**% (+/-) FY 2009 to FY 2010**
Energy Infrastructure	**983**	**1,090**	**1,148**	**5.30%**
Stimulate Development	702	724	729	0.60%
Maintain Reliable & Safe Infrastructure	281	366	420	14.60%
Competitive Markets	**158**	**194**	**194**	**0.20%**
Develop Rules	104	137	137	0.10%
Prevent Market Power	54	57	57	0.30%
Enforcement	**141**	**181**	**186**	**2.60%**
Oversight	43	48	54	11.90%
Enforcement	97	133	132	-0.80%
TOTAL	**1,282**	**1,465**	**1,528**	**4.30%**

Note: Numbers in tables may not add due to rounding.

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 Federal Power Act (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 appropriation.

Full Cost Recovery (Dollars in Thousands)	**FY 2008 Actual**	**FY 2009 Estimate**	**FY 2010 Request**
Appropriation	$ 260,425	$ 273,400	$ 298,000
Offsetting Collections	-260,425	-273,400	-298,000
Net Appropriation	**$ -**	**$ -**	**$ -**

PROPOSED APPROPRIATION LANGUAGE

For necessary expenses of the Commission to carry out the provisions of the Department of Energy Organization Act (42 U.S.C. 7101 et seq.), including services as authorized by 5 U.S.C. 3109, the hire of passenger motor vehicles, and official reception and representation expenses not to exceed $3,000, $298,000,000, to remain available until expended: Provided, That notwithstanding any other provision of law, not to exceed $298,000,000 of revenues from fees and annual charges, and other services and collections in FY 2010 shall be retained and used for necessary expenses in this account, and shall remain available until expended: Provided further, That the sum herein appropriated from the general fund shall be reduced as revenues are received during FY 2010 so as to result in a final FY 2010 appropriation from the general fund estimated at not more than $0.

HISTORY AND OVERVIEW OF THE FEDERAL ENERGY REGULATORY COMMISSION

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

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 Chair 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.

FERC's Current Chairman and Commissioners

Chairman Wellinghoff
Sworn In: July 31, 2006
Term Expires: June 30, 2013

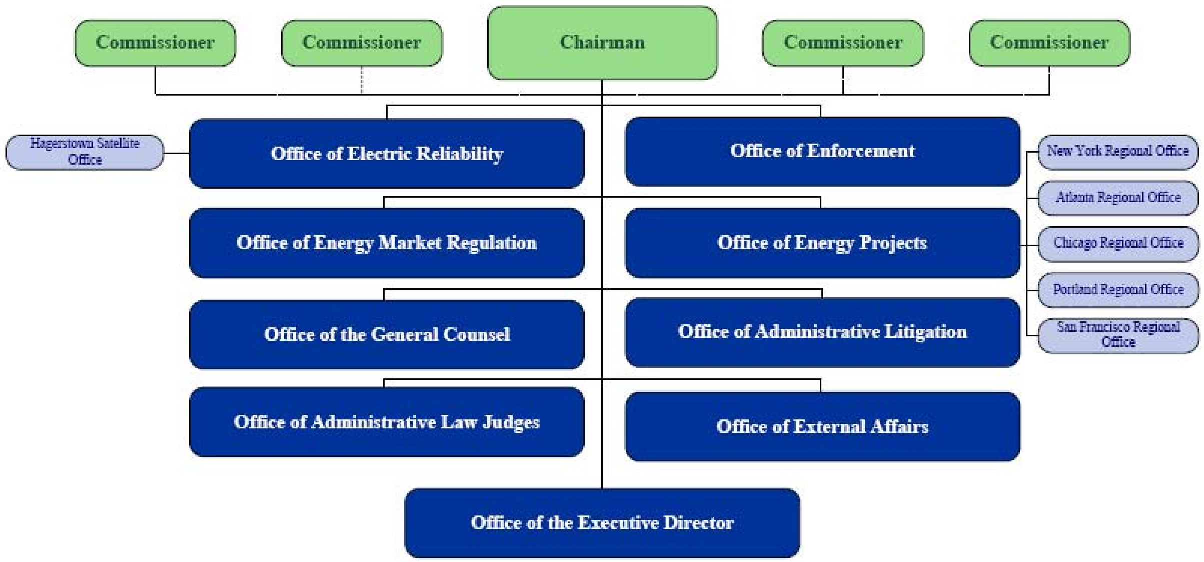
Commissioner Kelly
Sworn In: November 24, 2003
Term Expires: June 30, 2009

Commissioner Spitzer
Sworn In: July 21, 2006
Term Expires: June 30, 2011

Commissioner Moeller
Sworn In: July 24, 2006
Term Expires: June 30, 2010

In addition to the Chairman and Commissioners, FERC is organized into nine separate functional offices; each is 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.

FEDERAL ENERGY REGULATORY COMMISSION
Organizational Chart



As of March 10, 2009

Office of Administrative Law Judges (ALJ) - Resolves contested cases as directed by the Commission either through impartial hearing and decision or through negotiated settlement, ensuring that the rights of all parties are preserved.

Office of Administrative Litigation (OAL) - Litigates or otherwise resolves cases set for hearing. Represents the public interest and seeks to litigate or settle cases in an equitable manner while ensuring the outcomes are consistent with Commission policy. The Dispute Resolution Service (DRS) is located within OAL and provides neutral, third-party assistance using alternative dispute resolution (ADR) methods to parties in regulatory and environmental conflict; trains staff and energy stakeholders in collaborative problem-solving tools to develop and ensure a reliable infrastructure.

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

Office of Energy Market Regulation (OEMR) – Provides technical and policy advice on matters involving markets, tariffs and rates relating to electric, natural gas, and oil pipeline facilities and services as well as demand response, energy efficiency, distributed generation, renewable energy issues, greenhouse gas emissions policies, and advanced technologies relevant to grid and wholesale markets.

Office of Energy Projects (OEP) - Fosters economic and environmental benefits for the Nation through the approval and oversight of hydroelectric, natural gas, (including pipelines, storage, and liquefied natural gas (LNG) facilities) , and electric transmission projects that are in the public interest.

Office of Enforcement (OE) - Protects customers through understanding markets and their regulation, timely identifying and remedying market problems, assuring compliance with rules and regulations, and detecting violations and crafting appropriate remedies, including civil penalties.

Office of External Affairs (OEA) - Responsible for all external communications with the public and media for the Commission.

Office of the Executive Director (OED) - Provides administrative support services to the Commission including human resources (HR), procurement, information technology (IT), organizational management, financial, and logistic functions.

Office of the General Counsel (OGC) - Provides legal services to the Commission. Represents the Commission before the courts and Congress and is responsible for the legal aspects of the Commission's activities.

REGULATORY AUTHORITY HISTORY AND OVERVIEW

The Commission has an important role in the development of a reliable energy infrastructure and 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 that are described below.

HYDROPOWER

Congress passed the Federal Water Power Act of 1920 which gave the FPC its original authority to license and regulate nonfederal -hydropower projects on navigable waterways and federal lands. As the regulatory authority of the FPC expanded, the Federal Water Power Act ultimately became Part I of the FPA. Part I of the FPA has been amended by subsequent statutes including the Electric Consumers Protection Act of 1986 and the Energy Policy Act of 1992. The Commission relies on these authorities to carry out its hydropower responsibilities including: the issuance of preliminary permits; the issuance of licenses for the construction of a new project; the issuance of licenses for the continuance of an existing project (relicensing); the investigation and assessment of headwater benefits; and the oversight of all ongoing project operations, including dam safety and security inspections, public safety and environmental monitoring. While the Commission's responsibility under the FPA is to strike an appropriate balance among the many competing developmental and environmental interests, several other laws, statutes, and executive orders affect hydropower regulation. These include, but are not limited to, the National Environmental Policy Act (NEPA), Clean Water Act, Coastal Zone Management Act, Endangered Species Act, Fish and Wildlife Coordination Act, and National Historic Preservation Act.

ELECTRIC

Since 1935, the Commission has regulated certain electric industry activities under the FPA. Under FPA sections 205 and 206, the Commission ensures that the rates, terms and conditions of sales for resale of electric energy and transmission in interstate commerce by public utilities are just, reasonable, and not unduly discriminatory or preferential. Under FPA section 203, as amended by the Energy Policy Act of 2005 (EPAct 2005), the Commission reviews mergers and acquisitions, and certain other corporate transactions involving public utilities and public utility holding companies.

The Commission is also ultimately responsible for protecting and improving the reliability of the bulk power system. Section 215 of the FPA provides for the establishment of a federal regulatory system of mandatory and enforceable electric reliability standards for the Nation's bulk power system. The standards, developed by a Commission-certified Electric Reliability Organization (ERO) and approved by the Commission, apply to all users, owners, and operators of the bulk power system. The ERO operates within the 48 contiguous states and is under the direct oversight of the Commission. The Commission is ultimately responsible for the effective enforcement of the standards.

The Commission also has other electric regulatory responsibilities under portions of the Public Utility Regulatory Policies Act of 1978 (PURPA) and the Public Utility Holding Company Act of 2005 (PUHCA 2005) pertaining to qualifying facilities, exempt wholesale generators, and books and records access requirements.

Under the Energy Independence and Security Act of 2007 (EISA), the Commission, along with DOE and National Institute of Standards and Technology (NIST), participates in a smart grid taskforce to ensure awareness, coordination, and integration of the federal government's diverse activities related to smart grid technologies and practices.

> ***Smart Grid*** is shorthand for a growing array of applications and devices that enhance and automate the monitoring and control of electrical transmission and distribution networks for added reliability, efficiency and cost-effective operations.

The Commission also has limited authority over the siting of electric transmission facilities. Under section 216 of the FPA, the Commission is responsible, subject to certain conditions, for authorizing interstate electric transmission facilities that are proposed in National Interest Electric Transmission Corridors, designated by the Secretary of Energy.

The Commission's regulations apply primarily to investor-owned utilities. Government-owned utilities (e.g., Tennessee Valley Authority, federal power marketing agencies), state and municipal utilities, and most cooperatively-owned utilities are not subject to Commission regulation (with certain exceptions). Regulation of retail sales and local distribution of electricity are matters left to the states. In addition, the Commission does not have a role in authorizing the construction of new generation facilities (other than non-federal hydroelectric facilities) which is the responsibility of state and local governments.

NATURAL GAS AND LIQUEFIED NATURAL GAS (LNG)

The Commission's role in regulating the natural gas industry is largely defined by the Natural Gas Act of 1938 (NGA). Under section 3 of the NGA, the Commission reviews the siting, construction, and operation of facilities to import and export natural gas, including LNG terminals. As part of its responsibility, the Commission conducts cryogenic design and technical review of the operational aspects of LNG facilities during the certificate process. Once a facility is constructed and operational, the Commission conducts safety, security and environmental inspections for the life of the facility.

Under section 7 of the NGA, the Commission issues certificates of public convenience and necessity for the construction and operation of interstate natural gas pipelines and storage facilities. FERC is also responsible for conducting compliance inspections of the natural gas pipelines and storage facilities during construction. Although the Commission does not have any jurisdiction over the safety or security of natural gas pipelines or storage facilities once they are in service, it actively works with other agencies with these responsibilities, most notably the Pipeline and Hazardous Materials Safety Administration of the Department of Transportation (DOT).

As required by NEPA, the Commission prepares environmental documents for proposed natural gas and LNG facilities and acts in conformance with other environmental statutes as appropriate, including the Endangered Species Act, National Historic Preservation Act, and Coastal Zone Management Act.

Under sections 4 and 5 of the NGA, the Commission oversees the rates, terms and conditions of certain sales for resale and transportation of natural gas in interstate commerce. The Commission's jurisdiction over sales for resale of natural gas is limited by the Natural Gas Policy Act of 1978 (NGPA) and the Natural Gas Wellhead Decontrol Act of 1989. Regulation of the production and gathering of natural gas, as well as retail sales and local distribution, are matters left to the states.

OIL

The Interstate Commerce Act gives the Commission jurisdiction over the rates, terms and conditions of transportation services provided by interstate oil pipelines. The Commission has no authority over the construction of new oil pipelines or over other aspects of the industry such as production, refining or wholesale or retail sales of oil.

OVERSIGHT AND ENFORCEMENT

The Commission's enforcement role was significantly reinforced by EPAct 2005, which conferred expanded authority on the Commission to assess penalties for violations of the NGA and all of Part II of the FPA. The Commission's enforcement role was also expanded with respect to mandatory and enforceable electric reliability standards. EPAct 2005 further provided for or increased the level of civil penalties of up to $1 million per violation of any Commission order or regulation for each day the violation continues.

STRATEGIES FOR CARRYING OUT THE COMMISSION'S RESPONSIBILITIES

The backbone of the Commission's work is to ensure that energy infrastructure is developed in the public interest and that wholesale electric and natural gas rates are just and reasonable and not unduly discriminatory or preferential. As early as 1986, the Commission promoted effective competition in the wholesale markets it regulates by establishing rules for open access to transmission facilities. Over time, the natural gas and electric industries transformed from companies using their monopoly-owned transportation and transmission facilities to supply all the needs of their own wholesale customers, to companies providing competing suppliers and wholesale customers with open and non-discriminatory access to their facilities, under Commission-approved tariffs. This allows independent suppliers to compete for natural gas and electric energy sales and to offer market choices for customers at wholesale. The development and operation of regional transmission organizations (RTO), independent transmission system operators (ISO), and independent transmission companies (ITC) in the electric industry and market hubs in the gas industry has increased competitive opportunities in the provision of services for buying and selling energy. The Commission monitors wholesale power and natural gas markets to ensure that its policies mitigate market power.

Regulation and competition work in concert and the Commission relies on a combination of both to carry out its duties across industries. While the Commission encourages competitive wholesale markets, they continue to be subject to the Commission's regulatory oversight. The Commission's energy market regulation will continue to refine market operations so competition encourages investment in infrastructure in a manner that is efficient and protects customers.

In addition to the regulation and oversight of energy markets, the Commission must respond timely to requests for infrastructure development to meet the growing demand for energy. The Commission's authority applies when companies propose to expand or construct additional hydropower, LNG, natural gas pipelines, storage, and related facilities, and electric transmission lines. In an effort to reduce the amount of time it takes to process an application, a perceived barrier to investment, the Commission has expedited the licensing and certification process of these facilities by having Commission staff actively participate in projects that undergo the pre-filing process. Pre-filing allows the environmental review process to start earlier in the project review and allows the public, government agencies, and other stakeholders to get involved at a time when fundamental decisions are being made, all of which helps to open the communication earlier in the project review process so problems can be averted later in the process. The Commission's participation and initiative in these efforts allows for the filing of more complete applications that enables more efficient and expeditious licensing actions by the Commission.

To protect and improve the reliability and security of the Nation's bulk power system, the Commission oversees the development and review of mandatory reliability and security standards through active involvement in the ERO's standards development process and review of all Reliability Standards filed by the ERO. The Commission provides extensive oversight of the ERO processes and compliance efforts to ensure firm, fair, and consistent implementation of, and compliance with, the approved mandatory Reliability Standards, including cyber and physical security. FERC will also join or lead incident and alleged violation analyses and/or investigations following bulk-power system incidents or complaints. The Commission also tracks and reviews all alleged violations, mitigation plans, and proposed penalties and conducts ERO and regional entity performance reviews and audits. Finally, the Commission reviews all notices of appeal of ERO compliance registry decisions.

The Commission relies on its Reliability Monitoring Center and its 24/7 emergency message system to monitor the integrity of the system continuously. In addition, FERC monitors the reliability and adequacy planning of the bulk-power system by evaluating the ERO's and Regional Entities' short-term and long-term reliability assessments for compliance with reliability planning standards as well as the adequacy of the bulk-power system and evaluating siting applications within the DOE designated National Interest Electric Transmission Corridors.

To ensure that jurisdictional infrastructure projects are safe, the Commission performs detailed safety and security analysis during its comprehensive review of a proposal for a new LNG or hydropower facility. The Commission also monitors and inspects these projects throughout the life cycle to ensure safety and security compliance. During construction, Commission staff engineers frequently inspect a project and once construction is complete, the Commission follows inspection schedules depending on the type of facility. In addition, all LNG and hydropower facilities are required to coordinate with federal, state and local agencies and develop a form of emergency response plan.

For ongoing success of market operations and infrastructure development, the Commission must ensure that all of its rules and regulations are followed by regulated entities, and those doing business with regulated entities. Among the most notable, FERC has codified Market Behavior Rules and the prohibition of energy market manipulation. In addition to actively monitoring compliance, the Commission also supports and strongly encourages regulated entities to maintain effective internal monitoring and compliance programs. If an entity is found to be in violation of any rules or regulations, the Commission has established factors it will consider when assessing civil penalties or developing remedies. This allows the Commission's enforcement to be fair; a key component of the Commission's approach to enforcement. The Commission has provided greater due process to industry by, for example, providing a no-action letter process and increasing the opportunities for companies to resolve disputed matters during the course of an audit. To facilitate fair and equitable compliance and enforcement efforts, the Commission conducts outreach efforts with the regulated community and adjusts enforcement polices where appropriate.

What FERC Does:

- Regulates the transmission and wholesale sales of electricity in interstate commerce
- Reviews certain mergers and acquisitions and corporate transactions by electricity companies
- Regulates the transportation and sale of natural gas for resale in interstate commerce
- Regulates the transportation of oil by pipeline in interstate commerce
- Approves the siting and abandonment of interstate natural gas pipelines and storage facilities
- Reviews siting applications for electric transmission projects under limited circumstances
- Ensures the safe operation and reliability of proposed and operating LNG terminals
- Licenses and inspects private, municipal, and state hydroelectric projects
- Protects the reliability of the high voltage interstate transmission system through mandatory reliability standards
- Monitors and investigates energy markets
- Enforces FERC regulatory requirements through imposition of civil penalties and other means
- Oversees environmental matters related to natural gas and hydroelectricity projects and other matters
- Administers accounting and financial reporting regulations and conduct of regulated companies

What FERC Does Not Do:

Many areas outside of FERC's jurisdictional responsibility are dealt with by state public utility commissions. Areas considered outside of FERC's responsibility include:

- Regulation of retail electricity and natural gas sales to consumers
- Approval for the physical construction of electric generation facilities
- Regulation of most activities of state and municipal power systems, federal power marketing agencies like the Tennessee Valley Authority, and most rural electric cooperatives
- Regulation of nuclear power plants
- Issuance of state water quality certificates
- Oversight for the construction of oil pipelines
- Abandonment of service as related to oil facilities
- Mergers and acquisitions as related to natural gas and oil companies
- Responsibility for pipeline safety or for pipeline transportation on or across the Outer Continental Shelf
- Regulation of local distribution of electricity and natural gas
- Development and operation of natural gas vehicles
- Reliability problems related to failures of local distribution facilities
- Tree trimming near local distribution power lines in residential neighborhoods

ELECTRIC, HYDROPOWER, & GENERAL STATUTES

Federal Power Act (FPA)
Energy Policy Act of 2005 (EPAct 2005)
Energy Policy Act of 1992
Power Plant and 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 1935 (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
Energy Policy Act of 2005 (EPAct 2005)
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
Energy Policy Act of 1992

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)

GOAL 1: ENERGY INFRASTRUCTURE

PROMOTE THE DEVELOPMENT OF A STRONG ENERGY INFRASTRUCTURE

Energy Infrastructure Resources (Dollars in Thousands)	**FY 2008 Actual**	**FY 2009 Estimate**	**FY 2010 Request**	**% (+/-) FY 2009 to FY 2010**
Funding	**$ 190,018**	**$ 205,680**	**$ 225,245**	**9.50%**
Stimulate Development	**$ 134,074**	**$ 135,654**	**$ 41,656**	**4.40%**
Program	111,262	112,995	118,761	5.10%
Support	22,811	22,658	22,895	1.00%
Maintain Reliable & Safe Infrastructure	**$ 55,944**	**$ 70,026**	**$ 83,589**	**19.40%**
Program	46,816	58,573	70,400	20.20%
Support	9,127	11,451	13,188	15.20%
FTEs	**983**	**1,090**	**1,148**	**5.30%**
Stimulate Development	**702**	**724**	**729**	**0.60%**
Program	572	593	601	1.40%
Support	129	131	127	-3.00%
Maintain Reliable & Safe Infrastructure	**281**	**366**	**420**	**14.60%**
Program	229	300	346	15.60%
Support	52	66	73	10.40%

Note: Numbers in tables may not add due to rounding.

The Commission promotes the development of a strong energy infrastructure through effective regulation, including the timely evaluation of proposals to construct facilities (along with appropriate environmental protection), and by developing appropriate pricing policies and operating procedures. Pricing policies and operating procedures influence the level of infrastructure investment, timing of infrastructure development, and the efficiency of infrastructure operations. The Commission is committed to developing and implementing policies that encourage investment in new energy infrastructure to meet the Nation's current and future demands for electricity, natural gas, and oil.

Adequate infrastructure helps make competitive markets work by:

- **mitigating market power;**
- **improving customer access to low-cost resources; and**
- **allowing customers to choose among multiple supply sources**

The Commission's strategic goals and objectives are interrelated and directly support and influence one another. Competitive and reliable energy markets heavily rely on a strong infrastructure. The Commission's work under its first goal will directly influence its second goal, to support competitive markets. Likewise, fair and competitive markets where investors have the opportunity to earn a fair rate of return, encourage the development of needed infrastructure. The Commission is cognizant of the interdependency of its strategic goals and considers this relationship when developing policies.

1. Objective A: Stimulate Appropriate Infrastructure Development

The Commission and its authority are crucial to the development of a strong energy infrastructure that operates efficiently, effectively, and reliably. In pursuit of this objective, the Commission will encourage investment, effect timely cost recovery, and resolve regulatory and other challenges to needed development. The Commission's rate policies, consistently applied to jurisdictional infrastructure projects in electric, natural gas, and oil pipeline markets, must do two things: give investors confidence that they will have an opportunity to recover their investments and a reasonable rate of return; and provide reasonable rates for electric, natural gas, and oil customers.

1.A.1: Resolve Regulatory and Other Challenges to Needed Development

The Commission is responsible for licensing non-federal hydropower projects, certificating interstate natural gas pipelines and storage projects, authorizing LNG facilities, and in certain circumstances permitting electric transmission lines. Throughout all of these application processes, the Commission's goal is to reduce the time it takes to review projects without compromising its environmental protection and public participation responsibilities. However, reconciling competing interests remains a significant challenge to this process. The Commission believes these issues are best addressed openly and early in the application process. The Commission encourages, and sometimes requires, project proponents to engage in early involvement of state and federal agencies, Indian tribes, affected landowners, and the public.

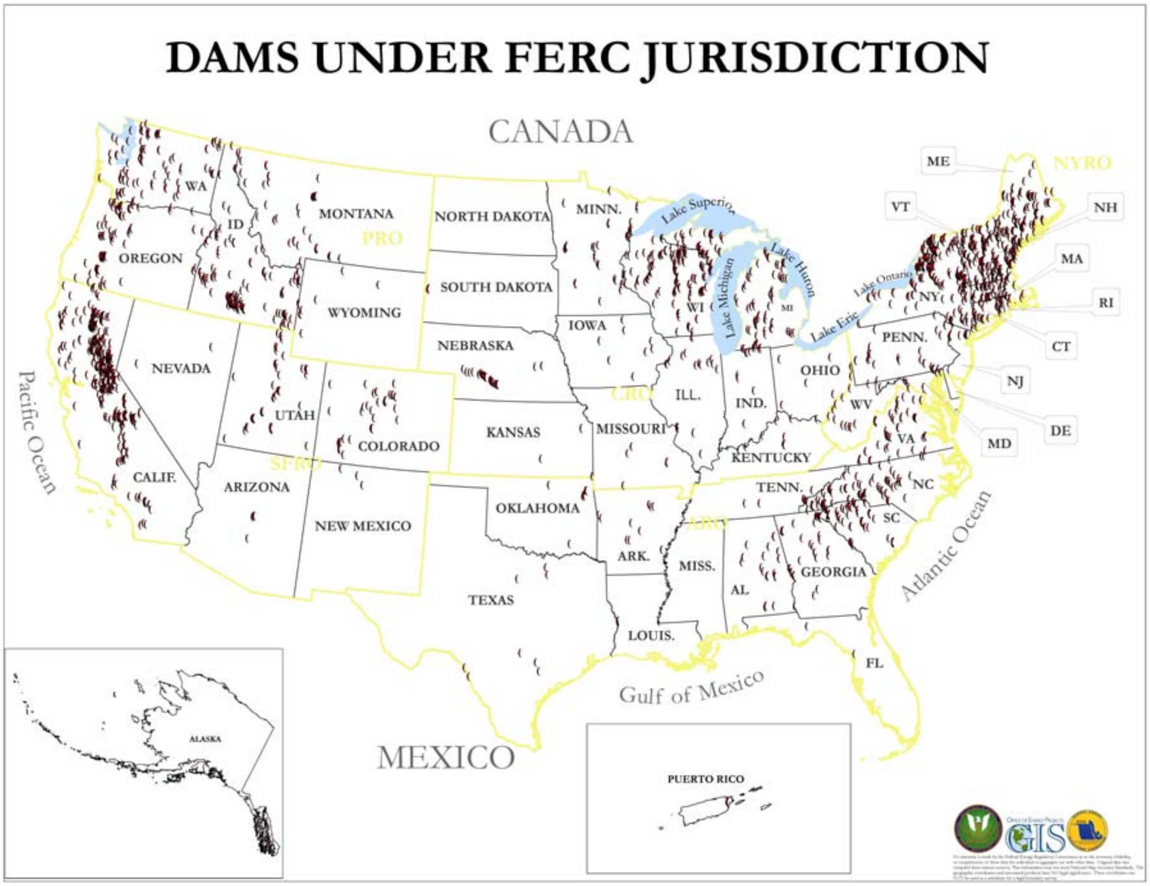
Also, the Commission has made a strong commitment to encouraging infrastructure development. Its policies on electric transmission planning, interconnection of generating resources to the transmission grid, operation of capacity markets, and the allocation of long-term transmission rights convey its expectations and requirements. To implement this strategy in FY 2010, the Commission will use approximately 11 FTEs to identify and reform, as needed, issues surrounding generation interconnection queue management, and implementation of the Commission's obligation under the EISA, among other things.

Hydropower Licensing. Hydropower is an important component of the Nation's energy portfolio and supports efficient, competitive electric markets by providing low-cost energy reserves and ancillary services. Hydropower projects also provide other public benefits such as managed water supply, recreation, economic development, and flood control while minimizing adverse impacts on environmental resources. The Commission has jurisdiction of over 1,600 hydropower projects, encompassing approximately 2,500 dams and impoundments and the associated lakes and reservoirs.

ILP Pre-Filing. Throughout the pre-filing process, which begins approximately five years prior to the license expiration date, Commission staff meet with stakeholders to develop study plans and ensure that the licensing proposal will be considered complete by the time the application is filed.[1] Public information meetings and site visits are also conducted during this time. In FY 2010, the Commission anticipates that there will be 55 projects in the pre-filing process, representing a 37.5 percent increase over FY 2008. Commission staff will conduct approximately 16 site visits and attend seven public information meetings during this time. To keep up with the increasing workload in the pre-filing process, the Commission will need to increase its staff by one FTE, for a total of 10 FTEs working on pre-filing activities. The Commission also anticipates using contractors to aid staff in processing four pre-filing applications. These services are estimated to cost a total of approximately $400,000. In FY 2008, 44 projects were in the pre-filing process. Commission staff visited approximately 29 projects and conducted 43 public information meetings. The success of the pre-filing process is evidenced by the substantial participation increase.

The ILP Process. In an effort to increase the efficiency of the hydroelectric licensing process, which involves a multitude of stakeholders including citizen groups, environmental organizations, tribal interests, and local, state, and federal resource agencies, the Commission developed the Integrated Licensing Process (ILP). The ILP, the default licensing process since July 2005, has as its ultimate goal to establish an efficient, predictable, and timely licensing process that develops a record sufficient for the Commission to take final action. To achieve the goals of the ILP, Commission staff is fully engaged in the pre-filing portion of the process to help stakeholders define the scope of the licensing process along with the type and number of studies that are undertaken. The ILP process is designed to enable Commission final action on the license application within a target timeframe of between 16 to 18 months from filing.

1. A relicense application must be filed with the Commission no later than two years before the license expires.



Processing an Application. Whether an application is prepared using the ILP, traditional process, or Alternative Licensing Process, Commission staff conducts an environmental analysis of the license application after the application is filed. The Commission is responsible for ensuring that the environmental document analyzes the project's effects on recreation, fisheries, wildlife, water quality, wetlands, and cultural resources and makes recommendations for the protection, mitigation, and enhancement measures to be included in any license issued. During FY 2010 the Commission may be processing up to 61 relicense, 60 original license and three 5-megawatt (MW) exemption applications and may take final action on about 15 relicense applications, ten applications for original licenses and one 5-MW exemption applications. Consistent with FY 2008, the Commission needs 30 FTEs to carry out these activities in addition to contractor support. The Commission estimates that 16 Environmental Assessments and 7 Environmental Impact Statements (EIS) will be contracted out. Based on FY 2008 costs, the Commission expects the contracted EAs to cost a total of $1,616,000 and EISs to cost a total of $1,600,000. In FY 2008, there were 25 pending original license applications and 70 pending relicense applications, and the Commission acted upon a total of 19 applications representing a total capacity of 2,788.35 MW.

Alternative Dispute Resolution. In FY 2007, the Commission's DRS mediated a settlement over the course of several months in the relicensing proceeding of the Upper American River Project and the Chili Bar Hydroelectric Project, comprised of eight hydroelectric developments. The projects, located in California on the American River and surrounding tributaries, produce 1,095 MW. The insertion of the neutral, third parties in the collaborative discussions set the tone for quick resolution of a multitude of issues. Within one year, all sixteen stakeholders, including the Sacramento Municipal Utility District, Pacific Gas & Electric Co. and numerous federal and state resource agencies, and environmental interest groups signed the settlement agreement. In March 2008, a final EIS was issued on the project. The agreement provides for numerous environmental and recreational enhancements.

Expanding Hydropower Development. In FY 2007, the Commission authorized 11 MW of additional capacity at existing licensed hydroelectric projects and the number grew to 224.8 MW in FY 2008, a 20-fold increase. Since FY 2007, FERC has experienced a moderate increase in interest in both conventional hydropower projects and hydrokinetic technology projects with over 10,000 MW of new hydropower proposals before the Commission. This trend is a result of high oil prices and market forces, growing interest in low emission, domestic and renewable energy sources, state renewable portfolio standard policies, and federal incentives consisting of tax credits, tax free bonds and direct subsidies.

In FY 2008 Commission staff developed licensing procedures for pilot projects tailored to meet the needs of entities interested in testing new hydrokinetic technology, while minimizing the risk of adverse environmental impacts. The goals of the pilot procedures are to: accommodate the rapidly expanding interest in hydrokinetic technologies; allow developers to test their new technologies; determine appropriate siting of these technologies; and confirm their environmental effects, all while maintaining Commission oversight and input. The process allows the issuance of short-term licenses (five years) of small scale hydrokinetic projects (5 MW or less) in as few as six months to allow for project installation, connection with the electric grid, operation, and environmental testing as soon as possible. Projects eligible to use this process are of limited size, are removable or able to shut down on short notice, and are not located in waters with sensitive designations. The resulting license would be short-term and include rigorous environmental monitoring and safeguards. The Commission expects three FTEs will be necessary in FY 2010 to work on these new technology issues, consistent with FY 2008.

Hydrokinetic projects generate electricity from waves or directly from the flow of water in ocean currents, tides, or inland waterways

Natural Gas Pipelines & Storage Projects. To meet the growing demand for natural gas, the Commission must continue to respond timely when companies propose to expand and construct needed natural gas pipelines and related facilities. The Commission has expedited the certification process through Commission staff's active participation in the pre-filing process. As with hydropower projects, the pre-filing process engages stakeholders in the identification and resolution of concerns prior to a company filing a certificate application with the Commission. The Commission staff's participation and initiative in these efforts allows for the filing of more complete certificate applications and enables more efficient and expeditious certification determination by the Commission.

In FY 2010, the Commission anticipates reviewing at least 12 natural gas storage project applications which, if authorized, would have the potential to provide over 6 billion cubic feet (Bcf) of peak day deliverability and 133 Bcf of storage capacity. The Commission expects that the number of natural gas pipeline applications filed will remain constant and that the rate by which applications are processed will remain steady. As a result, the Commission plans to use approximately 33 FTEs in FY 2010 to process natural gas pipeline and storage project applications and pre-filing reviews, consistent with FY 2008 levels.

In FY 2008, the Commission authorized 25 natural gas pipeline projects resulting in 2,587 miles of additional pipeline. The Commission also authorized 14 storage projects resulting in 4 Bcf of peak day deliverability and 124 Bcf of storage capacity. Approximately 33 FTEs were involved in the pre-filing activities and environmental and engineering reviews that led to these Commission authorizations.

Alaska Natural Gas Pipeline Project. By FY 2010, the Commission expects to be fully engaged in the pre-filing review[2] of a proposal(s) to construct and operate an Alaska natural gas pipeline, extending from the North Slope of Alaska to the Alaska-Canada border. This initiative will involve up to seven weeks of on-site work in Alaska by approximately 5 FTEs. Based upon the projected decline in the lower United States production of natural gas and the

2. As part of the pre-filing process, FERC activities will include: familiarizing staff with the project area, attending the project sponsor's stakeholder outreach meetings, conducting Native Alaskan consultation, viewing the route and alternatives, meeting with federal and state agencies and stakeholders, holding NEPA scoping meetings, identifying data gaps, and evaluating the application for completeness.

potential reductions of natural gas imports from Canada, the Alaska Natural Gas Pipeline Project has the possibility of providing eight percent of the total United States natural gas supply by 2030[3].

LNG Facilities. The Commission's LNG responsibilities include: analyzing the cryogenic design of proposed LNG plants, reviewing site compliance with federal safety standards, coordinating with the US Coast Guard on waterway suitability assessments, completing post-authorization final design review, reviewing design change requests, approving compliance with conditions, and conducting construction and operation inspections (construction and operation inspection activities will be addressed in Objective 1.B.2.).

Import terminal – Facility that has the capability of accepting and storing LNG from overseas.

Peak-shaving facility – Facilities at which LNG is stored during periods of low natural gas demand. When it is needed, it is warmed back to gas and shipped to end users.

In FY 2008, the Commission used approximately 12 FTEs supplemented by contractor support to assist four projects in the pre-filing process and to review six applications for new import terminals and one new-peak shaving facility. Based upon complicated global factors including financing, gas supply and overall market conditions, the Commission expects the number of applications filed for new terminals will decline by FY 2010. The Commission will still require 12 FTEs to review applications for new facilities, but the amount of contractor resources needed to assist in reviewing applications will decline by about half, for an expected need of $324,000.

3. See Table 14, Reference Case Tables, Annual Energy Outlook 2008, Energy Information Administration.

Interconnection Queuing. New generating facilities must be able to interconnect to the transmission grid and obtain transmission services in a fair and timely manner. This can be a particular challenge for location-constrained resources, such as wind and solar power. As the need for new generating facilities continues to increase, the Commission continues to adapt its policies on interconnection and the queuing issues associated with studying multiple interconnection requests. The Commission has established standardized interconnection procedures and agreements for connecting both large and small generators to the electric transmission grid. Additionally, the Commission has provided a set of comprehensive queue management procedures in order to ensure fair access to the grid. These policies will influence the Commission's first strategic goal by promoting infrastructure development and the Commission's second strategic goal by supporting competitive markets. Specifically, the Commission's interconnection policy aims to: encourage investment in generation and transmission infrastructure; reduce opportunities for transmission owners to favor affiliated generation; protect reliability; and ensure that rates are just and reasonable. To meet these goals and further the Commission's strategic plan, the Commission anticipates additional adjustments and refinements to interconnection policy will continue in this area through FY 2010.

Developing Location Constrained Resources

Location constrained resources such as wind and solar power can generally site only in a limited number of locations because of the amount of space it takes to deploy the technology and the need to site this generation technology where the solar and wind power/fuels are most available. Often, these sites are located far away from load centers where the generation will be consumed. This will necessitate potentially significant transmission investment.

In FYs 2008 and 2009, the Commission will be proactive in exploring how its electric interconnection policies may need to be adapted or modified to address emerging issues. There are currently over 1,300 requests to connect generation facilities to the grid pending in various regions' interconnection queues. Most of the increase in interconnection requests for renewable resources comes from state renewable portfolio standards. However, experience has shown that queues generally include a large number of requests for projects that are unlikely to be developed. This has clogged the interconnection queues of regional grid operators, sometimes to the point of standstill. In December 2007, the Commission held a technical conference on interconnection queuing practices. It learned, for example, that the Midwest Independent Transmission System Operator (Midwest ISO) would take until 2050 to complete processing of the interconnection requests pending in its queue at that time--even after using techniques to expedite processing such as semi-parallel processing and group studies/clustering for projects.

The Commission is helping RTOs and ISOs develop strategies for managing their queues so interconnection requests for new generation can be addressed. In March 2008, the Commission directed RTOs and ISOs to file reports on the status of their efforts to improve the processing of their interconnection queues. The Commission also provided guidance to assist the RTOs, ISOs and their stakeholders in those efforts. These efforts have been resulting in requests to the Commission in FY 2009 for variations from the current standardized interconnection procedures. For example, the Commission approved requests by the California Independent System Operator (CAISO), Midwest ISO and Bonneville Power Administration to implement measures to help manage large numbers of interconnection requests primarily for renewable resources. These will continue in FY 2010. The Commission will also be monitoring interconnection queue issues in regions of the country that do not have RTOs or ISOs to determine if reforms are necessary. In FY 2010, the Commission will rely on three to four FTEs to ensure that resources, including renewable resources, can be interconnected to the grid as efficiently as possible, helping to ensure adequate supplies of energy.

The "smart grid" concept involves automating the electric grid by outfitting it with smart controls, two-way communications systems, and/or sensors. This has the potential to reduce power consumption through demand response, facilitate grid connection to intermittent power stations and distributed generation projects, enable storage of electricity, and improve grid reliability.

Interoperability Standards. Also in FY 2010, the Commission will address issues related to interoperability standards associated with the development of emerging advanced technologies and a smart grid. Section 1305 of EISA directs NIST to coordinate the development of information management standards for interoperability of smart grid devices and systems. Once the Commission is satisfied that NIST's work has led to sufficient consensus regarding appropriate standards, the Commission is authorized to institute a rulemaking to adopt those standards that may be necessary to ensure smart grid functionality and interoperability in interstate transmission of electric power, and regional and wholesale electricity markets. In FY 2010, the Commission will devote resources to tracking the development of this consensus and preparing to institute the EISA-required rulemaking. The Commission will also coordinate with other federal organizations and state regulators on smart grid and demand response issues through its collaborative dialogue with the National Association of Regulatory Utility Commissioners (NARUC).

DOE, one of the federal organizations working on a Smart Grid Collaborative, has created the following table to summarize seven characteristics of the vision of the smart grid and compares today's grid with the emerging vision of the smart grid.

Characteristic	Today's Grid	Smart Grid
Enables active participation by consumers	Consumers are uninformed and non-participative with the power system	Informed, involved, and active consumers
Accommodates all generation and storage options	Dominated by central generation—many obstacles exist for distributed energy resources	Many distributed energy resources with "plug-and-play" convenience—focus on renewables
Enables new products, services and markets	Limited wholesale markets, not well integrated—limited opportunities for consumers	Mature, well-integrated wholesale markets, growth of new electricity markets for consumers
Provides power quality for the digital economy	Focus on outages—slow response to power quality issues	Power quality a priority with a variety of quality/price options—rapid resolution of issues
Optimizes assets & operates efficiently	Little integration of operational data with asset management—business process silos	Greatly expanded data acquisition of grid parameters—deeply integrated with asset management processes
Anticipates and responds to system disturbances (self-heals)	Responds to prevent further damage—focus is on protecting assets following fault	Automatically detects and responds to problems—focus on prevention, minimizing impact to customer
Operates resiliently against attack and natural disaster	Vulnerable to malicious acts of terror and natural disasters	Resilient to attack and natural disasters with rapid restoration capabilities

Demand Response. The Commission will dedicate resources in FY 2010 to work on demand response issues as they relate to infrastructure and wholesale markets. Specifically, the Commission anticipates it will receive proposals related to reliability-based demand response programs. Effective demand response can help meet many of the Commission's responsibilities and priorities, including enhancing reliability, reducing electric price volatility, and mitigating generation market power.

Demand reduction activities occur principally during the summer when electricity demand in most regions is highest. Demand reductions from these activities have proven crucial to the reliable operation of electric markets during the record-setting peaks that have occurred over the last several years. In FY 2010, states and individual utilities will continue taking actions to introduce more opportunities for demand response and price-responsiveness.

An electric demand response activity is an action taken to reduce demand for electricity during peak times of energy demand, in response to differing price levels, monetary incentives, or utility directives so as to maintain reliable electric service or avoid high electricity prices.

In FY 2010, the Commission will continue to monitor and act on distributed generation issues arising from proposals that involve either renewable energy; onsite power, which can support demand response; or combined heat and power, which can help address climate change concerns through increased energy efficiency. Anticipated actions will address any regulatory barriers at the wholesale level that may impede the development of distributed generation.

In FYs 2009 and 2010, the Commission will also be working on the National Action Plan on Demand Response, which is discussed further below. Chapter 2 describes how the Commission expects to encourage the use of demand response in competitive energy markets as well as how independent energy market operators have been developing demand response programs.

Electric Transmission Siting. The Commission has limited jurisdiction over the siting of electric transmission facilities. The Commission's jurisdiction is applicable when two conditions are met: 1) when the proposed facility is located in the National Interest Electric Transmission Corridors, as designated by the Secretary of Energy, and 2) if the states withhold approval for more than one year, do not have the authority to site transmission facilities, or cannot consider interstate project benefits of facilities proposed to be constructed in a National Interest Electric Transmission Corridor.

The Commission will review each transmission siting application to ensure that it: is consistent with the public interest and will protect or benefit consumers; will be used for transmission in interstate commerce; will significantly reduce transmission congestion; is consistent with sound National energy policy and will enhance energy independence; and will maximize the transmission capabilities of existing towers or structures to the extent reasonable and economical. The Commission will further assess the transmission siting applications within the National Interest Electric Transmission Corridors against any objections or alternative arguments from interested parties. The Commission will include in its public interest review an analysis of the impact the proposed facilities (or their absence) will have on the reliability of the bulk power system.

Pre-Filing Process. Before an application can be filed at FERC, a potential applicant must participate in a pre-filing process. As part of the pre-filing process, an applicant is required to implement a Project Participation Plan that identifies specific tools and actions to facilitate stakeholder communication and dissemination of public information to those who are interested in the proposed transmission project. The work performed in the pre-filing process will form the basis for the application that is subsequently filed with the Commission. In May 2008, Southern California Edison requested initiation of the first pre-filing proposal for a project in the Southwest National Interest Transmission Corridor. The Commission granted this request and the company is currently developing its application.

Application Process. An application may be filed only after the Commission has determined that all necessary information gathering is complete. After the application is filed, Commission staff will conduct a comprehensive project review, including issuing a draft and final environmental document. All comments and recommendations from all affected entities and individuals will be compiled and carefully reviewed. Commission staff may conduct public meetings and technical conferences, as appropriate, to clarify project-related issues. After the issuance of a final environmental document, the Commission will act on the request for a construction permit. The Commission must act within one year from the date the application is filed with the Commission.

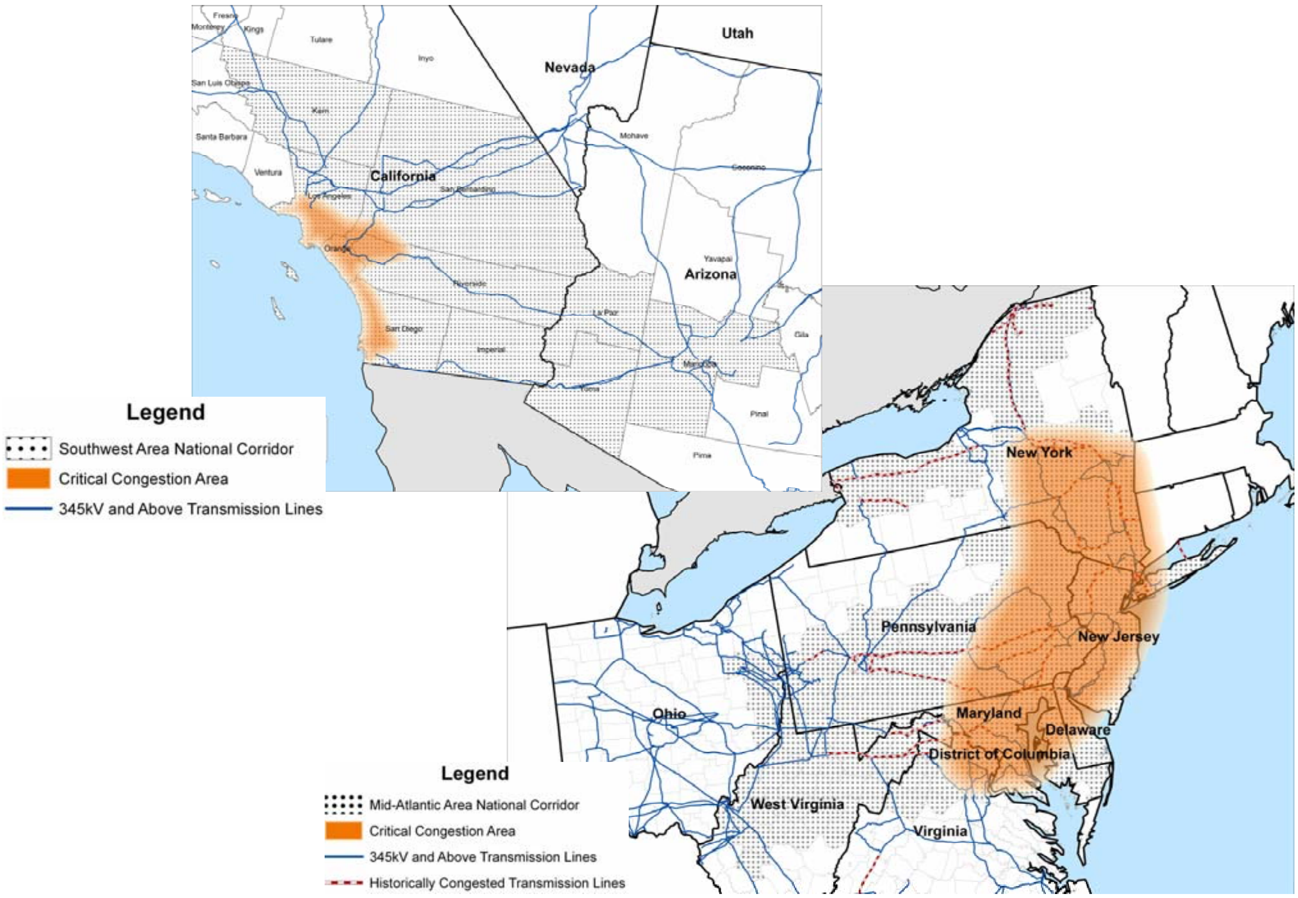
Proposed electric transmission siting projects will undoubtedly be contentious and complex. Based on current projections, the Commission expects that by FY 2010, staff may be processing up to five electric transmission siting applications, in either the pre-filing or application phases. The Commission increased its staff by six FTEs in FY 2007 to handle these applications but anticipates needing additional contract expertise to assist in the development of the record upon which Commission decisions will be based. Based on other contracted services, approximately $100,000 in contractor assistance will be required for this effort.

1.A.2: Encourage Investment and Effect Timely Cost Recovery

The Commission's second strategy to stimulate infrastructure development involves cost recovery for investors through rates charged to the wholesale energy customer. To invest in electric transmission facilities and natural gas and oil pipelines, investors need to know with sufficient certainty *how* and *when* they will have the opportunity to recover their costs. The Commission therefore must establish and consistently apply policies that provide a fair opportunity for cost recovery. Hand in hand with the cost recovery policies, FERC must ensure that the rates are just and reasonable and not unduly discriminatory or preferential. The Commission ensures these approved rates are reviewable and transparent by administering, reviewing, and updating the Uniform System of Accounts and other reporting requirements.

To accomplish this, the Commission works with the electric, natural gas, and oil industries, state regulators, and customers to develop appropriate transmission pricing, cost allocation, and cost recovery policies that result in rates that are just and reasonable and not unduly discriminatory or preferential. When assessing proposals, the Commission must consider whether the cost allocation and cost recovery encourages potential investors to build needed infrastructure and fairly assigns costs among participants. The Commission must take into consideration those who *cause* such costs to be incurred and those who will otherwise *benefit* from them.

National Interest Electric Transmission Corridor



A large portion of the Commission's resources will continue to be allocated to reviewing various types of rates filings. In FY 2008 for work associated with the Energy Infrastructure strategic program, the Commission received 1,223 electric filings, 166 gas filings, and 563 oil filings. In addition, the Commission received 4,464 electric filings and 1,193 gas rate filings which contained aspects from both the Energy Infrastructure and the Competitive Markets strategic programs. The Commission expects the workload to remain steady through FY 2010, requiring a similar level of FTEs. The Commission requests a total of 157 FTEs to review the various rates filings associated with the Energy Infrastructure strategic Program.

Incentive Transmission Rates. The Commission allows for incentive rate treatment in some cases in order to encourage greater investment in the Nation's aging transmission infrastructure, to promote electric power reliability, and to lower costs for consumers by reducing transmission congestion. Incentive rate treatments are applied to cost-based rates and have included, for example, recovery of increased return on equity (ROE), accelerated recovery of depreciation, and recovery of the cost of plant cancelled for reasons beyond the utility's control.

For consideration of an incentive rate request, the Commission requires applicants to demonstrate that the new facilities either will enhance reliability or reduce the cost of delivered power by reducing transmission congestion. Further, the

Commission requires applicants to show a nexus between the incentive requested and the investment made. Finally, the Commission must determine that the resulting rates, charges, terms and conditions from the incentives be just and reasonable and not unduly discriminatory or preferential. The Commission expects requests for incentive rates to continue through FY 2010 based on the continued need for increased investment in the interstate power grid to both ensure reliability and support competitive wholesale power markets. In FY 2008, the Commission received and approved 15 requests for incentive rate treatments for proposals to build over 5,356 miles of transmission lines at a total cost of approximately $22 billion.

Cost of Service Rates. In cost-of-service ratemaking, the Commission allows the opportunity to earn a fair profit, after taxes, ascertained after taking into account a variety of factors, such as the risks of the business and the necessity of attracting capital. The Commission determines the ROE necessary to attract investors by using a proxy group to determine the return an investor could obtain from investments with similar risk-levels. The basic regulatory premise that a utility must have the opportunity to earn a comparable return refers to the after tax return to the investor, regardless of the business' form of ownership.

Incentive Cost-Based Rates

In Order No. 679, the Commission decided to consider, on a case-by-case basis, incentives to attract capital and provide cash flow, including:

- allowing recovery in rate base of 100 percent of prudently incurred transmission-related construction work in progress (CWIP) costs;
- expensing prudently-incurred pre-commercial operation costs instead of capitalizing them;
- allowing recovery of all prudently-incurred development costs in cases where construction of facilities may be abandoned or canceled due to circumstances beyond the control of the utility; and
- providing a rate of return on equity (ROE) sufficient to attract new investment.

However, natural gas and oil pipeline firms are increasingly organized as Master Limited Partnerships (MLP). The Commission believes this trend will likely continue in the increasingly entrepreneurial energy sector and affect the Commission's rate making. Therefore, the Commission's cost-of-service ratemaking during FY 2010 for natural gas and oil pipelines will reflect the April 2008 policy statement on the composition of the proxy group used to determine the ROE under the Discounted Cash Flow (DCF) model. In the April 2008 policy statement, the Commission concluded that MLPs could be included in the proxy group used to determine the ROE the pipeline will be allowed to collect for both oil and gas pipelines. Under the first application of this policy, the Commission allowed the Kern River Gas Transmission Company to include an MLP in their proxy group, after several other firms in their proxy group were found to be unrepresentative of the risk of Kern River's investment. Utilizing this new proxy group, the Commission determined that the previously determined ROE was too high and would cause unreasonable rates.

In FY 2008, the Commission received 15 requests to charge market based rates for natural gas storage. Based on the Commission's recent review of its policies and the situation in the natural gas market, it expects to receive an increase in the number of such filings in FY 2010. The Commission's rules provide that even where an applicant cannot demonstrate a lack of market power, the Commission may grant authority to charge market-based rates for new natural gas storage**.** In order to qualify for such market-based rate authority, the applicant must demonstrate that market-based rates are in the public interest and necessary to encourage the construction of needed storage capacity and that customers are adequately protected.

Cost Recovery. Also in FY 2010, the Commission will address cost-recovery issues including the extent to which costs incurred by electric utilities, natural gas pipelines, and oil pipelines may be recovered from their ratepayers. One new issue the Commission may have to address in FY 2010 is how public utilities should be permitted to recover the costs for development of emerging technologies (such as smart grid) from ratepayers. For example, some of these new technologies may require shorter depreciation schedules.

Another issue affecting cost-recovery that the Commission may need to address in FY 2010 is the effect of the global financial crisis. The crisis reached a pinnacle in September 2008, resulting in limited access to credit for power and natural gas businesses. The Commission will need to take into consideration access to credit when determining ROE in order to ensure that the resulting rates are just and reasonable. As of January 2009, credit issues in the gas industry were beginning to dissipate. Conversely, stocks in the oil services and oil exploration and production sectors were valued about 30% higher than they were at the beginning of the financial crisis. Although financial markets remain unstable and long-term effects on the energy sector are difficult to predict, the Commission will remain vigilant when reviewing the regulated energy market practices related to settlement cycles, the number of days to post collateral, unsecured credit policies, default allocation methodologies as well as credit risk management policies, processes and procedures.

Reporting Requirements. The Commission relies on approximately 10 FTEs each year to ensure compliance with its Uniform System of Accounts and to oversee the collection of financial and transactional reporting requirements. The Commission administers and updates the Uniform System of Accounts and financial statements to ensure they include the information necessary for the Commission, public utilities customers, state commissions, and the public to determine that rates are just and reasonable. The Commission's reporting requirements are essential to the Commission and tie each of the three strategic goals together. The reporting requirements provide transparency to FERC staff, state regulators, and perhaps most importantly, the marketplace. The information is also used by the Commission staff to perform audits and otherwise monitor and oversee compliance with Commission rules and regulations. These reporting requirements also form the basis for affected entities to file complaints with the Commission in the electric and natural gas industries.

In March 2008, the Commission issued a final rule which enhanced the usefulness of the financial forms filed by natural gas pipeline companies. In Order No. 631, the Commission amended its regulations to update the financial and reporting requirements under its Uniform System of Accounts for natural gas pipelines, public utilities, and oil pipelines to add new accounts that would reflect the costs related to the final retirement of certain assets, referred to as asset retirement obligations (ARO). In FY 2008, the Commission approved a settlement with Transcontinental Gas Pipeline Corporation for a comprehensive mechanism for the recovery of ARO costs through rates that is transparent and reviewable. The inclusion of an allowance in current rates for final retirement costs provides the pipeline with increased certainty and creates more equitable rates by allocating costs that fall at the end of the pipeline's useful life to the customers using the system throughout the pipeline's life. This leads to reasonable rates for the customers and less risk for the pipeline and its investors. The Commission is currently working on a parallel effort to improve the usefulness of the financial forms for electric utilities.

The Commission also ensures compliance with Electric Quarterly Reports (EQR), a quarterly reporting requirement for public utilities, including power marketers, that summarizes the contractual terms and conditions of jurisdictional services. This information is made publicly available to provide transparency of market-based and cost-based power sales. Each calendar quarter, over 1,100 companies file EQRs, which contain data on approximately 50,000 contracts and 8 million transactions. Failure to file EQRs can result in revocation of market-based rate authority.

1. OBJECTIVE B: MAINTAIN A RELIABLE AND SAFE INFRASTRUCTURE

The Nation's energy infrastructure must be reliable and safe in serving energy customers. The Commission is responsible for the safety of LNG and non-federal hydropower facilities. To address this authority, FERC primarily relies on physical inspections of the facilities. The Commission is also charged with approving and overseeing mandatory and enforceable electric Reliability Standards, with potential penalties for violations. One of the Commission's primary goals is to protect and improve the reliability and security of the Nation's bulk-power system, based on enforcement of the Reliability Standards by the Commission-certified ERO, and the eight Regional Entities, subject to Commission review. The Regional Entities, using authority delegated by the ERO and approved by the Commission, oversee compliance by the almost 1,800 users, owners, and operators of the Nation's bulk-power system.

1.B.1: Assure Reliability of Interstate Transmission Grid

The electricity system of the United States is a complex network delivering more than 800,000 MW of generating capability over more than 200,000 miles of transmission lines.[4] Given the economy's dependence on a reliable supply of electricity, it is critical for the industry to have clear, mandatory, and enforceable Reliability Standards.

Regulation of the ERO and the adoption and enforcement of mandatory Reliability Standards is a significant responsibility for the Commission. The oversight and audit of the ERO will be a growing source of work for the Commission through FY 2010. The issues confronted will be extremely complex and time consuming, requiring extensive outreach and education. The Commission estimates that 44 additional FTEs will be necessary to meet these needs.

As described more fully below, the Commission's work to implement these responsibilities will focus on:

- overseeing the ERO's development of Reliability Standards, including cyber and physical security standards, reviewing the proposed standards for either approval or remanding them to the ERO, and monitoring compliance activities;
- overseeing and, at times, engaging in the enforcement of the Reliability Standards; investigating instances of potential noncompliance with those standards; reviewing proposed penalties and mitigation plans;
- monitoring and assessing the reliability of the bulk-power system and engaging in the regional planning process; investigating system events and near-misses; and
- participating in the processing of reliability-related cost recovery filings through evaluation of their engineering aspects and potential impacts to the bulk-power system.

In addition, the Commission will be exploring technical, reliability, and market issues associated with integrating additional renewable generation into the wholesale grid. The Commission has already hosted one technical conference on this topic and anticipates holding additional conferences to further explore and find ways to resolve issues that have been identified.

Reliability Standards. The Reliability Standards development process requires the ERO to use an open and inclusive process that involves extensive negotiation, consultation, and coordination among the electric market participants and other stakeholders. Under some circumstances, Regional Entities may also develop and propose regional Reliability Standards or regional modifications to a national Reliability Standard.

In all such cases, the Commission must either accept, order modifications to, or

4. U.S. Government Accountability Office, *Report to Congressional Requesters, Critical Infrastructure Protection: Multiple Efforts to Secure Control Systems Are Under Way, but Challenges Remain* (Sept. 2007), page 27.

5. The North American Electric Reliability Corporation (NERC) is the certified ERO. However, the entity is still in transition from the North American Electric Reliability Council to the North American Electric Reliability Corporation. Therefore, thus far, the Council has been filing documents with the Commission on behalf of the Corporation.

The North American Electric Reliability Corporation (NERC)[5] was certified as the ERO in July 2006 by the Commission. As the ERO, NERC is responsible for developing and proposing, for the Commission's review and approval, mandatory electric Reliability Standards. After approval, the standards become mandatory and are enforced by the ERO and Regional Entities, subject to the Commission's approval and oversight.

The Commission approved delegation agreements between NERC and each of the eight Regional Entities. The eight Regional Entities are: Texas Regional Entity (TRE), a Division of Electric Reliability Council of Texas, Inc. (ERCOT); Florida Reliability Coordinating Council (FRCC); Midwest Reliability Organization (MRO); Northeast Power Coordinating Council: Cross Border Regional Entity, Inc. (NPCC); Reliability First Corporation (RFC); SERC Reliability Corporation (SERC); Western Electricity Coordinating Council (WECC), and Southwest Power Pool, Inc. (SPP).

Reliability Standards detail the requirements for planning and operating the bulk power system. In addition, Reliability Standards also define the reliability requirements for the cyber and physical security of the bulk power system. Section 215(a)(3) of the FPA defines the term Reliability Standard to mean "a requirement, approved by the Commission under this section, to provide for reliable operation of the Bulk-Power System. This term includes requirements for the operation of existing Bulk-Power System facilities, including cyber security protection, and the design of planned additions or modifications to such facilities to the extent necessary to provide for the reliable operation of the Bulk-Power System, but the term does not include any requirement to enlarge such facilities or to construct new transmission capacity or generation capacity." 16 U.S.C. 824o(a)(3). The Reliability Standards will apply to users, owners and operators of the Bulk-Power System, as set forth in each Reliability Standard.

remand the standards proposed by the ERO. In addition to approving new Reliability Standards, the Commission also receives requests for approval of interpretations of Reliability Standards and expects such requests to significantly increase over the next few years. In some cases, these interpretation requests are as complex as modifications to or newly proposed Reliability Standards.

For each Reliability Standard there are specified associated mandatory requirements that must be material to reliability, measurable, support one or more of the stated reliability principles, and consistent with all of the stated reliability and market interface principles. Each requirement identifies who is responsible and what action is to be performed or what outcome is to be achieved. Each requirement of a Reliability Standard has Violation Severity Levels (VSL) and a Violation Risk Factor (VRF) assigned to it. The VRFs and VSLs, respectively, reflect the relative risk to the bulk-power system associated with a violation of the requirement of a Reliability Standard and the severity of a single violation. VSLs and VRFs are used by the ERO and the Regional Entities to determine proposed financial penalties for violating a Reliability Standard.

On June 18, 2007, the Commission approved 83 Reliability Standards as mandatory and enforceable. These standards included 739 requirements, or an average of nine requirements per Reliability Standard. There are approximately 3,000 VSL assignments and 739 VRFs associated with the reliability standard requirements. Each time a new or modified Reliability Standard or interpretation is filed, the associated requirements, VRFs and VSLs must also be reviewed by the Commission.

Reliability Standards Development. The Commission estimates that in FYs 2009 and 2010, the ERO will make about three or four filings per quarter of new or modified Reliability Standards. The number of entities subject to reliability standards increased from approximately 500 entities subject to the voluntary standards prior to June 2007, to approximately 1,800 entities subject to the mandatory standards that took effect in June 2007. Based on the increase in the number of entities subject to Reliability Standards and an increased awareness of the Reliability Standards by those entities, the Commission anticipates reviewing 24 to 32 interpretations, double the number reviewed in FYs 2007 and 2008. The Commission also anticipates reviewing three or four new or modified Regional Reliability Standards each quarter by the end of FY 2010. Based on these expectations, the Commission estimates that review and analysis will require a total of 18 FTEs. The Commission will require up to $1.25 million to procure contractor expertise to supplement this large undertaking.

> The increase in the number of entities subject to Reliability Standards can further be explained by the joint registration process. Entities may register by function type or may choose to register using joint registration. Joint registration requires the registration of owners, operators, and users selecting this method of registration to be registered based on each of the over 1,200 applicable requirements in the Reliability Standards, as opposed to registration by function type assigned to each of the 104 approved Reliability Standards. In its Business Plan and Budget for FY 2009, NERC states that it anticipates increased activity in the joint registration of entities.

Commission staff will also monitor and periodically attend standards drafting team meetings. The Commission estimates that it will be engaged in approximately 25 ERO standards drafting teams as well as approximately 30 drafting teams for the Regional Entities' standards. The Commission estimates this will require a total of 12 FTEs, which includes an additional 6 FTEs requested in FY 2010.

The Commission will issue new rules and policy statements to enable the development of Reliability Standards that will further improve and protect bulk-power system reliability. The Commission estimates that in FY 2010 there will be two or three major policy proceedings and six minor policy proceedings related to new or modified Reliability Standards which will require three FTEs, including two additional FTEs requested in FY 2010.

Reliability Standards Review. The Commission will oversee and assist the ERO's efforts to periodically review approved Reliability Standards to determine if they are adequate to protect and improve bulk power system reliability. Each Reliability Standard will be reviewed every five years to determine whether it can be improved and whether it is still effective. Also, Commission staff will review recommendations from studies and investigations into system disturbances and event analyses to determine if approved Reliability Standards provide adequate reliability or if "gaps" exist in the standards that need to be addressed. This activity began in FY 2008, will be expanded in FY 2009, and fully operational in FY 2010. The Commission anticipates that two additional FTEs will be required to establish and conduct a full time program of monitoring reliability performance of the Reliability Standards.

The Commission will also oversee the ERO's development of performance metrics[6] that will measure the adequacy of approved Reliability Standards as well as the level and trends of reliability performance of the users, owners, and operators of the bulk-power system. The Commission's involvement in the metrics working group meetings will ensure that metrics will improve the reliability of the bulk-power system and meet specific Commission directives and established reliability objectives. The Commission may also conduct independent analyses and studies of existing or proposed metrics as well as propose new metrics which it feels are necessary. The Commission anticipates that in FYs 2009 and 2010, the effort to produce appropriate metrics will require a total of three FTEs, including two additional requested FTEs in FY 2010.

Compliance with Reliability Standards. The Commission will ensure compliance through the oversight of the ERO and Regional Entities. This is typically expected to be accomplished by reviewing the ERO's proposed Notices of Penalty and mitigation plans related to violations of Reliability Standards. In addition, the Commission will occasionally perform independent audits as well as participate in ERO and Regional Entity audits and investigations of users, owners and operators of the bulk power system.

In FY 2010, the Commission intends to expand the compliance and oversight processes by furthering its staffing efforts in this area. The Commission's goal is to provide the appropriate regulatory review of the ERO's and Regional Entities' independent analysis of incidents. The Commission will monitor the establishment of the ERO/Regional Entities' compliance program, including data management, auditing schedules, processes for reporting alleged violations, processes for prosecuting and settling alleged violations and setting appropriate penalties; selective participation in audits of the Regional Entities by the ERO; and review of the ERO performance reports.

Investigations, Audits, and Notices of Penalty. The Commission will review, participate in and/or conduct investigations of significant blackouts, system disturbances, and other incidents involving transmission or generation facilities on the bulk power system. These investigations require a detailed engineering analysis of each event to determine exactly what happened and whether any Reliability Standards were implicated. The United States is currently experiencing approximately one such incident per month. For each incident that the Commission participates in with the ERO or Regional Entity teams, two Commission staff are required for typically a one year period. The Commission expects to participate in one new event analysis or investigation commencing every one to two months. In FY 2008, two events were sufficiently serious to require the Commission to formally join the investigation under Part 1b of the Commission's regulations (18 C.F.R. Part 1b (2007)). One of these events is the investigation currently being conducted by NERC regarding the Florida blackout on February 26, 2008. The Commission officially joined in this non-public investigation on March 19, 2008. The heightened leadership responsibilities and involvement required a significantly increased time commitment. The Commission anticipates, based on historical experience, that seven events analyses and one investigation will commence during FY 2010 requiring a total of 14 FTEs, which includes a requested eight additional FTEs in FY 2010.

The Commission will also monitor and review ERO and Regional Entity oversight of the users, owners, and operators for compliance with the mandatory Reliability Standards. This will occur primarily through: selected participation in general compliance audits as a means of overseeing the Regional Entities' approach to auditing for compliance with the Reliability Standards; spot check audits; participation in audits of the Regional Entities by the ERO; and review of the ERO's three-year performance assessment.

In FYs 2009 and 2010, the Commission will participate with the ERO and Regional Entities in at least eight general compliance audits. In addition, the Commission plans to validate two or three ERO/Regional Entities' audits per year as a means of ensuring that their compliance findings are consistent with what the Commission would find.

Spot audits, which have a narrow focus, will be performed on potential areas of non-compliance or observed reliability concerns as identified in the general compliance audits, investigations, or event analyses. Over a three-year cycle, the ERO must audit each of the eight Regional Entities for performance under the Compliance Monitoring and Enforcement Plan and each Regional Entity's associated delegation agreement. The ERO will initiate two such audits in late FY 2008 and will conduct three per year thereafter. The Commission will participate in these audits.

In addition, three years after it is certified as the ERO, the ERO must file a comprehensive assessment with the Commis-

6. The ability to measure reliability performance of the users, owners and operators of the bulk power system is essential to the core mission of determining whether or not the approved set of reliability standards adequately ensures a reliable bulk power system.

sion demonstrating that it satisfies on an ongoing basis the statutory criteria to qualify as an ERO. This filing, which will include a review of its standards development processes, enforcement effectiveness and consistency, and delegation of its responsibilities to the Regional Entities, is due in the fourth quarter of FY 2009 for action in FY 2010.

The Commission anticipates that performance of the above compliance and oversight functions will require eight FTEs, which includes one additional FTE in FY 2010.

The culmination of the Regional Entities and ERO's compliance efforts, whether through self-reports of violations, audits, investigations, or complaints, is a Notice of Penalty (NOP) filing before the Commission. The NOP filing includes the full case for a violation of one or more Reliability Standards and a proposed penalty.

The Commission will review these NOPs to determine whether to (a) accept the proposed penalty or (b) undertake review of the penalty and then (i) overturn the finding of violation and/or modify the penalty, (ii) remand it to the ERO or RE, or (iii) accept the proposed penalty. Of the numerous NOPs, the Commission anticipates a small portion will require additional proceedings, such as a hearing at the Commission. This aspect of the Commission's program is just getting underway in FY 2008.

In FY 2010, the Commission anticipates receiving approximately 100 NOPs per month based on the numbers of alleged violations (precursors to NOPs) that Regional Entities received in FY 2008. NERC has disclosed publicly that as of December 31, 2008, the Regional Entities received reports of 1,707 alleged violations of mandatory, enforceable Reliability Standards, which have not been dismissed or concluded through the filing with the Commission of a Notice of Penalty. The Commission's statutory requirement to examine the record for each NOP against the Reliability Standard, plus additional proceedings for a portion of the NOPs each month, will require approximately six FTEs in FY 2010.

If a user, owner or operator is found to have violated a Reliability Standard, it is required to submit a mitigation plan for each violation which must detail the nature of the violation and the steps, including milestones if necessary, and a completion date, that the entity will take to resolve the violation. The entity must also explain how it will mitigate the effects of the violation while the entity is out of compliance and prevent future occurrences of the same violation.

The Commission anticipates that monitoring, reviewing, and ruling on mitigation plans will require a total of five FTEs which includes one additional requested FTE in FY 2010. NERC has publicly disclosed that, beginning in late FY 2007 and continuing into FY 2008, Regional Entities received reports, which were not later dismissed, of about 3,600 violations of voluntary reliability standards. Because many of these violations would, if not mitigated, continue after June 18, 2007 (the date the Reliability Standards became mandatory and enforceable in the United States), Regional Entities have received mitigation plans for a substantial portion of these violations of voluntary standards. Regional Entities have also received mitigation plans covering many of the 1,516 alleged violations of enforceable standards reported after June 18, 2007.

Registry Appeals. The ERO and Regional Entities quickly registered almost 1,800 U.S. entities as users, owners, and operators of the bulk-power system. Entities are registered for the functions they perform (e.g., transmission owner or operator, generator, load-serving entity, balancing authority). Occasionally, an entity will object to registration within a category and will appeal that registration to the Regional Entity, ERO, and then the Commission.

The Commission anticipates that as the Reliability Standards are improved and new entities are identified for registration, the number of registry appeals may increase through FY 2010. The Commission expects approximately five registry appeals per year. Based on current estimates, the Commission will need a total of five FTEs to review registry appeals, including one additional requested FTE in FY 2010. The Commission ruled on nine registry appeals through the first half of FY 2008 (seven of which were received in FY 2007). These registry appeals involved disputes concerning a lack of clarity of which entity among two or more were legally responsible for performing a reliability function; whether the entity met the criteria for registration; and a dispute over whether the Reliability Standards were intended to apply to certain types of facilities.

Cyber and Physical Security. The Commission's efforts to address and improve cyber and physical security and information exchange within the electric industry fall into two major categories. The first is security of the Nation's bulk-power system which includes both physical and cyber security. The second major category involves all activities necessary to establish and regulate the organizations involved in implementing section 215 of the FPA.

Cyber Standards. The Commission reviewed the ERO's proposal to establish the first mandatory cyber security Reliability Standards, or CIP standards. Based on this review, the Commission approved eight CIP standards containing over 160 security-related requirements which address issues such as critical cyber asset identification, security management controls, physical security of critical cyber assets, and recovery plans for critical cyber assets. Although the eight CIP standards became effective in FY 2008, the Commission directed that those CIP standards be modified to address shortcomings identified by the Commission. The ERO is currently making the directed modifications through its standards development process. The Commission's staff is offering guidance to that effort which is expected to result in three separate Standards filings with the Commission. The first is expected in the summer of FY 2009 and the other two are expected in FY 2010.

Under section 215 of the FPA, the Commission's primary goal is to protect and improve the reliability of the bulk power system. The Commission has jurisdiction over the certified ERO, any Regional Entities, and all users, owners and operators of the bulk power system in the United States excluding Alaska and Hawaii, including but not limited to the public and governmental entities described in section 201(f) of the FPA. The Commission was authorized to certify an ERO that is responsible for developing electric reliability standards and filing the proposed standards with the Commission for its review. The Commission can either remand or approve the standards. Only after the Commission approves the proposed standards will they be mandatory and enforceable. In addition, section 215 requires the ERO to conduct periodic assessments of the reliability and adequacy of the North American Bulk-Power System.

Much of the Commission's efforts in security during FY 2010 will be focused on the CIP standards. The Commission has just started its involvement in the ERO process to revise the CIP standards to comply with the Commission directives.

In addition, during FYs 2009 and 2010, the Commission will be reviewing approximately 160 VRFs and 640 VSLs for the CIP standards. Further, during FY 2010, the Commission anticipates reviewing the modified versions of the eight CIP standards as directed by the Commission. Also, the Commission expects to participate in and monitor the development of four new Reliability Standards to address both cyber and physical security issues. Finally, the Commission anticipates 20 to 30 requests for interpretation by entities arguing either that they meet the CIP standards or that the CIP standards do not apply to them. The Commission anticipates designating five FTEs to the modification and interpretation of the eight current CIP standards and the development of four new CIP standards.

Also during FY 2010, the Commission will oversee and participate in monitoring compliance with the eight approved CIP standards. The Commission's regulatory oversight helps to ensure that the responsible entities are complying with the requirements in those standards, thereby improving the security of the bulk-power system.

In FY 2010, the Commission expects to participate in 18 compliance audits addressing the CIP standards which will require seven FTEs. Among the items that are planned for review is how each Regional Entity is using self-certification as a compliance monitoring tool, how each registered entity has determined critical cyber assets, and which exceptions from CIP standard requirements have been claimed by the responsible entities. The Commission estimates hundreds of such exceptions will be claimed in FY 2010 based upon comments received.

Another major effort regarding cyber security will be reviewing mitigation plans and proposed penalties for violations of the CIP standards. The Commission expects that this will require a significant commitment of resources since over 1,000 entities in the United States will be required to meet mandatory CIP standards for the first time. The Commission anticipates eight FTEs will be designated to review mitigation plans and proposed penalties for violations.

The Commission anticipates the development, compliance, and enforcement of cyber standards will require a total of 20 FTEs in FY 2010 which includes eight additional FTEs. In addition to the requested FTEs, in some instances, it may also be necessary for the Commission to acquire up to $500,000 in contract expertise to complete this work.

Administrative Oversight of the ERO and Regional Entities. The Commission will review and rule on the annual business plans and budgets for the ERO and the eight Regional Entities. For the 2008 budgets, the Commission completed its review and approved more than $82.5 million in budget expenditures for these nine organizations, as well as the methods by which the funds would be allocated and billed to end users of the electric system.

In FY 2010, the Commission also plans to review the delegation agreements between the ERO and each Regional Entity, as well as any amendments to them. The delegation agreements define the terms under which the Regional Entities will develop and enforce the Reliability Standards, duties delegated to them by the ERO. In addition, the Commission will review the rules and procedures of these nine organizations as well as any revisions to them. The focus of these reviews is whether the rules and procedures allow the organization to carry out its delegated activities in a manner that will achieve the intent of section 215 of the FPA. The Commission anticipates that these activities will require five FTEs.

Monitoring the Bulk-Power System. The second effort involves assessing the short-term and long-term reliability and participating in NERC's and the Regional Entities' adequacy planning of the bulk-power system. In FY 2010, the Commission will engage in the regional planning process and proactively monitor the ERO's short-term and long-term reliability and adequacy assessments of the bulk-power system, compile reports on the forecasted peak of the bulk-power system from information gathered from the ERO, Regional Entities, and other registered entities, participate in ERO Readiness Evaluations, and evaluate system events including disturbances and near-misses.

> The Reliability Monitoring Center uses various services, subscriptions, and applications designed for system monitoring and analysis of the Bulk-Power System. In addition, information is obtained from a variety of sources including: the California ISO, ERCOT, Tennessee Valley Authority (TVA), and PJM Interconnection (PJM); the ERO; and the Regional Entities; Department of

Also, in order to stay on top of emerging issues which impact the reliability and adequacy of the bulk-power system, the Commission will consider the impact of pending and new legislation, on such topics as climate change, renewable portfolio standards, and smart grid technologies. The Commission also will review new technology initiatives related to the smart grid and will coordinate as appropriate with other agencies such as DOE, NIST, and others. The Commission anticipates that participating in NERC's and the Regional Entities' regional planning process of the bulk-power system will require a total of 21 FTEs including six additional FTEs requested in FY 2010.

The importance of the reliability of the bulk power system cannot be overstated. As such, it is understandable that reliability is another area that demonstrates the interconnected aspects of the Commission's strategic goals and objectives. Reliability concerns must be addressed as part of the Commission's efforts to encourage infrastructure investment, review rates and cost recovery policies, as well as review competitive market operations and designs. As part of the Commission's review of electric rate, tariff and market rule filings, it will identify those with potential reliability implications. Those filings will be further evaluated using various engineering methodologies to identify any potential impacts on the bulk-power system and to recommend appropriate resolution of the identified issues. In addition, the Commission will perform analysis related to power flow, loop flow, and transmission congestion studies in cases of first impression or complaints filed with the Commission. The Commission anticipates that it will require a total of 12 FTEs to perform the necessary technical and policy analysis.

> The 24/7 Emergency Message system is manned around the clock by Commission staff, and allows the ERO, Regional Entities, and individual entities to alert the Commission to any actual or developing potential emergency situations which have or may cause a major interruption or impact to the Bulk Power System.

The Commission will also ensure that all reliability-related cost recovery filings are evaluated for their engineering aspects[7] and potential impacts on the bulk-power system by performing various engineering studies. Based on previous years' workloads, the Commission expects to review over 200 reliability-related cost recovery filings in FY 2010. In FY 2008, the Commission reviewed approximately 50 compliance filings to determine whether they met Order No. 890's requirements with respect to the available transmission capacity calculation, and directed additional compliance filings because the filing failed to satisfy one of the requirements. In addition, Order No. 890-A directed additional requirements with respect to

7. The engineering issues examined include but are not limited to: (1) Available Transmission Capacity; (2) simultaneous import limits; (3) reactive power needs; (4) generator interconnections and wind interconnection issues; (5) transmission incentives; (6) regional reserve requirements; (7) various characteristics and performance criteria of generators such as ramping, derating and outages; (8) dynamic scheduling, eTag and OASIS matters; and (9) Reliability Must Run agreements.

available transmission capacity calculations and directed utilities to amend their open access transmission tariffs to satisfy these requirements. The Commission also expects to act on approximately 85 compliance filings in FY 2010. The Commission anticipates that it will require a total of 11 FTEs to perform the necessary technical analysis to complete over 200 reliability-related cost recovery filings.

The Commission also reviews each application for market-based rate authority and re-examines each applicant's current market-based rate authority once every three years. The Commission estimates that it will review 33 triennial filings in FY 2010. Part of this review is an engineering analysis of the amount of power that can be imported to a market region. The Commission anticipates that these engineering analyses will require a total of seven FTEs in FY 2010.

Outreach and Innovative Approaches. The Commission continues to communicate and collaborate with DOE, the Department of Homeland Security, the Department of Defense, the Nuclear Regulatory Commission (NRC), NIST, NARUC, the ERO, Regional Entities and stakeholder groups, among others. The Commission will encourage and implement innovative approaches to system security and reliability that will improve the ability of the transmission grid to withstand and recover from a cyber attack. The Commission anticipates the outreach and innovative approaches will require a total of nine FTEs in FY 2010 which includes a requested seven additional FTEs.

1.B.2: Protect Safety at LNG and Hydropower Facilities

The Commission is responsible for the safety of LNG and non-federal hydropower facilities throughout the entire life cycle of a project: design review, construction and operation. Approximately 145 FTEs carry out the components of the Commission's safety related programs, supplemented by more than $1.2 million of contractor support.

LNG Facilities. Public safety is among the Commission's highest priorities when it comes to regulating LNG terminals. The Commission's LNG program ensures the safety and reliability of proposed and operating LNG terminals in the United States through a comprehensive review process that includes working very closely with the US Coast Guard, DOT, the states, and local governments. This program ensures that approved LNG terminals and associated LNG vessel traffic meet safety and environmental requirements during construction and operation. FERC can also impose safety requirements to ensure or enhance operational reliability of the LNG terminals.

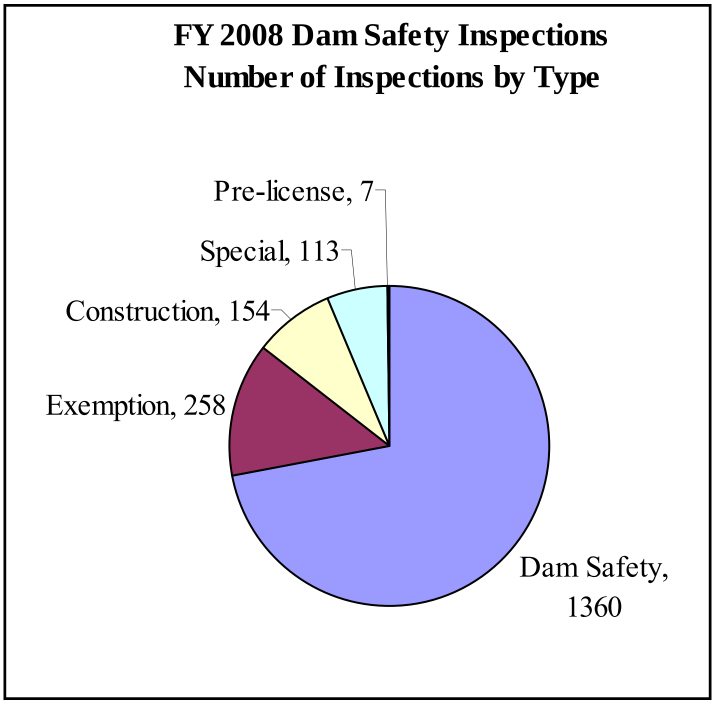
Inspections. The Commission is responsible for inspecting LNG facilities during construction and subsequent operation to ensure compliance with the safety and reliability requirements put into place by the Commission. While facilities are under construction, Commission engineers conduct inspections approximately every eight weeks. Jurisdictional peak-shaving plants are inspected once every other year and LNG terminals are inspected once each year. By FY 2010, the number of operational inspections will increase to approximately 16 as a result of four new import terminals and one peak-shaving plant commencing service bringing the total number of import terminals and peak-shaving facilities in operation to nine and thirteen respectively. The number of construction/pre-operational inspections that may occur in FY 2010 will ultimately be determined by market conditions, as well as the number of facilities approved by the Commission in the next eighteen months. Based upon the number of projects "on the horizon,"[8] and the number of facilities already in operation, the Commission expects to require approximately the same number of FTEs conducting LNG-related inspections and expects to spend approximately $154,000 for the use of contractor resources to aid Commission staff in four operation inspections. In FY 2008, the Commission used approximately six FTEs conducting LNG related inspections. Sixty-three construction/pre-operational inspections were conducted for five new terminals and four terminal expansions and 12 operation inspections were conducted for six peak-shaving facilities and six terminals.

Dam Safety. Ensuring that the dams under the Commission's jurisdiction are safe is achieved through the administration and execution of the Commission's dynamic dam safety program. The dam safety program adjusts to assimilate advances in technology as well as new technical challenges presented by the aging National water resources infrastructure. Approximately 130 FTEs are responsible for carrying out the elements of this program and will be sufficient to continue this critical function in FY 2010.

8. "On the horizon" projects are those being discussed by the Industry, but have not been formally proposed to the Commission.

Program Elements:

Inspections. Inspections help verify the structural integrity of dams and compliance with license requirements, and identify subsequent necessary investigations, remedial modifications, or required maintenance. Inspections of all types are the backbone of the Commission's dam safety program and represent the single most effective tool for detecting and preventing potential structural failures that otherwise could be catastrophic. In FY 2010, the Commission expects to conduct approximately 1,900 inspections with Commission resources, supplemented with $250,000 in contractor support. These levels are consistent with FY 2008 activities, as depicted in the chart below.



The Commission also requires inspections by independent consultants every five years on dams that have high or significant hazard potential ratings. These inspections, paid for by the licensee, include a complete engineering assessment and inspection of the project works, and include a detailed review of the project design. Each independent consultant must be preapproved by the Commission to ensure they are qualified and to maintain strict quality control. Subsequently, all independent consultant inspection reports are thoroughly reviewed and evaluated by the Commission to determine whether additional studies are required or if remedial measures are necessary. In FY 2008, over 200 independent consultant report reviews were completed to make certain the structural integrity of the jurisdictional dams is maintained or improved as appropriate. The Commission expects the number of independent consultant inspection report reviews to remain steady through FY 2010.

The frequency of dam inspections as determined by its Hazard Potential Classification

Hazard Potential Classification	Loss of Human Life	Inspection Schedule
High	Probable; one or more expected	Annually
Significant	None Expected	Annually
Low	None Expected	Every 3 years

Other Program Elements. In addition to conducting inspections, the Commission:

- Publishes Engineering Guidelines: The *Engineering Guidelines for the Evaluation of Hydropower Projects* provide guidance that includes the procedures and criteria for the engineering review and analysis of hydropower projects, of licensee- or consultant-conducted studies.
- Requires Emergency Action Plans (EAP): The EAP program requires the coordination and cooperation of dam owners with state and local emergency preparedness agencies and the Commission, and covers the development, maintenance, and periodic testing of project-specific EAPs. Satisfactory EAPs are in place at 99 percent of the Commission dams required to have them – a percentage extraordinarily beyond the 53 percent of state-regulated, high hazard potential dams.
- Implements Performance Monitoring Program: The program uses appropriate instrumentation to detect and measure physical changes in the structure before dam safety problems develop; provides methods to better identify and solve dam safety issues; and has improved coordination, abilities, and trust among all stakeholders.

In FY 2008, the Commission procured contractor resources to assist the Commission in further developing its dam security and risk assessment programs. These services helped equip the Commission to quickly adjust to changing needs. In FY 2010, the Commission expects to continue to require these services at a cost of approximately $75,000. Additionally, the Commission continually requires supplemental staff expertise in geotechnical and seismic analysis. Based on past use of the contractor support, the Commission expects these efforts will require approximately $350,000 in FY 2010.

1.B.3: Incorporate Environmental Considerations into Commission Decisions

Natural gas and hydropower projects have environmental impacts that can be mitigated with appropriate measures. The Commission is committed to satisfying environmental concerns through cost-effective mitigation of environmental impacts, while also seeking to avoid construction delays.

Hydropower Compliance. Hydropower licenses issued by the Commission include terms and conditions that are designed to protect, mitigate, and enhance the environmental resources of project areas. These terms and conditions address such things as water quality, land use, wildlife, water supply, flood control, endangered species, recreation, cultural and fish habitat and passage.

Environmental Compliance. As specified by the issued license, licensees are required to implement specific environmental and operational measures, generally after filing detailed plans, proposals and reports regarding the implementation of the measures. In addition, licensees proposing to undertake certain activities not already authorized by the project license must file amendment applications. When changing conditions make meeting their license requirements impossible, licensees also must file for a modification or waiver of their license requirement.

Commission staff process these filings, prepare environmental assessments and engineering reports as necessary for reviewing license amendments, and work collaboratively with the licensees and other stakeholders to ensure timely review for adequacy and on-site implementation. Since FY 2005, approximately 68 licenses were issued which have already resulted in a significant increase in compliance related filings. The Commission expects the number of filings to remain steady in FY 2010, requiring approximately 30 FTEs and contractor support to assist Commission staff prepare: three Headwater Benefits studies, at $165,000 each; portions of 15 EAs relating to additional capacity and land/marina use amendment applications, at $30,000 each, and one EIS at $250,000 for a total of $1,195,000. These estimates are based on FY 2008 costs and resource usage.

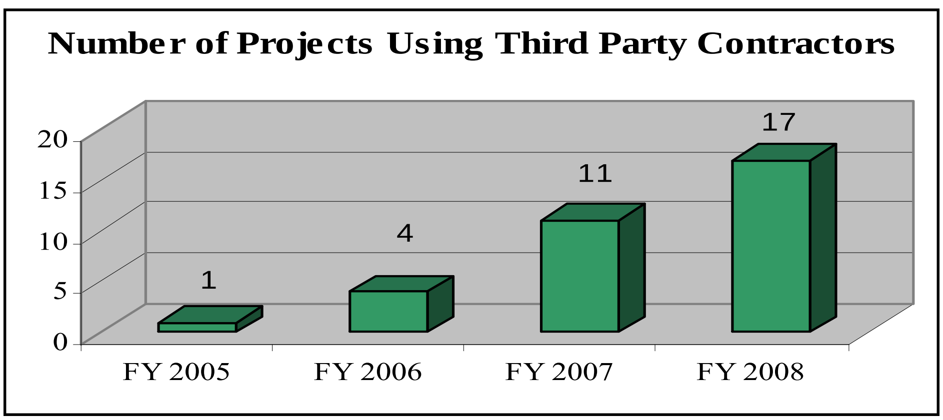
As a result of recent developments affecting regional and National water resources including long term droughts in the Southeast and the Southwest, and extended flooding in the Northwest and the Midwest, there have been an increasing number of requests for minimum flow variances and deviations. These variance requests, as well as other issues involving environmental concerns, are expected to continue to increase.

Regulated lakes and reservoirs throughout the country are seeing continuing changes in demographics, intense interest in water recreation, increased developmental pressures including building lake front properties with associated docks and marinas, and the desire of people to have their primary homes along the 55,000 miles of shoreline that are associated with the Commission's licensed projects. Along with this interest comes increasing public involvement in the Commission's post-licensing process of reviewing shoreline management plans, recreation plans, and shoreline development applications.

Compliance Inspections. The Commission's environmental inspection program, through on-site visits, evaluates and assesses implementation and compliance with the environmental and public use requirements of licenses to ensure protection and enhancement of resources at each project. On these inspections, staff identifies common problem areas and proactively prevents them, enforces the terms and conditions of each license, and assists the licensees with staying in compliance. In FY 2010, the Commission projects conducting approximately 125 environmental inspections requiring four FTEs and approximately $275,000 of contractor support to supplement Commission staff in these inspections. These projections are in line with actual FY 2008 work.

Natural Gas Pipeline and Storage Facility Compliance. The Commission includes environmental protection, mitigation, and enhancement measures in certificates and authorizations for natural gas pipelines and storage facilities.

Industry Training Seminars. The Commission regularly hosts industry training seminars which provide guidance and insight on compliance related matters. These sessions, geared towards state, local and federal agency officials, natural gas pipeline companies, and consulting firm staff, provide an opportunity for open dialogue between FERC and these stakeholders. These sessions provide information on the filing requirements for environmental reports, reporting requirements for blanket certificate projects, new regulations, overview of the Commission's Wetland and Waterbody Construction and Mitigation Procedures and more. In FY 2010, the Commission proposes to conduct three seminars. The use of contractor support will be required for the planning and implementation of these sessions for a total cost of $120,000. These heavily attended seminars are instrumental to the understanding and successful adherence to the Commission-issued certificates and authorizations.



Third Party Compliance Monitoring. The Commission has seen a steady increase in the number of certificate holders seeking to engage in third-party compliance monitoring as a way of achieving a higher level of compliance with Commission regulations and certificate conditions. By establishing a full-time on-site presence, the compliance monitoring program not only provides natural gas companies with a mechanism for "reminding" the construction work force of the importance of environmental compliance, but also provides the Commission with immediate access to detailed information on field conditions via the "eyes and ears" of the compliance monitors. Access to real-time information enables both the natural gas industry and the Commission to respond more quickly to the many issues that arise during construction.

The Commission has seen a steady increase in the number of certificate holders seeking to engage in third-party compliance monitoring as a way of achieving a higher level of compliance with Commission regulations and certificate conditions. By establishing a full-time on-site presence, the compliance monitoring program not only provides natural gas companies with a mechanism for "reminding" the construction workforce of the importance of environmental compliance, but also provides the Commission with immediate access to detailed information on field conditions via the "eyes and ears" of the compliance monitors. Access to real-time information enables both the natural gas industry and the Commission to respond more quickly to the many issues that arise during construction.

Compliance Inspections. During construction of the natural gas facilities, the Commission performs inspections at least once every 28 days to ensure adherence to the prescribed environmental measures. In FY 2008, the Commission conducted 941 pipeline facility compliance inspections. The Commission spent approximately two FTEs conducting five percent of these inspections and the remaining 95 percent were completed by contractor support. The Commission expects to maintain the same pace of pipeline project review and associated compliance inspections activities in FY 2010. The Commission will require approximately two FTEs to conduct these inspections and will continue to rely on contracted resources, estimated at $625,000, to ensure these inspections occur in a timely manner.

GOAL 2: COMPETITIVE MARKETS

SUPPORT COMPETITIVE MARKETS

Competitive Markets Resources (Dollars in Thousands)	FY 2008 Actual	FY 2009 Estimate	FY 2010 Request	% (+/-) FY 2009 to FY 2010
Funding	**$ 28,964**	**$ 34,907**	**$ 36,442**	**4.40%**
Develop Rules	**$ 19,095**	**$ 24,603**	**$ 25,677**	**4.40%**
Program	15,707	20,331	21,381	5.20%
Support	3,389	4,272	4,296	0.60%
Prevent Market Power	**$ 9,869**	**$ 10,304**	**$ 10,765**	**4.50%**
Program	8,115	8,519	8,968	5.30%
Support	1,754	1,784	1,796	0.70%
FTEs	**158**	**194**	**194**	**0.20%**
Develop Rules	**104**	**137**	**137**	**0.10%**
Program	85	112	113	0.90%
Support	19	25	23	-7.70%
Prevent Market Power	**54**	**57**	**57**	**0.30%**
Program	44	47	47	1.00%
Support	10	10	11	6.80%

Note: Numbers in tables may not add due to rounding

The central charge of the Commission under the NGA and FPA is to protect customers by ensuring that wholesale rates are just and reasonable and not unduly discriminatory or preferential. The Commission accomplishes this by relying on the best possible mixture of competition and regulation. Reliance on competition does not mean deregulation. To the contrary, the Commission expends significant resources promulgating rules and regulations that govern behavior of sellers participating in competitive markets. Competitive forces have the effect of lowering wholesale prices to the benefit of consumers and businesses.

In FY 2010, the Commission will encourage the further development of competitive wholesale markets. The Commission will pay particular attention to removing barriers to participation in wholesale markets by a wide variety of energy resources, will evaluate the impact of market rules on investment decisions, and will eliminate barriers to increase trade among markets and regions. The Commission will also work to ensure compliance with statutory and regulatory requirements by promulgating clear rules and monitoring compliance with those rules. The Commission will grant sellers the opportunity to sell at market-based or negotiated rates and companies the ability to merge only where it is assured that market power issues have been adequately addressed.

The Commission anticipates that the number of filings received in the area of competitive markets will remain relatively steady but the complexity of the cases will grow, requiring expansion of the knowledge base and skills of its workforce. In particular, areas such as demand response, resource adequacy, and renewable energy (and the transmission needed to interconnect renewable resources that may be location-constrained) are expected to be of significant and growing interest as the Nation finds ways to meet growing demand in a carbon-constrained environment.

2. OBJECTIVE A: DEVELOP RULES THAT ENCOURAGE FAIR AND COMPETITIVE MARKETS

In FY 2010, the Commission will strive to develop clear rules and policies that improve the operation of competitive energy markets and provide certainty to providers of service and to customers. The execution of effective policies in the Commission's second strategic goal will advance the first strategic goal by increasing investment which should have the effect of ensuring reliable service to customers and efficient prices. Further, ensuring the development of clear and well-defined rules supports the Commission's third strategic goal, Enforcement, by removing the potential for ambiguity in interpretation and the potential for manipulation of those rules, both of which erode customer and investor confidence.

The Commission will build on the successes already achieved in energy markets, such as the effects of its FY 2007 open access tariff reforms, revised market-based rates policy, and implementation of its transmission incentives policy. It will also incorporate lessons learned from across organized energy markets, borrowing on concepts that have been developed and tested in certain regions (e.g., resource adequacy and interconnection queue reform) to provide guidance to other regions. The Commission will engage industry and other stakeholders, not only through its orders, but also through generic proceedings, technical conferences, as well as white papers to inform and educate the Commission's staff, and the public about these evolving policy issues.

2.A.1: EMPLOY BEST PRACTICES IN MARKET RULES

The Commission will dedicate approximately 50 FTEs in FY 2010 to the further development of competitive electric and natural gas markets. The Commission will evaluate and act upon applications for authorization to adjust rules governing wholesale power and transmission services and, where appropriate, will institute generic proceedings to address issues of broader concern. As part of these efforts, the Commission plans to:

- Oversee the continued evolution of power and transmission markets, continuing to modify rules as needed to address non-discriminatory access, adjusting mitigation rules to address market power, and adding rules to accommodate changes in energy markets;
- Ensure that an adequate energy supply exists to meet the growing needs of American consumers by addressing issues associated with generation resource adequacy, emerging capacity markets, and entry by new sources of generation (including renewables);
- Expand competitive markets to better integrate demand response, energy efficiency, and smart grid concepts, and to address emerging energy issues associated with climate change.

Regulation of Evolving Energy Markets. Over the past 15 years, the Commission has worked to encourage the development of wholesale competitive markets as a means to foster efficiency and innovation, bring options to customers, provide more reliable service, and provide just and reasonable energy prices. Competitive markets take time to develop and continually change; the progression continues today, both in natural gas and electric markets. For example, in FYs 2007 and 2008, the Commission dealt with a relatively small number of requests for market-based pricing for natural gas storage. In FY 2008, the Commission took steps to respond to customer requests for flexibility in the Commission's natural gas transportation capacity release program. The Commission granted some flexibility but denied requests to lift price caps on long-term pipeline capacity release. In FY 2010, the Commission expects an increase in requests for flexibility in rules for regulating pipeline capacity and storage due to competition changes in this sector and because the underlying commodity prices remain higher than they have historically been. As requests are filed, the Commission will need to reevaluate these program areas.

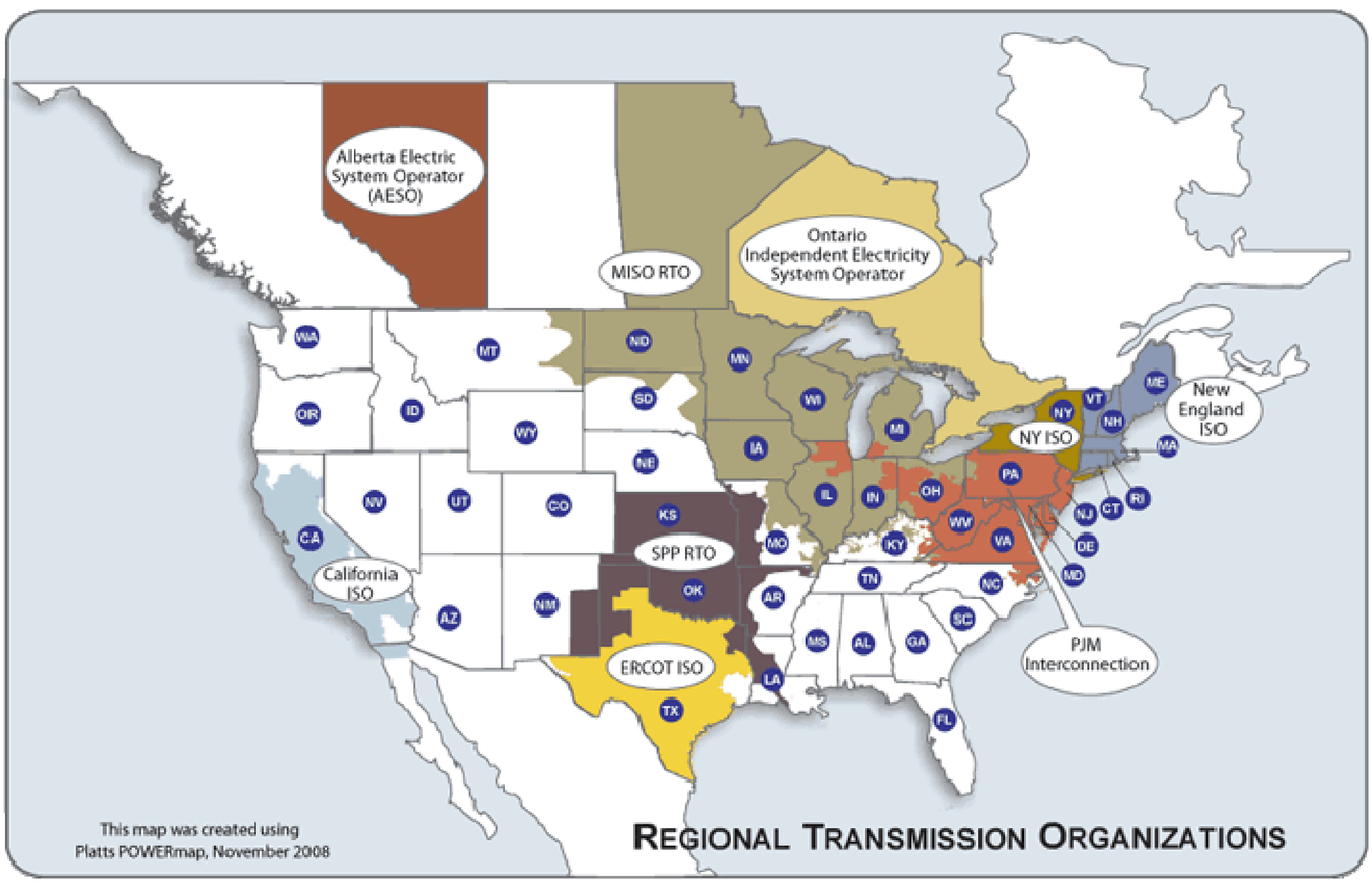
In the electric program area, the Commission undertook significant general initiatives, in addition to utility-specific reforms, to foster the continued evolution of competitive markets. In FYs 2007 and 2008, the Commission performed a comprehensive review of, and adopted reforms to improve the state of competition in wholesale organized markets. The reforms aim to: encourage the use of demand resources to participate in the wholesale markets; allow prices to reflect supply and demand conditions; and provide customers with greater assurances of RTO responsiveness and market monitoring independence.

Additionally, the reforms require the Commission to work with market monitoring units (MMU) to ensure that effective market rules are in place. Together, these reforms should improve the operation of organized wholesale day-ahead and real-time markets administered by RTOs and ISOs, resulting in increased confidence in these markets, lower costs, and reliable service to customers. The Commission will act on applications to implement these reforms in FY 2010.

In FY 2008, the Commission acted on over 3,100 non-RTO/ISO requests for rate recovery and changes in terms and conditions of service; 410 applications by RTOs and ISOs to revise market rules; 140 filings implementing the Commission's new open access transmission policies; and 24 requests for incentive rates for transmission projects that reduce the cost of delivered power by reducing congestion or ensuring reliability.

Outside the context of general reforms, the Commission continues to see major proposals by RTOs and ISOs to improve their markets. Chief among these in FYs 2007 and 2008 were proposals to implement new markets to address operational challenges and/or customer needs. In FY 2008, the Commission received and processed 410 filings from RTOs and ISOs for market rule changes, many of which were highly controversial and took many months to resolve. In some instances, the Commission's action represents only the first step at implementing market change. The Commission expects to see more of these types of difficult cases in FY 2010 as the competitive markets evolve and shift with the advent of new infrastructure and technologies. The following examples illustrate some of the cases that have raised the most significant issues about markets and their operations in FYs 2007 and 2008.

Map of Wholesale Competitive Electricity Markets



In February 2008, the Commission conditionally accepted the Midwest ISO's plans to implement a day-ahead and real-time ancillary services market (ASM), including a scarcity pricing proposal to allow prices to rise during periods of system emergency when there are insufficient amounts of generation available. The tariff will yield substantial reliability and efficiency benefits. This Commission action is a significant step to improve power markets in the Midwest and will provide a greater opportunity for price competition from demand response, as well as improve efficiency and reliability in this broad region. The Midwest ISO will become the North American Electric Reliability Corporation-certified Balancing Authority for the entire Midwest ISO Balancing Authority Area, which will allow for the centralized management of ancillary services. The Commission ensured that a comprehensive package of market mitigation measures is in place that will result in ancillary services and market rates that are just and reasonable as the region moves from cost-based rates to market-based rates. The Midwest ISO ASM began on January 6, 2009.

In FY 2008, the Commission also responded to a request by the New York Independent System Operator (NYISO) to strengthen the rules protecting against the exercise of market power by sellers of generating capacity in the New York City capacity markets. The Commission balanced the need to provide generators with the opportunity to earn sufficient revenues to continue providing capacity services to New York City while also ensuring that customers were not paying prices reflecting the exercise of market power.

In FY 2008, the Commission completed work on all of the essential elements necessary for CAISO to launch its Market Redesign and Technology Upgrade (MRTU), in March 2009. When implemented, the Commission-approved tariff and market reforms will enhance the reliability of the grid, protect customers from market manipulation, and promote infrastructure development. Among the Commission's actions were acceptance of various compliance filings and business practices manuals, as well as actions on short and long-term transmission rights, backstop capacity procurement, creditworthiness, under-scheduling and exceptional dispatch issues. The Commission anticipates new and complex market reforms will undoubtedly raise a number of implementation issues that are expected to last into FY 2010 and beyond. Also in FY 2010, the Commission expects to address additional market enhancements that could not be incorporated into the initial MRTU offering, such as more effective participation of demand response, convergence bidding, and effective integration of renewable generation resources.

The Commission also expects that the types of market participants will continue to change as the pressure on credit increases and new sources of financing emerge. Already the Commission has seen the advent of many new types of non-traditional market participants including financial institutions, brokerage firms, and hedge funds. While these new types of market participants can bring much needed investment capital as well as increase liquidity in the energy markets, they also bring new regulatory challenges and issues the Commission must consider during its oversight of these markets.

Because the Commission anticipates that it will see more of these types of entities in the future, it will be necessary to consider revisions to the market rules applicable to particular regions (and potentially make generic changes to those rules). Potential revisions in market rules would accommodate participation of these non-traditional market entities, and assure that adequate procedures are in place to protect customers as well as other market participants.

The Commission has acted quickly to address the issue of non-traditional market participants. For example, the Commission accepted two proposals by the PJM to revise its credit policy regarding Financial Transmission Rights (FTRs) in the wake of defaults by certain traders in PJM's market. These tariff provisions established collateral requirements that will help PJM manage the risk and volatility of certain positions taken by traders in the FTR auction markets PJM has established. The PJM proposals better correlate collateral requirements with risk exposure in the FTR market and help ensure continued reliable and reasonably priced electric power for PJM customers. The establishment of adequate credit requirements for all participants is critical to the long-term health and viability of competitive wholesale markets.

Resource Adequacy. As discussed in Chapter 1, the Commission's first strategic goal is to promote the development of a strong energy infrastructure. While FERC's efforts focus on stimulating the development of a strong transportation and transmission network to deliver energy, the Commission must also meet the challenge of ensuring that adequate energy supplies exist to meet the growing needs of American consumers. Entry by new sources of generation is key to the Commission's reliance on competitive markets to discipline price and ensure just and reasonable rates to customers in the long term.

Accurate price signals stimulate the competition necessary to ensure the development of adequate generation to meet customers' needs. However, in the organized competitive wholesale markets that the Commission oversees, market mitigation measures prevent the market from seeing very high prices during periods when supplies of energy are short (generally during times of system emergency). While these mitigation measures are aimed at preventing the exercise of market power, their effect in dampening price signals may have discouraged investment in new generation. In order to encourage market efficiency, the Commission issued a rule requiring organized wholesale markets to adopt shortage pricing to accurately reflect the value of power during times of low supply. The Commission will dedicate its resources to implementing this rule in FY 2010. The issue of ensuring generation adequacy has also come before the Commission in a number of specific cases involving forward capacity procurement in organized competitive markets.

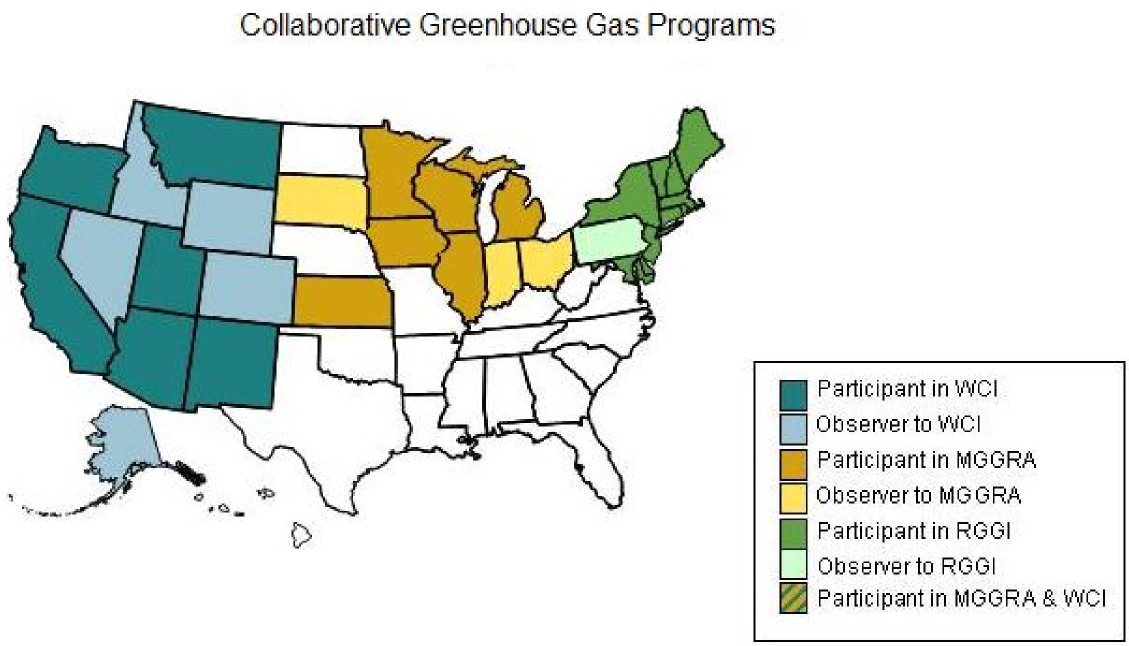
In the PJM and ISO-New England (ISO-NE) regions, the Commission has approved forward-looking, auction-based markets for capacity to procure adequate energy supplies to reliably meet the needs of consumers in those regions. In other regions, the Commission has approved alternative approaches to the forward capacity procurement design. For example, the resource adequacy structure the Commission approved for CAISO requires load-serving entities (LSE) to submit resource adequacy plans to CAISO. These plans must demonstrate the LSEs have procured sufficient resources to meet the next summer peak period's forecast load plus a planning reserve margin. Midwest ISO uses a resource adequacy program that requires LSEs to secure resources equal to forecasted peak load plus a planning reserve margin. While these market mechanisms vary in design, all are intended to provide incentives to both retain existing generation and encourage the entry of new resources to meet increasing electric supply needs.

The issue of resource adequacy is further complicated by concerns that the Nation should avoid becoming overly dependent on any single fuel source (i.e., fuel diversity) as well as by renewable portfolio standards required by some states. This has led to a backlog of interconnection queue requests in many of the organized markets, particularly where significant renewable generation is seeking to locate (as discussed under Goal 1). The Commission is also seeing more transmission pricing requests associated with the cost allocation of long radial transmission lines required to connect remote wind generation to the grid (as discussed below).

For these reasons, the Commission believes that issues surrounding resource adequacy will be a major part of its workload requirements in FY 2010. The complexity of these issues and their close connection to many other aspects of the Commission's strategic plan will require approximately 10 FTEs.

Competitive Markets and Emerging Issues. The Commission is highly attentive to a number of emerging areas that have significant implications for the transmission systems and energy markets under FERC jurisdiction including demand response and energy efficiency, distributed generation, renewables, greenhouse gas emissions policy, and advanced technologies. The Commission has undertaken generator interconnection reform to encourage the development of renewable generation and required demand response participation in organized markets. In FY 2010, the Commission will respond to Congressional mandates to create rules on interoperability standards for smart grid, assessment of demand response potential, and the development of a demand response action plan. The Commission expects to devote 15 FTEs to developing Commission policy on emerging issues in FY 2010.

Increased focus on these emerging issues is driven by actions at both the state and federal levels. At the state level, growing concern over the cost and siting of new energy infrastructure to meet demand has led to a wave of legislation and regulations mandating increased demand response and energy efficiency. In addition, concern about energy security and environmental quality, and climate change, has given rise to significant activities by states with regard to encouraging renewable generation. For example, February 2009 saw the adoption of renewable portfolio standards in 29 states, including the District of Columbia, and the establishment of three regional accords to develop greenhouse gas cap-and-trade systems. As of January 2009, there were 32 American states, the District of Columbia, eight Canadian provinces, and six Mexican states who are participants or observers to these regional accords. At the federal level, debate over national climate change legislation has intensified. The map on the following page illustrates various collaborative greenhouse gas programs across the United States.



Meanwhile, the Commission is seeing the emergence of a host of advanced energy technologies, including electric energy storage technologies such as flywheels and compressed-air energy storage facilities, and "smart grid" technologies that integrate monitoring and communications technology into the transmission and distribution system. All of these factors are working to transform the existing bulk power system to one that relies on demand-side and distributed resources, renewable power, and digital automation. This fundamental transformation will necessitate the development of new Commission policies.

Observer jurisdictions do not commit to group green-house gas reduction goals, but participate in proceedings should they opt to join later.

In FY 2008, the Commission received two new Congressional mandates in these emerging areas. With regard to demand response, EISA section 529 requires FERC to complete a National Assessment of Demand Response by July 2009 to estimate demand response potential in five and ten year horizons and determine how to overcome the barriers to achieving that potential. The statute further requires FERC to develop a National Action Plan on Demand Response by July 2010 that: 1) identifies the technical assistance needed by the states; 2) designs a national communications program; and 3) develops analytical tools, model regulatory provisions, and model contracts for use by customers, states, utilities, and demand response providers. FERC is tasked with developing the Plan with the participation of a broad range of industry, state utility commission, and non-governmental stakeholders. The Commission will expend considerable resources on these efforts in FY 2010 and anticipates devoting four FTEs for this work alone.

As discussed in Chapter 1, the Commission will identify standards that may be necessary to ensure smart grid functionality and interoperability in interstate transmission of electric power, and regional and wholesale electricity markets. The Commission will be working with NIST and DOE as well as with NARUC to promote the coordination with federal and state smart grid policies.

Some utilities are already employing advanced technologies and have sought and received incentive transmission rates through section 219 of EPAct 2005.

In addition to implementing these new EISA responsibilities, FERC will need to ensure that market rules do not create unnecessary barriers to demand response, energy efficiency, distributed generation, renewable power, advanced technologies, and implementation of carbon policy (e.g., state and federal approaches to reducing carbon dioxide emissions). The Commission has begun reviewing existing policies and market rules, but will likely be faced with increased filings on these issues. For example in FY 2008, the Commission, through individual cases and Order No. 890 compliance filings, acted to ensure that demand resources were treated comparably to generation, where appropriate, in the energy and ancillary services markets.

The Commission also continues to address the need for policy and market rule changes to address renewable generation and other non-traditional sources of generation. As discussed in Chapter 1, the Commission addressed backlogs in the interconnection queues of the ISOs and RTOs in FY 2008. Challenges presented by increased renewable development affect both infrastructure development as well as competitive markets. Specific challenges include planning for and developing the transmission needed to reach distant renewable-rich areas and addressing both transmission cost allocation and operational issues associated with the variability of certain forms of renewable power. In FY 2007, the Commission modified its policy concerning the allocation of certain interconnection costs, which were developed, in part, to influence a generator's siting decisions. The Commission recognized that the original policy assumed most generators had flexibility in where they located their projects. However, many generation projects under development now, including many renewable projects, are locationally constrained and lack that flexibility. In FY 2008, the Commission began to address the operational issues associated with variable resources, for example by approving cost recovery of an improved wind forecasting tool in NYISO. As higher percentages of variable renewable generation are integrated, the Commission will likely be confronted with additional market design issues, including issues about the provision, acquisition of and compensation for additional ancillary services associated with variable and non-dispatchable resources, sub-hourly scheduling and consolidation of balancing areas.

For example, Order No. 890 required transmission providers to establish transmission planning processes that allow for the incorporation of demand resources if they are capable of providing the functions assessed in a transmission planning process, and can be relied upon on a long-term basis. In addition, FERC recently approved the integration of demand resources into reserves markets in both the Midwest ISO and NYISO. As participation of demand response increases in wholesale markets, so does the complexity of issues relating to compensation as well as measurement and verification. For example, the Commission in FY 2008 addressed the need for continued incentive payments for demand response in PJM markets, and issued orders on measurement and verification of demand response in both the PJM and ISO-NE markets.

2.A.2: Reduce Barriers to Trade Between Markets and Among Regions

The Commission ensures that open access transmission service is available at reasonable prices on a nondiscriminatory basis. This provides the foundation for fair and efficient wholesale energy markets for electricity and natural gas. In exercising its jurisdiction over wholesale markets and transmission and transportation in interstate commerce, the Commission strives to reduce barriers to trade in both natural gas and electric markets. It also seeks to adopt approaches that are complementary to those of the states in their regulation of retail markets. To accomplish these stated objectives, the Commission estimates needing 35 FTEs in FY 2010.

Barriers to trading in energy markets can be caused by differences in energy market rules and designs, operating and scheduling protocols, and other control-area or natural gas-market practices that inhibit or preclude the ability to execute energy transactions that cross organizational/market boundaries. Significant differences in energy products and rules between organizational/market boundaries markets can reduce competition between suppliers across regions. Commission-supported efforts by industry groups, such as the North American Energy Standards Board (NAESB), address differences in operating and business practices by standardizing business practices in both the natural gas and electric industries. The Commission meets with state regulatory commissions and other governmental entities on a variety of market design, reliability, and operational issues as part of its effort to reduce barriers to trade among energy markets. The Commission also works with stakeholders on issues regarding tariff and business practice implementation to ensure that Commission rules and policies for natural gas and electric markets are working.

Consistent, non-discriminatory business rules help competition. The Commission has encouraged the development of business rules and practices that maximize market efficiency, ease market entry and reduce transaction costs, relying on NAESB, RTOs, and ISOs, as appropriate.

Summary of FERC's recent activities related to reducing barriers to trade.

Activity	Outcome
OATT reform	• Strengthened OATT to ensure that it achieves its original purpose of remedying undue discrimination • Greater specificity to reduce opportunities for undue discrimination and facilitate the Commission's enforcement • Increased transparency in the rules applicable to planning and use of the transmission system • Elimination of artificial barriers stemming from inconsistency and a lack of transparency
NERC/NAESB work	• Effective and efficient business rules and practices • Lower transaction costs
Gas capacity release policy	• Pipeline capacity holders may more efficiently manage capacity and gas supply • Fair and efficient competitive markets
Transmission Pricing	• Incentives • Regional cost allocation • Flexibility to accommodate renewables

Regional Transmission Planning. In 1996, the Commission issued a rule requiring all public utilities that own, control, or operate facilities used for transmitting electric energy in interstate commerce to offer non-discriminatory transmission service pursuant to an Open Access Transmission Tariff (OATT). In FY 2007, in Order No. 890, the Commission revisited the terms and conditions of the open access transmission tariff and adopted a number of significant reforms. The most important of these reforms was a requirement that each public utility establish and participate in an open and transparent regional transmission planning process aimed at improving the coordination of transmission planning among utilities. Although ownership of the interstate transmission grid is highly disaggregated (with more than 500 owners), the need for, and effect of, transmission expansions must be considered not only on a local basis, but also on a sub-regional and regional basis. Order No. 890 directed public utilities to establish planning processes to consider both reliability and economic needs, on a local and regional level. This will contribute to the building of much-needed transmission, as discussed in Chapter 1, as well as support competitive markets by reducing barriers to trade between markets and among regions.

The Commission is committed to ensuring that this planning process is open, transparent, and as coordinated as possible and results in the development of needed infrastructure. In the summer of 2008, the Commission conditionally accepted over 40 compliance filings and directed further compliance actions. The Commission has encouraged each transmission provider to refine and modify its planning process as experience is gained through implementation of the process. The Commission will continue to monitor and reform as necessary the transmission planning process required in Order No. 890.

The Commission will also conduct outreach and review the ensuing compliance filings throughout FY 2009 to determine the progress and benefits realized by each transmission provider's planning process, obtain customer and stakeholder input, and discuss any areas that might need improvement. Additional outreach and review will continue into FY 2010, however, the specific steps will be determined based on the findings in FY 2009. These actions will strengthen open access transmission for the benefit of the market and consumers. In FY 2010, the Commission projects that it will require 9 FTEs for this effort.

Available Transmission Capacity. Order No. 890 also required the electric industry to develop a consistent and transparent method of calculating the amount of transmission capacity available on each utility system which is posted as available for sale to third parties. The Commission directed the industry to use NERC and NAESB processes for purposes of reaching a consensus on an appropriate methodology and developing necessary business practices. Together, these reliability standards and business practices are intended to eliminate the broad discretion that transmission providers currently have in calculating available transfer capability (ATC), increasing nondiscriminatory access to the grid and ensuring that customers are treated fairly in seeking alternative power supplies.

NAESB is also working toward completion of business standards to support a modified form of planning redispatch or conditional firm service. Network customers can request service in new ways, ensuring continuity of service for those customers. Furthermore, point-to-point transmission capacity is being reassigned at negotiated rates, providing greater opportunities for customers that value service the most to access that service during the two year study period. Transmission providers are posting metrics regarding their processing of service requests, and notifying the Commission – and therefore their customers – if they fail to meet deadlines.

Some of the methodologies and business practices developed through the NERC and NAESB processes have been reported to the Commission and others will come before the Commission in FY 2010. The Commission will then evaluate these practices to ensure they fulfill the requirements and objectives of Order No. 890. This will be an evolutionary process requiring formal rulemakings. A consistent and transparent method for calculating ATC and standardized business practices will help to eliminate a significant barrier to trade among regions. In FY 2010, the Commission anticipates that it will devote 5 FTEs to this effort.

Transmission Pricing. As part of its ratemaking responsibilities under the FPA, the Commission must ensure that the rates charged for transmission service in interstate commerce are just and reasonable, and not unduly discriminatory or preferential. The issue of transmission pricing has a number of dimensions that will affect the Commission's workload and funding requirements in FY 2010.

In addition to the traditional cost-of-service transmission rate filings which the Commission frequently faces, as discussed more fully under Goal 1, Objective A, the Commission issued Order No. 679 in 2006 to allow incentive rate treatment for transmission infrastructure investments. These incentive rate treatments are intended to encourage greater investment in the Nation's aging transmission infrastructure, promote reliability, and reduce transmission congestion. The lack of adequate high- voltage, backbone transmission facilities represents a significant barrier to trade between markets and among regions. The Commission anticipates that requests for incentive rates will continue into FY 2010 and will be necessary to assure reliability and support competitive wholesale power markets.

A second and more difficult aspect of transmission pricing which the Commission will continue to face in FY 2010 is the issue of who should pay for transmission upgrades that provide regional reliability or economic benefits. In a number of regions, the Commission has already evaluated regional transmission cost allocation plans that are controversial because they can pit one group of customers against another, one utility against another, or even one state against another. These cost allocation decisions will continue to be contentious and resource intensive. Moreover, they will be further complicated by the increasing pressure to build transmission that can interconnect renewable generation resources that may be located far away from existing load centers.

The Commission is also confronted with requests for flexibility in how it approaches transmission rate design. As an example, in FY 2007 when Southern California Edison Company proposed a transmission project to interconnect a wind rich area, existing Commission policy would have required the first wind generators on the line to pay the line's full cost, even if those generators used only a fraction of the line's total capacity. This policy would have discouraged development of the wind resources which the State of California was trying to encourage. Wind and other renewable resources are often "location-constrained" and do not have the flexibility to locate near existing transmission lines. To recognize this difference among transmission customers and reduce barriers to development of renewable resources, the Commission approved a CAISO proposal under which the transmission line would be sized to the potential of the resource area, and designed rates whereby generators would pay only for the capacity they used and any remaining costs would be allocated more broadly to customers throughout California. The Commission anticipates that it will continue to receive similar requests to adopt innovative or flexible approaches to transmission rate design – particularly as more renewable resources seek to interconnect to the grid to satisfy various state renewable portfolio standards. The Commission will need 12 FTEs in FY 2010 to address regional cost allocation and rate design issues.

Lastly, the Commission is starting to see an increase in proposals for merchant transmission projects. Merchant transmission projects have negotiated rates in which the developer of the project bears the risk of cost recovery. Merchant transmission projects help promote competition and eliminate barriers to trade by encouraging the construction of transmission expansions or upgrades that are not being built by incumbent, franchised public utilities. There are currently two operating merchant transmission projects, and several projects that are expected to be placed in service in FY 2009. One such project, the Linden FVT project, will increase the capacity by 300 MW on an existing underwater transmission line with minimal environmental impact. Other projects, such as the Montana Alberta Tie Line and the Chinook Power Transmission and Zephyr Power Transmission projects, will enable wind-generated power to be connected to the existing transmission grid.

In FY 2009, the Commission revised the criteria it uses for evaluating merchant transmission projects and rates. Among other things, these criteria are intended to ensure an adequate incentive for investment while also ensuring that rates are just, reasonable, and not unduly discriminatory or preferential. Also, at times, merchant transmission projects find it difficult to compete with existing transmission owners, as the existing transmission facilities may be subsidized by other sectors of the utilities' businesses. To help promote the development of transmission projects, in February 2009 the Commission introduced the concept of an anchor shipper to the process. Revising the way it evaluates negotiated-rate applications for merchant transmission lines, the Commission for the first time allowed developers to pre-subscribe half the capacity of their proposed lines to an anchor customer. This policy is particularly beneficial for large and costly projects of the type required for efficiently serving location-constrained renewable energy resources. The Commission anticipates devoting five FTEs to issues and cases involving merchant transmission facilities in FY 2010.

Capacity Release and Capacity Reassignment. In June 2008, in Order No. 712, the Commission revised its regulations governing interstate natural gas pipelines to reflect changes in the market for short-term transportation services on pipelines and to improve the efficiency of the Commission's capacity release mechanism. The policy will strengthen competition in the secondary capacity release market and improve access to the interstate natural gas pipeline system. The rule also will provide more accurate price signals on the market value of natural gas pipeline capacity. Similarly, in Order No. 890, the Commission revised its electric regulations to remove the price cap for capacity reassignment and to allow negotiated rates for transmission capacity reassigned by transmission customers.

Both rules were aimed at improving efficiency and removing barriers to trade between markets and among regions. The Commission intends to evaluate the competitive effect of lifting the price cap for release of natural gas pipeline transportation capacity as well as for reassignments of electric transmission capacity. In Order No. 712, the Commission directed staff to monitor the capacity release program and to issue a report on the general performance of the program after two years of experience under the new rules. In November 2008, the Commission reaffirmed its policy in Order No. 712. In Order No. 890, the Commission directed staff to monitor EQR filings data regarding reassignments of transmission capacity under the pro forma open access transmission tariff. The Commission will analyze the competitive effect of lifting the price cap on reassignments and issue a report in FY 2010. Upon review of the staff report, the Commission will determine whether to institute proceedings to extend the decision to lift the price cap. Absent further action by the Commission, the caps will be automatically reinstated on October 1, 2010. The Commission anticipates that it will require five FTEs to evaluate and address issues associated with capacity release and transmission reassignment.

2. OBJECTIVE B: PREVENT ACCUMULATION AND EXERCISE OF MARKET POWER

The Commission prevents the accumulation and exercise of market power by assuring proposed mergers, dispositions, and acquisitions are in the public interest and will not have an adverse effect on competition. The Commission also addresses the potential to exercise market power in jurisdictional wholesale markets through its various rate authorities. In this regard, the Commission addresses both vertical market power issues (e.g., by requiring providers of natural gas transportation and electric transmission to offer open, non-discriminatory access) as well as horizontal market power (e.g., by placing appropriate conditions, where necessary, on the authorization required to sell at market-based rates).

Mergers and other dispositions or acquisitions can bring efficiencies from economies of scale and also can represent the result of successful competition from more effective business models. However, they can also eliminate competitors and can lead to markets that are too concentrated and not fully competitive. The energy industry is in a state of growth and evolution with new products, services, and types of market participants entering the mix. Keeping abreast of these changes and making sure new market structures and corporate relationships are fully understood is becoming more complex. The Commission will manage these intricacies as it works to prevent the accumulation and exercise of market power in the transforming electric, natural gas, and oil industries it regulates.

Implementation of this strategy will further safeguard the consumer from consolidations of energy assets that decrease competition as well as ensure the rates for electricity in wholesale markets and for transmission services are just and reasonable. Market power issues can present themselves in many different ways and the Commission must be prepared to address them. The Commission projects needing 32 FTEs in FY 2010 to accomplish this task.

2.B.1: Assure Proposed Mergers and Acquisitions are in the Public Interest

The Commission ensures that the disposition, consolidation or acquisition of jurisdictional facilities is in the public interest by reviewing each proposed transaction for its effect on rates, regulation, competition, and cross-subsidization.

The Commission is seeing many new issues arising in the area of corporate regulation. There are many non-traditional entities such as financial institutions, hedge funds, investment advisors, and foreign investment companies seeking Commission approval to take equity positions in utilities. While bringing new sources of capital to the utility industry, these types of acquisitions raise difficult issues regarding what level of equity interest may constitute "control" of a public utility and whether having a single entity with ownership interests in multiple utilities raises market power concerns. Because many of these entities are new to the Commission and their involvement in utility securities is evolving, they will present novel, legal and policy issues and challenges. This will be an area of increased workload and complexity for which the Commission will require significant resources and the development of specialized expertise.

In FY 2008, the Commission received 1,122 corporate filings including mergers, acquisitions and dispositions, interlocking directorate filings, securities filings and holding company filings and constituted a significant use of FTEs. The Commission expects the level of merger activity in FY 2010 to remain roughly the same while acquisition of securities is likely to increase. The Commission anticipates needing 13 FTEs in FY 2010 to protect customers from affiliate abuse and to guard against cross subsidization, to address new issues growing out of the Commission's oversight of public utility holding companies, and to deal with complex issues associated with ownership and control of utility assets by hedge funds and other non-traditional entities.

In carrying out this authority, the Commission will protect customers from being exposed to markets which might have otherwise been adversely affected by:

- the elimination of competitors;
- a material increase in market concentrations in relevant markets;
- the creation or enhancement of vertical market power through the combination of electric generation and transmission assets;
- an increase in the incentive or ability to increase prices or reduce output in a downstream electricity market through control of upstream inputs to electricity generation;
- the creation of barriers to the entry of new generators; and
- harm to horizontal competition in any relevant market.

In April 2008, the Commission conditionally approved a $7.4 billion merger between Washington-based Puget Energy, Inc. (PSE) and an international investment consortium led by the Macquarie Group. The companies developed and filed a detailed "ring-fencing" measure proposal to ensure that captive power customers would not inappropriately cross-subsidize other activities of the holding company. The commitments will insulate PSE's customers from financial activities associated with the new holding company structure. This transaction will bolster Puget's financial strength and lead to a more robust electricity infrastructure in the Pacific Northwest. The Commission conditioned its authorization of the merger on the applicants, and any other entity that may acquire an interest, making available company books and records for examination.

2.B.2: Address Market Power in Jurisdictional Wholesale Markets

To address market power in jurisdictional wholesale electric energy markets, the Commission considers, most importantly, control of generation and transmission assets. These considerations are important because the opportunity for exercising market power grows when available supply is low relative to demand or when supply is controlled by only a few entities. In such situations, even an otherwise well-functioning market may not produce rates that are just and reasonable.

Market Power in Electric and Natural Gas Markets. In FY 2010, the Commission will ensure that the open access transmission tariff terms and conditions under which electric transmission service is provided are being applied in a way that is not unduly discriminatory or preferential. The Commission will also ensure that other forms of market power in electric and natural gas markets are mitigated. The Commission projects needing 19 FTEs to accomplish this work.

Market Power in Electric Markets. In FY 2010, the Commission will foster open and non-discriminatory access to electric transmission. FERC will ensure that sellers seeking market-based rate authority for sales of generation do not have the potential to exercise market power or otherwise identify mitigation approaches for those who do have market power. The Commission will also evaluate market rules for market power mitigation in RTO and ISO markets to ensure that mitigation measures are protecting against exercise of market power and not creating disincentives to needed investment.

> Recent Commission activities to prevent the exercise of market power in electricity markets have worked to ensure the complex details of market operations result in just and reasonable rates and Commission rules prevent the exercise of market power. Order Nos. 697 and 697-A strengthened competitive markets and protected consumers by reinforcing regulations for just and reasonable wholesale electric power sales. The Commission provided guidance on horizontal and vertical market power analyses, the use of a balancing authority area or the RTO/ISO market as the default relevant geographic market, a regional approach for triennial market power studies that separates the country into six geographic regions, and codification of restrictions on affiliate abuse in the regulations.

The Commission's open access policies are discussed extensively under Goal 2.A.2 because they reduce barriers to trade between markets and among regions. However, fair and non-discriminatory open access is equally important with regard to addressing vertical market power issues. The Commission currently devotes significant resources to ensuring that utilities owning and operating transmission facilities do not use them in ways that favor their own uses of the system over third parties seeking to buy and sell electricity. The Commission's planned actions in FY 2010 related to its open access transmission policy will also benefit competitive markets by addressing vertical market power issues.

The Commission also examines horizontal market power when an applicant seeks authority to charge market-based rates. This involves a determination as to whether a seller has generation market power at which time the Commission either grants, denies, or places appropriate conditions on any authorization. This will continue to be a significant workload area for the Commission, not only in terms of the initial analysis, but also in structuring, where necessary, appropriate mitigation measures. Moreover, entities charging market-based rates are required to come back to the Commission at least every three years (or sooner if there are changed circumstances) for the Commission to reevaluate whether it may continue to sell at market-based rates.

Issues of market power, mitigation measures, and fostering new entry arise in the organized electricity markets administered by RTOs. These cases can be particularly challenging because the mitigation that may be proposed to prevent the potential exercise of market power can have the unintended consequence of capping potential revenue recovery by generators and thereby deterring entry by new sources of generation.

In FY 2008, the Commission processed 421 filings for market-based rate authority and 410 RTO/ISO market rule cases. The Commission expects to process a similar number of cases in FY 2010.

Market Power in Natural Gas Markets. In FY 2010, the Commission will use requested resources to process negotiated rate filings for natural gas pipelines. The expected outcome of this work is flexible, efficient pricing of pipeline capacity while preventing pipeline use of market power by means of a recourse rate. In FY 2008, the Commission received 270 negotiated rate filings, and expects to receive a similar number in FY 2010.

The Commission's negotiated rate policy gives rate flexibility to pipelines that cannot show they lack market power. Under this policy, pipelines can negotiate rates with a shipper that vary from the otherwise applicable cost-of-service pipeline tariff, subject to certain limitations, such as the Commission's prohibition against pipelines negotiating terms and conditions of service. Pipelines must permit shippers to opt for use of a traditional cost-of-service "recourse" rate instead of requiring them to negotiate for rates for any particular service. The Commission determined that the availability of a recourse rate would prevent pipelines from exercising market power by assuring that the customer can fall back to cost-based, traditional service if the pipeline unilaterally demands excessive prices or withholds service.

GOAL 3: ENFORCEMENT

PREVENT MARKET MANIPULATION

Enforcement Resources (Dollars in Thousands)	**FY 2008 Actual**	**FY 2009 Estimate**	**FY 2010 Request**	**% (+/-) FY 2009 to FY 2010**
Funding	**$ 28,707**	**$ 32,813**	**$ 36,313**	**10.70%**
Oversight	**$ 8,841**	**$ 8,718**	**$ 10,521**	**20.70%**
Program	7,434	7,213	8,830	22.40%
Support	1,407	1,505	1,691	12.40%
Enforcement	**$ 19,865**	**$ 24,095**	**$ 25,792**	**7.00%**
Program	16,704	19,937	21,648	8.60%
Support	3,161	4,156	4,143	-0.30%
FTEs	**141**	**181**	**186**	**2.60%**
Oversight	**43**	**48**	**54**	**11.90%**
Program	35	39	44	12.70%
Support	8	9	9	8.00%
Enforcement	**97**	**133**	**132**	**-0.80%**
Program	79	109	109	0.00%
Support	18	24	23	-4.60%

Note: Numbers in tables may not add due to rounding.

In addition to its core role as a rate-setting agency for wholesale electric and natural gas markets, the Commission in recent years has taken on the additional role of a market oversight and enforcement agency. In light of this regulatory evolution, the Commission's two main objectives in meeting its goal of preventing market manipulation are to provide vigilant market oversight and provide firm but fair enforcement. In conducting oversight, the Commission seeks to detect market anomalies quickly, publicize misconduct where appropriate, and take prompt action to prevent future misconduct. In the enforcement role, each year the Commission performs investigations and conducts audits for non-compliance with the laws and regulations under its jurisdiction. While these actions help to deter violations from occurring in the first place, the Commission also takes proactive steps on a variety of fronts to reduce the probability that violations will occur and to detect problems before they become severe or widespread. To prevent market participants and regulated entities from unknowingly violating the Commission's rules, the Commission works with stakeholders to explain the intent and requirements of its rules. In order to enhance the quality and fairness of its enforcement efforts, the Commission adjusts and improves its processes continually. The Commission's enforcement-related action plans discussed below are aimed at either further maturing these program elements or being prepared to respond to the regulated community.

3. Objective A: Provide Vigilant Oversight

The Commission's energy market oversight program increases the transparency of energy markets as well as the public's confidence in them. This entails ongoing, routine review of market behavior and results, a deliberate strategy of disseminating the findings, and highly sophisticated analysis of market anomalies. These three integrated activities of market oversight assure market participants and potential malefactors alike that the regulator is watching their actions while providing a more comprehensive view of the markets to the Commission, state regulators, and the public at large. Based on the expanded scope and enforcement authority, the Commission will require 5 additional FTEs in FY 2010, bringing the Commission's total request in its market oversight program in FY 2010 to 54 FTEs. Approximately half of the FTEs will focus specifically on collecting and analyzing market data while the other half are dedicated to RTO oversight and market monitoring unit relations, policy development, reporting, outreach and other special initiatives.

3.A.1: Identify and Remedy Problems with Structure and Operations in Energy Markets

Detecting and Investigating Market Anomalies. The Commission's market oversight program focuses on the wholesale energy markets within its jurisdiction and the markets that affect them. In FY 2010, the Commission will concentrate on the competitiveness, fairness and efficiency of the natural gas, electric and related energy and financial markets. When market anomalies are detected, the Commission initiates increasingly detailed analyses to understand their genesis. While many of these analyses can be accomplished through a thorough review of publicly available data and contact with the parties involved, frequently the Commission must obtain large amounts of data from the relevant parties and, if necessary, open an investigation to identify potential wrong-doing.

Market Oversight. Both natural gas and electric energy are traded in a variety of ways in many markets. The market may be as sophisticated as an RTO which runs hourly auctions processing bids for supply and demand while ensuring that minute by minute the most economic resources are sourced to meet load as it rises and ebbs. The market may be as simple as a one-on-one call between a buyer and a supplier to purchase the next month's gas. All of these markets produce vast quantities of raw data. The market oversight program is critical to:

- gather large volumes of data to reflect ongoing market conditions;
- identify areas of market intelligence to fill in gaps where the available market data is inadequate;
- validate data to ensure that it is accurate and pertinent to the issues being addressed;
- process the data so meaningful patterns become apparent; and
- develop a real-time information capability to address rapidly developing situations and emergencies.

The Commission's energy market information capabilities address all of these areas. Commission staff depends on the Market Monitoring Center (MMC) to access most of the data it receives and analyzes. The MMC functions as the hub of data collection from sources such as Energy Security Analysis Inc. (ESAI), Bloomberg, Bentek, and Cambridge Energy Research Associates (CERA). These information resources are critical to the Commission's market oversight and will require approximately $225,000 in FY 2010 to renew the data subscriptions. The Commission's enforcement program will, at times, rely heavily on this market oversight staff for their analytical assessments.

3. Objective B: Provide Firm but Fair Enforcement

The Commission's cohesive approach to enforcement hinges on the central theme that its enforcement actions will be firm but fair. The Commission's program of enforcement investigations and actions is substantial in scope and impact. In this respect, it is paramount to understand that enforcement is largely *reactive* –initiated in response to misconduct coming to light.

3.B.1: Establish Clear and Fair Processes

It is important for the Commission to have clear and fair processes to guarantee that each entity involved in a Commission investigative or enforcement action understands the rules and regulations to which it is held. Moreover, the Commission must ensure that each entity is treated equally. These are key facets of the Commission's enforcement program which will ensure that its actions are consistent and can withstand legal challenges. Since January 2007, the Commission has approved settlements for 27 civil penalty cases. With these penalty cases, the Commission has begun to build a public record that generally indicates to the regulated community and the public the varying consequences of different types of violations. As the regulated community begins to react to the Commission's actions and as the impact of its actions become clear, it may be necessary to clarify the enforcement processes. The Commission is evaluating adjustments to the basic elements of the enforcement program and will continue this ongoing process through FY 2010. The Commission has dedicated, and will continue to rely on, two FTEs for this work.

3.B.2: Conduct Investigations Promptly and Impose Penalties Where Appropriate

The Commission's overall investigations program supports all three of the Commission's strategic goals: promote energy infrastructure development, support competitive markets, and prevent market manipulation. Because of the robust investigation program, potential infrastructure investors are reassured that the markets are actively monitored and rules are enforced thereby allowing the opportunity for a fair rate of return on their investment. The Commission's rules and regulations are geared towards creating a fair and competitive market. The investigation program dedicates a significant amount of time ensuring these rules and regulations are not being violated. Additionally, the investigation program and the threat of sanctions deter violations of Commission rules and encourage fair and competitive behavior in the marketplace. Finally, a substantial amount of investigative time is devoted to alleged market manipulation. The Commission makes this fact known to the regulated community through regular interactions and outreach efforts which in itself is a deterrent to market manipulation.

Investigations. Since FY 2007, the Commission has experienced a substantial increase in the number and scope of investigations, which is expected to continue through FY 2010. The precise nature of the "reactive" heart of the Commission's enforcement program is necessarily unpredictable, but can be expected to fall into four major focus areas in FY 2010: expand capabilities and focus of market-based conduct; respond to anticipated increase in litigated matters; respond to anticipated increased referrals from Commission program offices and market actors; and expand and mature electric reliability enforcement programs (discussed in Chapter 1).

Typical Investigative Process
(can be 3 months to a year, or longer)

- Initial internal inquiry/review of referral or public information
- Consultation with Commission subject matter experts
- Initial legal research
- Preparation and service of initial investigative information requests
- Site visits, interviews, review of data and written discovery responses
- Depositions
- Internal evaluation and expert consultation
- Dialogue with subjects of investigation
- Fact-finding portion of investigation closed
- Possible closure, settlement or enforcement action

Depending on the nature and complexity of an investigation, it can last anywhere between three months to over a year. During FY 2007, the Commission conducted 70 investigations, including 35 new investigations opened in that year. In FY 2008, the Commission conducted over 100 investigations, including 48 new investigations opened in FY 2008. The investigative efforts in FYs 2007 and 2008 align with the following 5 main categories: 37 percent to market power and manipulation, 12 percent to undue discrimination or affiliate abuses, 45 percent to violations of other electric or natural gas market rules and tariffs, 3 percent to hydropower requirements, and 3 percent to compliance with license or certificate conditions. Investigations last an average of about six months and usually require the efforts of approximately two FTEs, although some investigations can last a year or more and can require as many as seven FTEs (including partial time contributions at various experience levels or disciplines of as much as a dozen individual staff members).

Expand Focus of Market-based Conduct. Over the past three years, the Commission has shifted its investigations and enforcement focus to conduct that impairs or disrupts the functioning of markets. Although tariff-based or other Commission regulatory violations are also an important part of the Commission's enforcement program, market conduct cases are a top priority. The Commission opened 12 investigations involving allegations of market manipulation in FY 2007 and 20 in FY 2008. The Commission expects the number of cases to continue to increase through FY 2010.

Importantly, market-based conduct matters tend to be more involved and expensive relative to other types of investigations. They frequently involve questions of witness credibility, require more frequent factual development, and more sworn testimony from depositions. In addition, the data sets pertaining to transactions or markets are larger and require more complex analysis from the market oversight program. Beyond the Commission's resources, it may be necessary to retain special outside expertise for these cases. In FY 2008, the Commission spent over $2 million for consultant fees for two litigated matters described in detail below. In FY 2010, the Commission is requesting $1.8 million for consultant fees.

Increase in Litigated Matters. Although settlement of enforcement actions and voluntary compliance are always the preferred path, the Commission expects an increase in disputed and litigated matters. In FYs 2007 and 2008, there has been an increase in the degree to which the Commission's allegations of fact or assertions of law are disputed by the entity under investigation. The Commission has litigated double the number of matters in FY 2008 over FY 2007. This trend is a result of the dramatic rise in penalty stakes of enforcement actions and the increase of enforcement activities directed at entities less routinely regulated by the Commission.

Furthermore, based on the experience and judgment of Commission staff, there were a number of matters in FY 2008 that could lead to litigation in FYs 2009 and 2010. This trend is especially pronounced in the market manipulation cases which are expected to form a larger share of enforcement activity in FYs 2009 and 2010. A proven violation in a market manipulation case can harm the violator's business reputation, may involve relatively higher penalties, and may result in adverse collateral legal consequences. Some court litigation will also be required for certain types of enforcement such as violation of the NGPA which provides for *de novo*[9] district court review. Other litigation may occur due to matters such as subpoena enforcement actions or extraordinary injunction cases initiated either by the subject or by the Commission.

Investigations that do not settle and proceed to litigation consume a tremendous amount of resources, including consultant fees as well as significantly higher internal FTE usage. Moreover, the Commission will likely incur increased costs related to travel for out of town depositions and court appearances, services such as outside experts, court reporting, evidentiary document management software and hardware, and network server space to house evidentiary material that must be located on secure space. Whereas the Commission historically was able to settle more than 90 percent of investigations where wrongdoing was found, it now expects that rate to decline precipitously to around 60 percent. The Commission's estimate is based on the average settlement rate for agencies such as the Commodity Futures Trading Commission (CFTC) and the Security and Exchange Commission (SEC) who pursue primarily actions involving market manipulation or similar misconduct such as fraud or breach of duties. The Commission expects current staffing

9. *De Novo* review, as opposed to more limited review of procedural matters or questions of law, permits the reviewing court to inquire into and review any matter that was adjudicated below, including disputed questions of fact, as if the matter came to the reviewing court in its original jurisdiction.

levels will not be able to respond to the projected increase of litigated cases.

As evidenced in the following two cases, the Commission must be prepared to spend additional time and money to litigate cases of market manipulation that are not settled. In FYs 2007 and 2008, the Commission initiated and is processing two "Order to Show Cause" proceedings, which are contested and litigated market manipulation matters that were not settled. These two cases, *Amaranth Advisors L.L.C.,* 120 FERC ¶ 61,085 (2007) (*Amaranth)* and *Energy Transfer Partners, L.P.,* 120 FERC ¶ 61,086 (2007) (*ETP)*, seek a combined total of over $400 million in sanctions and remedies. The *Amaranth* matter involved litigation in two federal trials and one federal appellate court, initiated by some of the respondents in an effort to stop Commission enforcement. Although their attempts have failed, the litigation has consumed a significant amount of resources. Both *Amaranth* and *ETP* have also proceeded to administrative litigation before an Administrative Law Judge at the Commission. Although these two cases are very resource intensive as compared to other investigations, they are vital to all three of the Commission's strategic goals by ensuring infrastructure investments are being made to a well-regulated market, protecting fair and efficient competitive markets, and demonstrating the Commission's commitment to prevent market manipulation.

While the Commission will adjust and be prepared for the projected increase in litigated matters, it will continue to pursue fair settlement agreements of enforcement actions. The Commission has had several successful settlement agreements in the past two years. On January 18, 2007, the Commission approved settlements in five matters which had been under investigation imposing a total of $22.5 million in civil penalties, the first use of the expanded civil penalty authority provided to the Commission by EPAct 2005. Subsequently in FYs 2007 and 2008, the Commission issued orders approving additional settlements in 11 matters, imposing an additional $27.95 million in civil penalties. Among the cases the Commission approved for settlement, are four examples involving violations of the Commission's capacity release, shipper-must have title rule, and prohibitions on "buy-sell" or "flipping" transactions in natural gas markets for over $14 million in monetary remedies plus compliance plans. The Commission also approved a settlement for over $1.25 million for violations relating to standards of conduct and financial filings pertaining to the electric markets. The Commission also approved a settlement involving $9 million in monetary remedies in a case involving the subject of an investigation failing to provide complete and accurate information to the Commission during an investigation.

Increase in Investigation Referrals. Offices within the Commission as well as other non-governmental market monitoring actors, such as RTO and ISO MMUs, can refer suspect conduct for possible investigation. In FY 2007 the Commission opened two investigations based on referrals from MMUs. In FY 2008, the Commission opened 12 investigations based on MMU referrals. Examples of publicly-known investigations opened in FY 2008 that resulted from an MMU or Commission referral include the Florida Blackout of February 26, 2008, In-city Sellers of ICAP, and H.Q. Energy Services. As the Commission increasingly orients itself towards enforcement, it expects these trends to continue with correspondingly increased frequency of referrals for possible investigations. This will require 10-12 FTEs to successfully accomplish these investigations.

Enforcement Hotline. The Enforcement Hotline continues to provide a mechanism whereby industry participants can provide information to the Commission. The Enforcement Hotline invites market participants and the general public to call, email, or write the Hotline to complain or report market activities or transactions that may be market manipulation, an abuse of an affiliate relationship, a tariff violation, or other possible violation or concern. The information provided by the Hotline typically results in an informal resolution of alleged misconduct. The Enforcement Hotline has resolved thousands of disputes informally and answered thousands of public inquiries.

> FERC's Hotline Mission is to:
> 1) identify and remedy market abuses;
> 2) resolve disputes in a confidential and informal setting;
> 3) provide professional, prompt service; and
> 4) maintain confidentiality.
>
> Some examples of Hotline calls are bidding anomalies, access to transmission facilities, land owner disputes, and tariff disputes or violations.

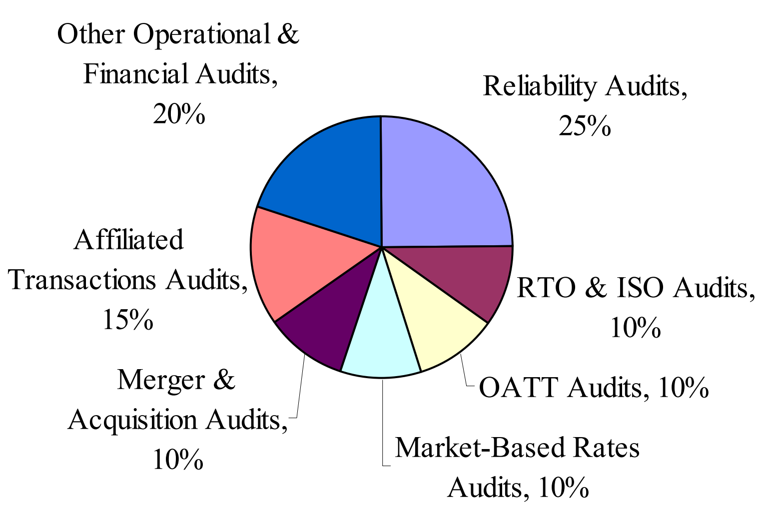
During FY 2007, the Commission used over 2,500 hours answering and processing 464 Enforcement Hotline calls. Annualized data indicates approximately 500 hotline calls will be received in FY 2008, requiring over 2,800 hours of resources. Occasionally, Hotline calls result in investigations. These investigations, however, may not result in the finding of any wrongdoing. The Commission currently has six open investigations from Hotline matters. As with investigations from all sources, many investigations that originate from Hotline calls are non-public.

Audits. The Commission's audit program is instrumental in ensuring that jurisdictional companies are complying with the Commission's rules and regulations. The Commission audits various companies including public utilities, natural gas pipelines, and natural gas storage companies. The Commission anticipates the complexity of its audits in FY 2010 to increase as a greater emphasis is placed on market-based rates, compliance with open access transmission tariffs, and the reliability of the Nation's bulk power system (discussed in Chapter 1).

The Commission creates an audit plan each year, including several different types of audits. However, it is necessary for the plan to remain fluid to adjust to new or changing priorities. In FY 2008, the Commission, relying on approximately 41 FTEs, completed 60 audits, including 47 single or narrow scope audits. In FY 2010, the Commission will rely less on single or narrow scope audits and will emphasize larger scope or multiple scope audits. Therefore, although the Commission's workload will increase significantly, the number of audit completions may actually decline.

Based on FY 2008 and the expected energy market environment in FY 2010, the Commission expects its audits to fall into six major categories: open access transmission tariffs, mergers and acquisitions, affiliated transactions, market-based rate authority, other operational and financial compliance, and reliability (discussed in Chapter 1).

FY 2010 Anticipated
Audit Staff Allocation by Audit Type



Open Access Transmission Tariff Audits. The open access transmission tariff compliance audit program was established to address a major Commission strategic initiative to provide open access to the bulk power system to all customers seeking transmission service. In FY 2010, the Commission will ensure that transmission providers and customers comply with the tariff requirements and guidance issued in Order No. 890. In particular, the Commission will focus its audits on testing compliance with tariff provisions governing Open Access Same-Time Information System (OASIS) postings, network resource facilities credits, redispatch and conditional firm service, and use of network service. In FY 2008, the Commission completed 12 audits related to companies' compliance with Order No. 890 and three comprehensive audits associated with companies' compliance with their open access transmission tariff on file with the Commission.

Merger and Acquisition Audits. The Commission will determine compliance with the conditions in its orders approving mergers and acquisitions under section 203 of the FPA to protect against inappropriate cross-subsidization or encumbrances of utility assets for the benefit of a nonutility associate company. The Commission has initiated audits in this area beginning in FY 2009 and will continue performing them into FY 2010.

Affiliated Transactions Audits. These audits were undertaken to ensure that companies are not inappropriately cross-subsidizing or granting special preferences to affiliates for the benefit of nonutility affiliated companies. The Commission ensures compliance with specific and detailed record retention rules for holding companies and their affiliates and its standardized Uniform System of Accounts that must be followed by all centralized service companies. These rules provide greater transparency which protects ratepayers from paying improper service company costs. Finally, the Commission will ensure that centralized service companies comply with filing requirements for the Form No. 60 annual report, which contains financial information and information related to non-power goods and services provided to affiliates. The Commission has completed three affiliate transaction audits that were initiated in FY 2008. The Commission anticipates a slight annual increase in the number of audits completed in this area through FY 2010.

Market-Based Rate Authority Audits. The Commission began market-based rate authority audits to ensure compliance with Order No. 697, which became effective in FY 2008. The focus of these audits will include the requirements placed on companies related to their market-based rate authority, including those related to making sales to affiliates to ensure that companies are not engaging in affiliated abuse. These audits were also undertaken to bolster transparency to the public by verifying that companies are accurately reporting transactional information in EQRs filed with the Commission. The Commission completed two audits in FY 2008, with an increase in the amount to be completed each year through FY 2010.

Other Operational and Financial Audits. Besides the major program areas cited above, the Commission has the responsibility to ensure compliance with all of its rules and regulations. In this regard, the Commission will continue its operational and financial audits. These audits are generally narrow in scope and cover the following areas: financial securities orders, interconnection rules, gas tariffs, wholesale fuel adjustment clause tariffs, standards of conduct and affiliate restrictions compliance, cash management programs, electronic quarterly reporting, OASIS and gas websites, annual charge assessments, Uniform System of Accounts, blanket authorizations, and filing requirements of the Commission. Specifically, the Commission will audit RTOs and ISOs to ensure their expenses are properly accounted for and correctly reported. In FY 2008, 39 audits in these categories were completed. As a result of these audits, the Commission ensured that various companies complied with and implemented 19 remedial actions. Remedial actions included in compliance plans included refunds, accounting reclassifications, organizational, procedural, and process remedies. The Commission expects to include these audit topics in larger, multi scope audits in FY 2010.

3.B.3: ENCOURAGE SELF-POLICING AND –REPORTING OF VIOLATIONS

Self-Reports and No Action Letters. As a result of developments in FYs 2007 and 2008, the Commission expects that by FY 2010 there will be an increase in communications by the regulated community regarding actual or potential violations. The Commission received 31 self-reports in FY 2007 and 68 in FY 2008.

In FY 2007, staff received eight no-action letter (NAL) requests and six in FY 2008. Although the Commission has offered a “No Action letter” guidance process in the past, in FY 2008 the Commission greatly expanded its scope and availability. In addition, as the regulated community begins to appreciate (through review of reported case results, periodic reports on enforcement by the Commission, and other means) that, even where potential penalties are higher than in the past, there is real value in self-reporting violations, the Commission will likely experience a continued rise in such self-reports. In particular, recent Commission pronouncements have emphasized the importance of formalized compliance programs which should contain elements that generate self-reporting of violations. In FY 2010, the Commission will devote 400-500 hours of staff resources to encourage this proactive conduct.

MANAGEMENT INITIATIVES THAT SUPPORT THE COMMISSION

Human Capital Management. FY 2010 is the culmination of four years of growth in the Commission's electric, reliability, and enforcement programs. From FY 2007 through FY 2010, the Commission's FTE authority will increase 233 FTEs or 18 percent. At the same time, the Commission is combating increased competition for entry level and experienced staff, as well as the impact of the retirement of the baby boom generation. These factors present numerous challenges to the Commission in FY 2010.

Background Facts:
- Average age of the Commissions work force is 46
- Average age of Executive staff is 53
- Staff retires at 60 years old with 30 years of service
- Staff eligible to retire in FY 2010 is 519 or 37.5%
- Staff that will be 60 years old and have 30 years of service in FY 2010 is 103 or 7.5%
- Mainstream occupations are Accountants, Auditors, Attorneys, Energy Industry Analysts, Engineers, and Environmental Scientists

Since FY 2007, 74 percent of the Commission's new hires and 95 percent of its requested FTE increases have been for mainstream occupations. In FYs 2007 and 2008, despite increases in authorized FTEs, mainstream departures exceeded mainstream hires primarily due to delays or uncertainties related to funding caused by extended Continuing Resolutions.

Specific Challenges. Currently, the Commission is having difficulty recruiting for the electric, reliability, and enforcement programs because of their high demand in the private sector. The extremely dynamic private business environment offers higher pay at all levels to each of these job functions. The competition for these recruits extends to other federal agencies as well which adds to the difficulty of this situation. Not only is the competition fierce for new hires, the same public and private organizations lure away current Commission staff. This is most acute in terms of electrical engineers. In most cases, the Commission is not successful in hiring or retaining electrical engineers when in direct competition with another organization. In addition to compensation-related issues, the Commission has not been able to react fast enough to hire or retain these individuals. Compounding this problem is the Commission's aging workforce that is projected to retire in larger numbers starting in FY 2010.

To mitigate the hiring-related obstacles, the Commission offers a full range of recruiting incentives to attract talented staff including student loan repayment and recruitment bonuses. FERC also provides a number of work life benefits such as onsite daycare and a fitness center, transit subsidy, Alternative Work Schedules and flexi-place, and significant training opportunities. The Commission was ranked in the top ten for small agencies for best places to work by the 2008 OPM Federal Human Capital survey. Despite these positive incentives, competing with private sector salaries continues to be a significant challenge.

The increase in FTE authority and the projected attrition are anticipated to peak in FY 2010, leaving the Commission in a position to hire approximately 150 new staff and provide support services to 1,528 FTEs. To facilitate this workload and to improve its effectiveness, the Commission received approval to migrate its payroll and support operations from the Department of Agriculture's National Finance Center to the Department of Interior's National Business Center. This action will streamline the processing of personnel actions, will replace the current human resource system with a fully federalized system that is web based and more intuitive to the user, and provide FERC with a fully staffed customer support operation that is knowledgeable in federal human resources issues. It will also provide enhanced data mining capabilities that are required to adequately analyze and refine the Commission's workforce requirements. This migration will also augment the Commission's human resources department with professional staff on an as needed basis. The Commission projects a savings of $1.6 million annually beginning in FY 2011. The migration effort began in FY 2009 and will take approximately 15 months at a projected cost of $1.3 million.

Logistics Management. To support the recruiting efforts associated with the reliability program, the Commission established a satellite office for reliability in Hagerstown, MD, for 30 electrical engineers. The Commission's experiences have shown that although many qualified electrical engineers were interested in working for FERC, they were reluctant to move to the Washington DC area. The city of Hagerstown was chosen because of its proximity to the FERC headquarters and its more reasonable housing costs. In October 2009, this office will also serve as the Commission's Continuity of Operations (COOP) site. The annual rent for this location is projected to be $500,000.

As the Commission hires additional staff to meet its expanding program requirements, it will need to make extensive building alterations and purchase equipment for approximately 150 FTEs in FYs 2009 and 2010. Over these two fiscal years, the Commission expects to incur costs for building alterations, furniture, and equipment to support the additional personnel. In addition to these expenses, FERC is requesting $1.5 million in FY 2010 to lease additional office space in the NoMa region of Washington, DC to accommodate the additional staff.

Information Technology. Information technology is one of the primary supports for meeting each of the Commission's three strategic goals. FERC continues to focus IT investments on enterprise services and infrastructure (core infrastructure, network and data security, and eGovernment) that directly support all strategic goals. In FY 2009, the Commission will complete the upgrade of all employee desktop and mobile computers to the Federal Desktop Core Configuration, will migrate a majority of the servers to a virtual processor, will improve the disaster recovery storage area network environment, and will upgrade the network switches, routers, and security and monitoring devices to more redundant, higher capacity devices. In FY 2010, these key infrastructure investments will be used to quickly deploy information services and tools. Also in FY 2009, the Commission will better secure end-point access control, more thoroughly segment its network, and employ additional internally and externally-provided security operations monitoring and control. These actions will allow FERC, in FY 2010, to operate and maintain its systems with low risk, even as security threats continue to evolve in scope and complexity.

In FY 2009, the Commission will also finish preparation for the FY 2010 deployment of eTariff to complete the FERC Online set of eGov services and the Commission's ability to accept electronic filing of virtually all documents filed with the Commission. The Commission will complete a market survey of enterprise Geographic Information System (GIS) services in FY 2009 in order to begin migrating the departmental GIS to an enterprise system in FY 2010. A centralized GIS will allow for better use of GIS by staff and will take advantage of GIS datasets and services provided by other agencies and information sources.

This page intentionally left blank.

APPENDIX A: OBJECT CLASS TABLE

OBJECT CLASS SUMMARY

(Dollars in Thousands)

		FY 2008 Actual	FY 2009 Estimate	FY 2010 Request
11.9	**Personnel Compensation**	$ 134,368	$ 156,573	$ 172,833
12.1	**Benefits**	33,877	40,176	43,144
13.0	**Benefits for Former Personnel**	28	10	10
	Total, Personnel Compensation & Benefits	$ 168,273	$ 196,759	$ 215,987
21.0	**Travel and Transportation of Persons**	3,481	4,213	4,426
22.0	**Transportation of Things**	2	1	1
23.1	**Rental Payments to GSA**	20,342	20,870	23,877
23.2	**Rental Payments to Others**	493	569	590
23.3	**Communications, Utilities & Misc. Charges**	1,595	2,339	2,323
24.0	**Printing and Reproduction**	2,431	2,390	2,704
25.0	**Other Services**	40,690	39,778	43,925
25.1	**Advisory and Assistance**	6,435	7,694	8,847
25.2	**Non-Federal**	7,829	6,167	7,873
25.3	**Federal**	724	815	1,140
25.4	**Operation & Maintenance of Facilities**	2,833	1,569	1,677
25.7	**Operation & Maintenance of Equipment**	22,869	23,533	24,388
26.0	**Supplies and Materials**	1,149	1,151	1,229
31.0	**Equipment**	9,216	5,256	2,855
41.0	**Grants, Subsidies & Contributions**	17	49	58
42.0	**Insurance Claims and Indemnities**	-	25	25
	TOTAL, OBLIGATIONS	$ 247,689	$ 273,400	$ 298,000
	Application of Prior Years' Budget Authority	-	-	-
	GROSS BUDGET AUTHORITY	$ 247,689	$ 273,400	$ 298,000
	Offsetting Receipts	(247,689)	(273,400)	(298,000)
	NET BUDGET AUTHORITY	$ -	$ -	$ -

APPENDIX B: RESOURCE REQUEST BY INDUSTRY

RESOURCE REQUEST BY INDUSTRY

Program Funding (Dollars in Thousands)	**FY 2008 Actual**	**FY 2009 Estimate**	**FY 2010 Request**	**% (+/-) FY 2009 to FY 2010**
Electric Power	$ 122,001	$ 142,073	$ 159,122	12.00%
Natural Gas & Oil Pipelines	65,478	68,419	71,892	5.10%
Hydropower	60,210	62,908	66,986	6.50%
Total	**$ 247,689**	**$ 273,400**	**$ 298,000**	**9.00%**

Program FTEs	**FY 2008 Actual**	**FY 2009 Estimate**	**FY 2010 Request**	**% (+/-) FY 2009 to FY 2010**
Electric Power	636	773	832	7.60%
Natural Gas & Oil Pipelines	343	371	372	0.30%
Hydropower	303	321	324	0.90%
Total	**1,282**	**1,465**	**1,528**	**4.30%**

APPENDIX C: WORKLOAD TABLES

This appendix shows the portion of the Commission's work that can be objectively counted by workload category in energy markets and energy projects.

	FY 2007 Actual	FY 2008 Actual			FY 2009 Estimate			FY 2010 Projection		
Pipeline Certificates	**P**	**R**	**C**	**P**	**R**	**C**	**P**	**R**	**C**	**P**
Construction Activity	62	122	108	76	120	120	76	130	130	76
Prior Notice & Abandonments	10	96	58	48	90	90	48	100	100	48
Compliance Filings & Reports	91	274	198	167	284	421	30	284	254	60
Environmental Analysis	59	135	139	55	145	143	57	155	152	60
Compliance & Safety Inspections	0	1,003	1,003	0	1,073	1,073	0	1,147	1,147	0
LNG Inspections	0	12	12	0	13	13	0	16	16	0
Rehearings	11	44	39	16	14	24	6	14	14	6
Complaints	1	2	2	1	2	2	1	3	3	1
Declaratory Orders	0	7	5	2	5	5	2	5	5	2
Remands	4	11	4	11	2	11	2	2	2	2
Dispute Resolution Services	1	4	4	1	4	2	3	6	6	3

Hydropower Licensing	**P**	**R**	**C**	**P**	**R**	**C**	**P**	**R**	**C**	**P**
Original Licenses	16	7	5	18	10	5	23	10	10	23
Relicenses	57	13	13	57	8	15	50	9	15	44
5 MW Exemptions	2	2	1	3	3	2	4	3	3	4
Rehearings	4	3	7	0	4	4	0	3	3	0
Declaratory Orders	0	2	2	0	1	1	0	1	1	0
Remands	1	0	0	1	0	1	0	1	1	0
Cases Set for Hearing	0	0	0	0	0	0	0	0	0	0
Dispute Resolution Services	0	2	2	0	3	2	1	4	2	3

Project Compliance and Administration	**P**	**R**	**C**	**P**	**R**	**C**	**P**	**R**	**C**	**P**
Amendments	149	2,300	2,149	300	2,400	2,250	450	2,600	2,650	400
Jurisdiction	1	12	11	2	8	7	3	12	10	5
Federal Lands	0	160	160	0	90	90	0	90	90	0
Headwater Benefits	4	140	138	6	120	120	6	150	145	11
Compliance	109	450	509	50	400	350	100	400	350	150
Surrenders, Transfers	8	35	26	17	35	30	22	35	40	17
Conduit Exemptions	0	4	4	0	4	4	0	4	4	0
Environmental Inspections And Assistance	0	125	125	0	125	125	0	125	125	0
Preliminary Permits	218	100	294	24	205	200	29	205	200	34
Rehearings	16	53	59	10	50	50	10	50	50	10
Complaints	0	0	0	0	1	1	0	1	1	0
Dispute Resolution Services	1	1	2	0	3	1	2	5	4	3

Key: P = Pending at year-end; R = Received; C= Completed

	FY 2007 Actual	FY 2008 Actual			FY 2009 Estimate			FY 2010 Projection		
Dam Safety an Inspections	**P**	**R**	**C**	**P**	**R**	**C**	**P**	**R**	**C**	**P**
Operational Inspections[9]	1,252	1,442	1,529	1,165	1,437	1,436	1,166	1,400	1,400	1,166
Prelicense Inspections	5	5	8	2	8	8	2	5	5	2
Construction Inspections	72	152	120	104	159	156	107	150	150	107
Exemption Inspections	214	284	330	168	287	280	175	280	280	175
Special Inspections	63	136	154	45	113	113	45	125	125	45
Engineering Evaluation & Studies	1,077	6,141	6,283	935	6,094	6,040	989	600	600	989
Part 12 Reviews	228	208	326	110	238	230	118	225	225	118
Dam Safety Reviews	22	31	46	7	36	36	7	36	36	7
EAP Tests – Functions	32	81	72	41	52	52	41	55	55	41
EAP Tests – Table Top	9	23	27	5	54	54	5	55	55	5

Rates and Tariffs	**P**	**R**	**C**	**P**	**R**	**C**	**P**	**R**	**C**	**P**
Gas Certificates & Rate Evaluations	49	100	95	54	80	60	74	80	80	74
Market-Based Rates	383	2,558	1,762	1,179	2,020	2,980	219	2,020	2,100	139
Dispute Resolution Services (Electric)	4	17	12	9	18	20	7	22	16	13
Rehearings (Electric)	267	283	242	308	300	300	308	300	300	308
Complaints (Electric)	22	37	47	12	40	45	7	40	45	2
Declaratory Orders (Electric)	19	35	39	15	30	35	10	30	35	5
Remands (Electric)	19	7	11	15	5	15	5	5	5	5
Negotiated Rates	32	437	414	55	330	335	50	330	330	50
Cost-Based Rates	269	2,033	1,977	325	1,830	1,860	295	1,830	1,830	295
Service Terms and Conditions	78	240	291	27	400	350	77	1,150	750	477
Dispute Resolution Services (Gas)	0	1	0	1	3	1	3	5	5	3
Rehearings (Gas)	25	52	49	28	50	55	23	45	50	18
Complaints (Gas)	1	7	5	3	3	3	3	3	3	3
Declaratory Orders (Gas)	1	0	1	0	1	1	0	1	1	0
Remands (Gas)	1	4	3	2	2	3	1	2	2	1
RTO, ISO, & Transco Filings	30	156	145	41	245	255	31	245	245	31
Compliance Certificate Rate	548	1,072	889	731	960	1,170	521	960	1,060	421
Compliance Refund Reports	95	160	131	124	90	135	79	90	95	74
Dispute Resolution Services (Oil)	0	1	0	1	3	2	2	3	2	3
Rehearings (Oil)	45	89	73	61	60	100	21	50	60	11
Complaints (Oil)	13	7	16	4	8	10	2	8	10	0
Declaratory Orders (Oil)	1	3	2	2	2	4	0	2	2	0
Remands (Oil)	2	5	7	0	3	3	0	2	2	0

Key: P = Pending at year-end; R = Received; C= Completed

9. Includes approximately 50 inspections per fiscal year for DOE and NRC

	FY 2007 Actual	FY 2008 Actual			FY 2009 Estimate			FY 2010 Projection		
Corporate Applications	**P**	**R**	**C**	**P**	**R**	**C**	**P**	**R**	**C**	**P**
Interlocking Positions	70	779	712	137	650	690	97	650	660	87
Mergers	3	14	17	0	10	10	0	10	10	0
Asset Acquisitions or Dispositions	23	123	124	22	130	135	17	130	130	17
Cogeneration/Small Power Producers (QF)	150	1,195	1,324	21	1,220	880	361	1,220	1,220	361
Compliance & Other Corporate Filings	37	134	146	25	95	80	40	95	100	35
Dispute Resolution Services	0	0	0	0	0	0	0	0	0	0

Electric Grid Reliability	**P**	**R**	**C**	**P**	**R**	**C**	**P**	**R**	**C**	**P**
Reliability Standards	32	13	26	19	27	29	17	68	67	18
Interpretations/Erratas of Reliability Standards	739	2,992	3,708	23	2,162	165	2,020	580	2,203	397
Reliability Filings by ERO/RE	22	70	43	49	22	51	20	35	55	0
Reliability Readiness Reviews	0	8	8	0	10	10	0	10	10	0
Standards Compliance Audits	0	8	7	1	13	11	3	13	13	3
Notices of Penalty-Violations	0	105	105	0	631	526	105	1,200	1,205	100
Registry Appeal Filings	7	8	11	4	7	9	2	7	8	1

Legal Matters	**P**	**R**	**C**	**P**	**R**	**C**	**P**	**R**	**C**	**P**
Cases Set for Hearing	65	84	73	76	60	60	76	65	65	76
Dispute Resolution Services (Outreach)	9	46	45	10	35	35	10	35	30	15
Settlement Judge Proceedings	40	52	58	34	60	50	44	65	55	54
Appellate Review	155	120	120	155	125	130	150	125	130	145
Audits	12	74	60	26	48	54	20	50	50	20
Accounting	7	160	145	22	165	150	37	170	155	52

Key: P = Pending at year-end; R = Received; C= Completed

APPENDIX D: COMPARATIVE PERFORMANCE MEASUREMENT DATA BY PROGRAM GOAL

PERFORMANCE MEASUREMENT DATA FOR ENERGY INFRASTRUCTURE: FY 2005—FY 2010

FY 2005		
Performance Measurement	**Performance Target**	**Result**
Percentage of pipeline certificate cases completed in specified time frames	85% of cases completed within the following time frames: ▪ unprotested cases that involve no precedential issues, 159 days ▪ protested cases that involve no precedential issues, 304 days ▪ cases of first impression or containing larger policy implications, 365 days ▪ cases requiring a major environmental assessment or EIS, 480 days	Target Met. During FY 2005, the following percentages of cases were completed within the stated targets: ▪ 93% ▪ 100% ▪ 100% ▪ 89%
Inspect each major onshore pipeline project at least once every four weeks during ongoing construction activity	100% of qualifying projects inspected per established schedule	Target Met. During FY 2005, 100% of qualifying projects were inspected per the established schedule.
Time to complete NEPA Prefiling Process	8 months after a complete application is filed	Target Met. During FY 2005, 100% of applications completed the NEPA Prefiling Process within the stated target.
Percentage of relicense filings based upon alternative licensing process (ALP)	25% of all relicense cases using ALP	Target Met. During FY 2005, 39% of relicense cases used the ALP.
Yearly increase in the percentage of hydropower projects using the ILP prefiling process	25%	Target Met. Due in large part to staff outreach efforts, the percentage of hydropower projects using the ILP increased by 450% during FY 2005.
Average processing times for hydropower relicensing	Additional 5% reduction each year	Target Met. During FY 2005, the average processing time for hydropower relicensing reduced by 5.5%.
Percentage of final NEPA documents, required for hydropower license applications filed after FY 2002, completed within specified time frames	75% of final NEPA documents prepared for licenses approved within the following time frames: ▪ ALP case, less than 16 months ▪ Traditional case, less than 24 months	Target Met. 100% of final NEPA documents were prepared within the stated targets for both the ALP and TLP cases during FY 2005.
Percent of final NEPA documents based upon comprehensive settlement agreements completed within specified time frames	75% of final NEPA documents prepared for final comprehensive license settlement agreements are completed within 12 months	Target Met. 92% of final NEPA documents were completed within 12 months during FY 2005.
Reduction in the number of barriers to entry for new generators and reduction in the potential for undue discrimination against new generators, by streamlining and standardizing interconnection terms and conditions in non-independent transmission provider tariffs	75% of all open access transmission tariffs will have standard generator interconnection procedures in compliance with Order No. 2003 (and small generator final rule) by the end of FY 2005	Target Met. During FY 2005, the Commission completed 96.9% (31 of 32) of the open access transmission tariff compliance filings received, which also have standard generator interconnection procedures that comply with Order No. 2003. _Note:_ Filings required under Order No. 2006 (small generator final rule) were not reflected in these results since they are contingent upon the issuance of the final rule on electronic tariff filing, which was not completed by the end of FY 2005.

PERFORMANCE MEASUREMENT DATA FOR ENERGY INFRASTRUCTURE: FY 2005—FY 2010

FY 2005		
Performance Measurement	**Performance Target**	**Result**
Effectiveness of regional planning processes in each region of the country	Establish benchmarks assessing how well each region is meeting the necessary criteria for regional planning, which includes: ▪ an open and inclusive process for stakeholder involvement ▪ objective cost allocation criteria ▪ equal opportunity for a variety of technologies ▪ a process to reduce congestion	Target Met. In March 2005, benchmarks that meet the stated targets were developed and presented to the RTO and ISO Boards of Directors during a meeting at the Commission.
Timeliness of processing requests for cost recovery, new services, or changes to existing services	100% of all cases processed by statutory action date	Target Not Met. Almost 99.9% of the more than 3,000 statutory cases were completed by the statutory action date. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance.
Timeliness of Commission Opinions, to provide ratepayers with regulatory certainty with respect to rates set for hearing	85% of all Commission Opinions issued within 12 months of Briefs Opposing Exceptions to Initial Decisions on rates set for hearing	Target Met. During FY 2005, 100% of Commission Opinions were issued within 12 months of the Briefs Opposing Exceptions to Initial Decisions on rates set for hearing.
Timeliness of resolving cost recovery proposals for new infrastructure, to provide investors with regulatory certainty	85% of all merits orders accepting, modifying, or rejecting timely filed proposals, including time for hearing, ADR, or settlement judge participation, issued by date requested by applicant to meet its construction/financing schedule	Target Met. During FY 2005, The Commission issued 95% of the 224 merits orders to resolve cost recovery proposals for new infrastructure by requested date or, in the case of gas pipeline certificate applications, contributed rate inserts to allow timely completion.
Implementation of rate flexibility or incentives to encourage needed additions to energy infrastructure	Increase in the number of innovative or flexible rate designs in effect, by approving rate proposals or issuing policy statements providing rate flexibility or incentives needed for infrastructure additions	Target Met. During FY 2005, the Commission approved several rate proposals and issued a policy statement on ITCs, which collectively accomplished the stated targets.
Participation with NERC in reliability readiness reviews over next 3 years to ensure grid reliability	One-third of the Nation's control areas reviewed with NERC annually	Target Met. During FY 2005, the Commission participated in 35 of the 44 NERC scheduled control area audits, which exceeds one-third of the Nation's approximately 100 control areas. This result is based on an estimate since NERC continues to re-define what constitutes a "control area." In future years, the Commission is no longer basing its performance on the number of "control areas," but rather on "load capacity."

PERFORMANCE MEASUREMENT DATA FOR ENERGY INFRASTRUCTURE: FY 2005—FY 2010

FY 2005		
Performance Measurement	**Performance Target**	**Result**
Timeliness of processing proposals to recover prudently incurred costs to improve the reliability of the transmission grid	100% of all filings, including innovative proposals, seeking recovery of reliability costs in transmission rates processed by the statutory action date	Target Not Met. The Commission processed 99.7% (313 out of 314) of these filings by the statutory action date during FY 2005. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance.
Clarity and enforceability of reliability rules, with effective penalties for non-compliance	Assess each region's reliability rules and penalties to determine whether they specify reliability violations and include enforceable and effective penalties	Target Met. After assessing the reliability rules of the six existing RTOs/ISOs in various regions of the country, the Commission determined that the rules specify reliability violations and include enforceable and effective penalties.
	Require each new RTO or ISO to address reliability considerations prior to becoming operational	Target Met. Prior to becoming operational, each of the six existing RTOs/ ISOs addressed reliability considerations.
Enhance reliability oversight by creating a new reliability division	Division operational by end of fiscal year	Target Met. The Commission's Reliability Division was operational in October 2004.
Timeliness of processing proposals to recover prudently incurred costs to safeguard the security and safety of energy transportation and supply infrastructure	100% of all filings, including innovative proposals, seeking recovery of security and safety costs in jurisdictional rates processed by statutory action date	Target Met. The Commission processed 100% of the fourteen oil pipeline and three gas pipeline filings by the statutory action date.
Evaluate the effectiveness of Commission required resources protection measures, and disseminate information on the results.	Conduct a workshop and disseminate one report on the results of the evaluation.	Target Met. During FY 2005, the Commission conducted a workshop on shoreline management and issued a report on its evaluation of recreation mitigation effectiveness.
Maintain environmental quality at hydropower projects.	Resource protection measures constructed and implemented according to license requirements.	Target Met. Environmental inspections during FY 2005 indicated that all resource protection measures at inspected projects were constructed and implemented according to license articles.
Enhance dam safety	100% of high- and significant-hazard-potential dams inspected annually	Target Met. During FY 2005, the following percentage of dams met the stated targets: ▪ 100% ▪ 95% ▪ 100%
	Percentage of high- and significant-hazard-potential dams meeting all current structural safety standards remains uniformly high	
	100% of qualifying dams in compliance with EAP requirements	
Timely handling of critical energy infrastructure information (CEII) without disrupting requesters' participation rights in other proceedings	No requester's failure to obtain CEII in a timely manner will affect requester's ability to participate effectively in a proceeding	Target Met. The Commission received no complaints from requesters regarding their ability to participate effectively in a proceeding during FY 2005.

PERFORMANCE MEASUREMENT DATA FOR ENERGY INFRASTRUCTURE: FY 2005—FY 2010

FY 2005		
Performance Measurement	**Performance Target**	**Result**
Prevent unauthorized access to security-related documents	No instances of unauthorized access to security-related documents	Target Met. During FY 2005, the Commission did not have an instance of unauthorized access to security-related documents reported.
Number of instances of improved regulation to facilitate security and emergency response	Number of specific measures (e.g., number of security surcharge requests approved and gas allocation principles set)	Target Met. During FY 2005, the Commission improved regulation to facilitate security and emergency responses by: ▪ approving all security surcharge requests received from oil pipelines; ▪ approving recovery of software costs to meet security requirements for an electric public utility; ▪ approving surcharges to recover capital costs (including costs to enhance security) for two natural gas pipelines; and ▪ issuing notices in response to Hurricanes Katrina and Rita, waiving certain reporting requirements and non-statutory deadlines for specified periods.

FY 2006		
Performance Measurement	**Performance Target**	**Result**
Develop strategic plan and timeline for transmission line siting group	By August 31, 2006	Target Met. The strategic plan and timeline were in place by August 31, 2006. Steps have been taken to establish a transmission line siting group including: the issuance of a Notice of Proposed Rulemaking (NOPR) to establish the necessary rules and regulations to process applications filed with the Commission and posting openings to fill these essential positions.
Issue final rules on mandatory pre-filing process for LNG terminal proposals	Within 60 days of enactment of EPAct 2005	Target Met. The Commission issued regulations on the mandatory pre-filing process for LNG terminal proposals within 60 days of the enactment of EPAct 2005. The Pre-Filing Rule was issued on October 7, 2005 in Docket No. RM 05-31-000, Order 665; the effective date of the rule was November 17, 2005.
Complete Memorandum of Understanding (MOU) with Secretary of Defense on coordination of LNG facilities affecting active military installations	By March 31, 2006	Target Not Met. Both DoD contacts retired or were transferred during negotiations. A new DoD contact was assigned in July 2006 and negotiations are underway again. This did not impact operations.
Issue reports to Congress on Alaska Natural Gas Pipeline	Reports issued in February 2006 and August 2006	Target Met. Reports issued February 1 and July 10, 2006.

PERFORMANCE MEASUREMENT DATA FOR ENERGY INFRASTRUCTURE: FY 2005—FY 2010

FY 2006		
Performance Measurement	**Performance Target**	**Result**
Establish rules for transmission infrastructure incentives	Issue rules by August 8, 2006	Target Met. Docket No. RM06-4-000; Final Rule, Order No. 679, "Promoting Transmission Investment through Pricing Reform," issued July 20, 2006.
Identify requirements for establishing a communications system with transmission owners and RTOs on status of transmission lines	Issue report to Congress by February 4, 2006	Target Met. Report entitled "Steps to Establish a Transmission Monitoring System for Transmission Owners and Operators within the Eastern and Western Interconnections," submitted to Congress on February 2, 2006.
Establish process to review ERO proposed initial reliability standards	By March 31, 2006	Target Met. Developed a rulemaking process and timeline for addressing the initial reliability standards; the process and timeline were approved by the Commission in March 2006.
Issue report to Congress on operator training	By December 31, 2005	Target Not Met. Although a comprehensive study of the current state of control room operator training across the bulk power system of the United States was completed in early December, the report has not yet been sent to Congress. The Commission is currently involved in a comprehensive rulemaking related to ERO reliability standards which will include standards related to operator training. This did not negatively impact operations.
Percentage of qualifying, major, onshore-pipeline projects inspected during ongoing construction activity	100% of projects inspected at least once every four weeks	100%
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	▪ 94% ▪ 100%
Percentage of pipeline certificate cases of first impression or containing larger policy implications completed	90% within one year of filing	100%
Percentage of pipeline certificate cases requiring a major environmental assessment or EIS completed	90% within 18 months of filing	100%
Percentage of qualifying LNG plants inspected during ongoing construction activity	100% of plants inspected at least once every eight weeks	100%
Percentage of LNG import terminals inspected	100% inspected annually	100%
Percentage of LNG peak-shaving terminals inspected	50% inspected annually	50%
Percentage of ILP pre-filing notices for NOI/PAD and initial scoping document issued	85% within 60 days of NOI/PAD filing	100%
Percentage of ILP pre-filing scoping meetings and site visits completed	85% within 90 days of NOI/PAD filing	100%

PERFORMANCE MEASUREMENT DATA FOR ENERGY INFRASTRUCTURE: FY 2005—FY 2010

FY 2006		
Performance Measurement	**Performance Target**	**Result**
Percentage of ILP pre-filing study plan determinations completed	85% within 315 days of NOI/PAD filing	100%
Percentage of final NEPA documents issued for ALP/TLP cases with settlement agreements	85% within 12 months	94%
Percentage of final NEPA documents issued for ALP/TLP cases without settlement agreements	85% within 24 months	94%
Percentage of non-independent transmission provider open access transmission tariffs that have standard generator interconnection procedures in compliance with Order No. 2003 and small generator final rule	75% by September 30, 2006	Target Met. 100% compliance with Order No. 2006, "Standardization of Small Generator Interconnection Agreements and Procedures," issued May 12, 2005, was established through language contained in paragraph 544 of the Final Rule, as follows: "On the effective date of this Final Rule…the OATTs [open access transmission tariffs] of all non-independent Transmission Providers are deemed revised to include the Final Rule SGIP [Standard Generator Interconnection Procedures] and SGIA Standard Generator Interconnection Agreement]." In accordance with other language in the same paragraph, no further amendment to include the SGIP and SGIA in a Transmission Provider's OATT is required until compliance is due in the Commission's pending rulemaking on Electronic Tariff Filings. Compliance with Order No. 2003 (large generator rule) was completed and reported on during FY 2005 (see previous results).
Percentage of cases for cost recovery, new services, or changes to existing services processed	▪ 100% of NGA section 4 cases in 30 days ▪ 100% of FPA section 205 cases in 60 days	Target Met. 100% of the more than 3,350 statutory cases were completed by the statutory action date.
Percentage of rate cases set for hearing completed according to the established schedule	▪ 75% of Track I cases in 29.5 weeks ▪ 75% of Track II cases in 47 weeks ▪ 75% of Track III cases in 63 weeks	▪ There were no Track I cases ▪ 90% of Track II cases in 47 weeks ▪ 94% of Track III cases in 63 weeks
Percentage of rate cases set for hearing that achieve partial or complete consensual agreement	75%	78%
Percentage of Commission Opinions issued once Briefs Opposing Exceptions to Initial Decisions are filed	90% within 12 months	Target met. 100% (10 of 10) Initial Decisions processed within 12 months of Briefs Opposing Exceptions.
Percentage of merit orders accepting, modifying, or rejecting timely filed cost recovery proposals for new infrastructure submitted (including time for hearing, ADR, or settlement judge participation)	95% by applicant request date	Target Met. 96% of the 120 merit orders to resolve cost recovery proposals for new infrastructure were issued by statutory or requested date as applicable. In the case of gas pipeline certificate applications, contributed rate inserts to allow timely completion.

PERFORMANCE MEASUREMENT DATA FOR ENERGY INFRASTRUCTURE: FY 2005—FY 2010

FY 2006		
Performance Measurement	**Performance Target**	**Result**
Timeliness of issuing environmental licensing requirements	Licensing responsibility letters sent within 45 business days of license issuance date	Target Met. All licensing responsibility letters were issued within 45 days of license issuances.
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	100%
Participation in NERC / industry reliability readiness reviews	▪ 100% of the Reliability Coordinators ▪ Large entities which represent 80% of the load served by all entities reviewed by NERC	Target Met. FERC participated in 100% of NERC's Reliability Coordinator reviews (5 of 5), and participated in 22 readiness reviews of large entities which represent 94.5% (125,503 MW) of the load served by all entities reviewed by NERC (132,796 MW).
Issue final rule on Electric ERO certification and mandatory reliability standards enforcement	Rule issued by February 4, 2006	Target Met. Docket No. RM05-30-000; Final Rule, Order No. 672, "Rules Concerning Certification of the ERO; and Procedures for the Establishment, Approval, and Enforcement of Electric Reliability Standards," issued February 3, 2006.
Percentage of new RTOs or ISOs performing reliability functions included in Orders No. 2000 or No. 888, respectively	100%	No new RTOs or ISOs were established during the performance period.
Percentage of merit orders accepting, modifying, or rejecting timely filed proposals to recover prudently incurred reliability costs submitted (including time for hearing, ADR, or settlement judge participation)	95% by applicant request date	Target Met. 100% of the 394 merit orders to resolve cost recovery proposals for reliability were issued by statutory or requested date, as applicable.
Percentage of merit orders accepting, modifying, or rejecting timely filed proposals to recover prudently incurred safety and security costs submitted (including time for hearing, ADR, or settlement judge participation)	95% by applicant request date	Target Met. 100% of the 20 relevant filings (i.e., oil pipelines) were completed by the statutory action date.
Percentage of high- and significant-hazard-potential dams inspected annually	100%	100%
Percentage of high- and significant-hazard-potential dams that either meet all current structural safety standards or are undergoing investigation or remediation	100%	100%
Percentage of qualifying dams that either comply with EAP requirements or are conducting follow-up action(s) on outstanding item(s)	100%	100%
Number of instances of unauthorized access to CEII	No instances	Target met. No instances.
Number of complaints from CEII requesters on inability to participate in a proceeding due to failure to obtain CEII in a timely manner	None	Target met. None.

PERFORMANCE MEASUREMENT DATA FOR ENERGY INFRASTRUCTURE: FY 2005—FY 2010

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Resolve Regulatory and Other Challenges to Needed Development		
Issue Alaska Gas Pipeline Reports to Congress	Issue Reports in February and August 2007	Target Met. Reports were issued on January 31 and August 15, 2007.
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	Targets Met. ▪ 98% of unprotested cases were completed within 159 days of filing. ▪ 100% of protested cases were 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. 100% of cases of first impression or larger policy implications were 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. 94% of cases requiring a major environmental assessment or EIS were completed within 480 days of filing.
Percentage of qualifying LNG plants inspected during ongoing construction activity	100% of plants inspected every 8 weeks	Target Met. 100% of qualifying LNG plants (6 of 6) where construction was occurring were inspected at least every 8 weeks.
Percentage of ILP pre-filing study plan determinations completed	85% within 150 days of applicant's filing of the proposed study plan	Target Met. 90% (9 out 10) ILP pre-filing study plan determinations were completed within 150 days of applicant's filing of the proposed study plan.
Percentage of infrastructure studies completed	▪ 100% for regional and issue-based infrastructure conferences ▪ 100% for Commission- and Congressional-directed studies	Targets Met. ▪ 100% of infrastructure studies completed for regional and issue-based conference. ▪ 100% of infrastructure studies completed for Commission- and Congressional-directed studies.
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. Of the 18 projects that utilized the pre-filing process, 100% had final NEPA documents within 8 months of filing a complete application.
Timeliness of filings processed containing amendments to non-independent electric transmission provider OATTs	Within 60 days of filing date or applicants' requested date, whichever is later	Target Met. All 126 amendments to non-RTO/ISO OATTs completed within 60-day statutory timeframe.

PERFORMANCE MEASUREMENT DATA FOR ENERGY INFRASTRUCTURE: FY 2005—FY 2010

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Encourage Investment and Effect Timely Cost Recovery		
Timeliness of applications processed for incentive rates under section 205 of the FPA	Processed by the statutory deadline for rate filings or the applicants' requested date, whichever is later	Target Met. 100% of the 11 statutory incentive rates cases were processed within statutory timeframes.
Process cost recovery cases within reasonable timeframes (including prudently-incurred expenses to safeguard and enhance the reliability, security and safety of the energy infrastructure)	▪ 100% of statutory cases addressed by Commission order within statutory deadlines ▪ 95% of certificate cases within 12 months or applicants' requested date, whichever is later ▪ 90% of cases set for hearing within 12 months of briefs opposing exceptions	Targets Met. ▪ 100% of all 3,164 statutory items, including cost recovery cases, were completed within statutory due dates. ▪ In certificate work, 97%, or 60 of 62 cases requiring rate inserts, were completed timely. Even in the cases that were unavoidably delayed—one due to Coast Guard involvement in approving LNG facility, and the other subject to environmental issues because the company did not use the NEPA pre-filing process—the rate analyses were provided to the lead Office within the required time period. ▪ 100% issued within 12 months.
Establish price volatility baseline	By September 30, 2007	Not Applicable. The Commission proposed to establish a price volatility baseline. The first step in this process was to determine what information was available and reasonable to collect. In FY 2007, staff reviewed available price data and concluded that a price volatility baseline was not feasible. Because of the lack of available data, this performance measure has been discontinued. Program performance was not negatively impacted as a result of not establishing a price volatility baseline.
Establish out-of-merit dispatch baseline	By September 30, 2007	Not Applicable. The Commission proposed to establish an out-of-merit dispatch baseline. The first step in this process was to determine what information was available and reasonable to collect. In FY 2007, staff contacted transmission operators and found that their data is inconsistent across transmission systems and does not allow for meaningful analyses to establish this baseline. Because of the lack of consistent data, this performance measure has been discontinued. Program performance was not negatively impacted as a result of not establishing an out-of-merit dispatch baseline.

PERFORMANCE MEASUREMENT DATA FOR ENERGY INFRASTRUCTURE: FY 2005—FY 2010

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Assure Reliability of Interstate Transmission Grid		
Percentage of proposed reliability standards reviewed	100%	Target Met. Docket No. RM06-16-000; Final Rule, Order No. 693, "Mandatory Reliability Standards for the Bulk-Power System," issued March 16, 2007, in which the Commission approved 83 of 107 proposed Reliability Standards, and directed significant improvements to 56 of those standards. The Commission also required submission of further information in order to evaluate the adequacy of the remaining 24 standards. The initial 83 standards became mandatory and enforceable on June 18, 2007. In addition, the Commission approved 8 regional standards in Docket No. RM07-11-000; "Order Approving Regional Reliability Standards for the Western Interconnection and Directing Modifications," issued June 8, 2007.
Develop procedures to review the performance of the ERO	Complete by March 31, 2007	Target Met. Procedures were outlined in Docket No. RM05-30-000; Final Rule, Order No. 672, "Rules Concerning Certification of the ERO; and Procedures for the Establishment, Approval, and Enforcement of Electric Reliability Standards," issued February 3, 2006.
Percentage of NERC / industry reliability readiness reviews of Reliability Coordinators in which FERC participates	100%	Target Met. FERC participated in all 4 of NERC's Reliability Coordinator reviews.
Percentage of load served, included in NERC / industry reliability readiness reviews, in which FERC participates	50%	Target Met. FERC participated in 22 readiness reviews of large entities which represent just over 80% (332,244 MW) of the load served by all entities reviewed by NERC (414,101 MW).
Percentage of ERO penalty action rulings reviewed to prevent inappropriate rulings from going into effect by default	100%	No activity, as the standards only became mandatory on June 18, 2007, and no ERO proposed penalties were filed in FY 2007.
Protect Safety at LNG and Hydropower Facilities		
Percentage of high- and significant-hazard-potential dams inspected annually	100%	Target Met. 100% of all high and significant hazard-potential dams were inspected annually.
Percentage of high- and significant-hazard-potential dams that either meet all current structural safety standards or are undergoing investigation or remediation	100%	Target Met. 100% of all high- and significant-hazard potential dams meet current structural standards or are undergoing investigation or remediation.
Percentage inspected annually: ▪ LNG import terminals ▪ LNG peak-shaving facilities	▪ 100% ▪ 50%	Targets Met. ▪ All 5 of the operating LNG import terminals were inspected. ▪ 6 of the 12 peak-shaving facilities were inspected.

PERFORMANCE MEASUREMENT DATA FOR ENERGY INFRASTRUCTURE: FY 2005—FY 2010

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of LNG facilities that meet all current safety standards or are subject of a compliance letter	100%	Target Met. 100% of LNG facilities met all current safety standards or were subject to a compliance letter.
Percentage of EIS documents that contain sections addressing safety for Hydropower Projects, LNG Facilities, Gas Pipeline Projects and Storage Facilities	100%	Target Met. 100% of EIS documents contain sections relating to safety for Hydropower Projects, LNG Facilities, Gas Pipeline Projects and Storage Facilities.
Control access to CEII	No instances of improper access or improper denial affecting national security or Commission proceedings	Target met. No instances.
Percentage of qualifying dams that either comply with EAP requirements or are conducting follow-up action(s) on outstanding item(s)	100%	Target Met. 100% of qualifying dams comply with EAP requirements or are conducting follow-up action(s) on outstanding item(s).
Percentage of LNG facility authorizations that incorporate consultation with all appropriate agencies on security related matters	100%	Target Met. 100% of LNG facility authorizations incorporate consultation with all appropriate agencies on security related matters.

Incorporate Environmental Considerations into Commission Decisions		
Percentage of final NEPA documents issued for ALP/TLP cases: ▪ with settlement agreements ▪ without settlement agreements	▪ 85% within 12 months ▪ 85% within 24 months	Targets Met. ▪ 100% of final NEPA documents (5 of 5) were issued within 12 months for ALP/TLP cases with settlement agreements. ▪ 100% of final NEPA documents (16 of 16) were issued within 24 months for ALP/TLP cases without settlement agreements.
Timeliness of issuing environmental licensing requirements	Licensing responsibility letters sent within 45 business days of license issuance date	Target Met. All licensing responsibility letters were sent out within 45 business days of license issuance date.
Percentage of qualifying, major, on-shore-pipeline projects inspected during ongoing construction activity	100% of projects inspected at least once every four weeks	Target Met. Of the 30 pipeline projects under active construction in FY 2007, 100% were inspected at least once every four weeks.

PERFORMANCE MEASUREMENT DATA FOR ENERGY INFRASTRUCTURE: FY 2005—FY 2010

FY 2008		
Strategy		
Performance Measurement	**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% (125 out of 125) 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 2008	Target Met. Reports were issued February 19 and August 29, 2008.
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. 94% of unprotested pipeline certificate cases with no precedential issues were completed within 159 days of filing. ▪ Target Met. 100% of protested pipeline certificate cases with no precedential issues were 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. 97% of pipeline certificate cases of first impression or containing larger policy implications were 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 Not Met. 75% (6 of 8) of pipeline certificate cases requiring a major environmental assessment or environmental impact state were completed within 480 days of filing. Bradwood Landing Project (CP08-365-000, et al, issued September 18, 2008) required additional time due to an unusually large number of environmental issues which resulted in processing delays beyond FERC's control. This project was the first new LNG import terminal and related sendout pipeline to serve the Pacific Northwest. Broadwater Energy Project (CP06-54 issued March 20, 2008) also required additional time due to novel environmental issues which resulted in processing delays beyond FERC's control. This project was the first floating terminal for the storage and delivery of LNG in the United States. There were no adverse impacts as a result of these two delays.
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. 87% of NEPA documents were completed within 8 months of determining a pipeline or LNG facility application was complete for projects utilizing the pre-filing process.
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.

PERFORMANCE MEASUREMENT DATA FOR ENERGY INFRASTRUCTURE: FY 2005—FY 2010

FY 2008		
Strategy		
Performance Measurement	**Performance Target**	**Results**
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 ILP pre-filing study plans determinations were completed within 30 days of the applicant filing a revised study plan.
Percentage of infrastructure studies completed	▪ 95% for regional and issue-based infrastructure conferences ▪ 95% for Commission- and Congressional-directed studies	▪ Target Met. 100% of regional and issue-based infrastructure studies were completed for regional and issue-based infrastructure conferences. ▪ Target Met. 100% of infrastructure conferences were completed for Commission- and Congressional-directed studies.

Encourage Investment and Effect Timely Cost Recovery		
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% (16 out of 16) statutory incentive rate cases were processed within the statutory timeframes. ▪ Target Met. 100% filed within 180 days.
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% (3,498 out of 3,499) statutory items, including cost recovery cases, were processed within statutory deadlines; only one filing missed its deadline by three business days ▪ Target Met. 96% (55 out of 57) of rate inserts were processed within the appropriate timeframe. ▪ Target Met. 100% filed within 12 months of briefs opposing exceptions.
Timeliness of verification of EQR submissions	Within 10 business days of filing due date	Target Met. All 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% 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. 100% of financial accounting filings were completed within 60 days of filing date.
Percentage of reporting requirement filings completed timely	75% within 60 days of filing date	Target Met. 99% of reporting requirement filings were completed within 60 days.

Assure Reliability of Interstate Transmission Grid		
Timely approval of ERO/RE budgets and business plans	Complete by November 1, 2007	Target Met. Order was issued on October 18, 2007.

PERFORMANCE MEASUREMENT DATA FOR ENERGY INFRASTRUCTURE: FY 2005—FY 2010

FY 2008		
Strategy		
Performance Measurement	**Performance Target**	**Results**
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 Reliability Standards were remanded or approved within 18 months of filing. 100% of Cyber Security Standards were approved within 18 months of being filed.
Review the performance of the ERO	Complete within 12 months of the submission by the ERO of an assessment of its performance	N/A. The ERO's submission is not due until July 2009. The Commission will review the performance of the ERO within 12 months of their submission.
Percentage of ERO / industry reliability readiness evaluations of Reliability Coordinators in which FERC participates	75%	Target Met. Participated in 100% of ERO/industry reliability readiness evaluations of Reliability Coordinators (i.e., California-Mexico, Rocky Mountain-Desert Southwest, SPP, and ERCOT Reliability Coordinators).
Percentage of load served, included in ERO / industry reliability readiness evaluations, in which FERC participates	35%	Target Met. Participated in 11 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. 100% (37 out of 37) penalty action rulings were reviewed to prevent inappropriate rulings from going into effect. They were accepted by operation of law, *Guidance on Filing Notices of Penalty*, 124 FERC ¶ 61,015 (July 3, 2008)

Protect Safety at LNG and Hydropower Facilities		
Percentage of high- and significant-hazard-potential dams inspected annually	100%	Target Met. 100% of high- and significant-hazard-potential dams were inspected.
Percentage of high- and significant-hazard-potential dams that either meet all current structural safety standards or are undergoing investigation or remediation	100%	Target Met. 100% of high- and significant-hazard-potential dams met all current structural safety standards or are undergoing investigation or remediation.
Percentage of LNG import terminals inspected annually	90%	Target Met. 100% of the LNG import terminals were inspected.
Percentage of LNG peak-shaving facilities inspected biennially	90%	Target Met. 100% of peak shaving plants were inspected according to the biennial schedule.

PERFORMANCE MEASUREMENT DATA FOR ENERGY INFRASTRUCTURE: FY 2005—FY 2010

FY 2008		
Strategy		
Performance Measurement	**Performance Target**	**Results**
Percentage of LNG facilities that meet all current safety standards or are subject of a compliance letter	100%	Target Met. 100% of the LNG facilities either met all current safety standards or received a compliance letter.
Percentage of qualifying dams that either comply with EAP requirements or are conducting follow-up action(s) on outstanding item(s)	100%	Target Met. 100% of qualifying dams comply 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		
Timeliness of issuing environmental licensing requirements	Licensing responsibility letters sent within 60 business days of license issuance date	Target Met. All licensing responsibility letters were issued within 60 days of license issue 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% of final NEPA documents were issued for ALP/TLP cases with settlement agreements within 12 months of the settlement filing date ▪ Target Met. 100% of final NEPA of final NEPA documents were issued for ALP/TLP cases without settlement agreements within 24 months of the REA date
Percentage of qualifying, major, onshore-pipeline projects inspected during ongoing construction activity	90% of projects inspected at least once every four weeks	Target Met. 98% of qualifying, major, onshore-pipeline projects were inspected at least once every four weeks during ongoing construction activity.

Goal 1 FY 2009		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
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	Office of Energy Market Regulation / Office of the General Counsel
Issue Alaska Gas Pipeline Reports to Congress	Issue Reports in February and August 2009	Office of Energy Projects / Office of the General Counsel
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	Office of Energy Projects / Office of the General Counsel

PERFORMANCE MEASUREMENT DATA FOR ENERGY INFRASTRUCTURE: FY 2005—FY 2010

Goal 1 FY 2009		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of pipeline certificate cases of first impression or containing larger policy implications completed	90% within 365 days of filing	Office of Energy Projects / Office of the General Counsel
Percentage of pipeline certificate cases requiring a major environmental assessment or EIS completed	90% within 480 days of filing	Office of Energy Projects / Office of the General Counsel
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	Office of Energy Projects / Office of the General Counsel
Percentage of qualifying LNG plants inspected during ongoing construction activity	90% of plants inspected every 8 weeks	Office of Energy Projects
Percentage of ILP pre-filing study plan determinations completed	75% within 30 days of applicant filing revised study plan for Commission approval	Office of Energy Projects / Office of the General Counsel
Percentage of infrastructure studies completed	▪ 95% for regional and issue-based infrastructure conferences ▪ 95% for Commission- and Congressional-directed studies	Office of Energy Projects
Percentage of electric transmission siting cases completed	90% within 365 days of filing	Office of Energy Projects / Office of the General Counsel
Encourage Investment and Effect Timely Cost Recovery		
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.	Office of Energy Market Regulation / Office of the General Counsel
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	Office of Energy Market Regulation / Office of the General Counsel
Timeliness of verification of EQR submissions	Within 10 business days of filing due date	Office of Enforcement

PERFORMANCE MEASUREMENT DATA FOR ENERGY INFRASTRUCTURE: FY 2005—FY 2010

Goal 1 FY 2009		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of Accounting Inserts completed for inclusion in merit orders on cost recovery proposals for new gas pipeline infrastructure	95%	Office of Enforcement
Percentage of financial accounting filings completed timely	75% within 60 days of filing date	Office of Enforcement
Percentage of reporting requirement filings completed timely	75% within 60 days of filing date	Office of Enforcement
Assure Reliability of Interstate Transmission Grid		
Timely approval of ERO/RE budgets and business plans	Complete by November 1, 2008	Office of Electric Reliability
Timeliness of processing proposed reliability standards	75% of filed proposed reliability standards are remanded or approved within 18 months, unless found incomplete	Office of Electric Reliability / Office of the General Counsel
Review the performance of the ERO	Complete within 12 months of the submission by the ERO of an assessment of its performance	Office of Electric Reliability
Number of ERO Regional Entity compliance audits in which FERC participates	At least one in each of the eight regions	Office of Electric Reliability
Percentage of ERO / industry reliability readiness evaluations of Reliability Coordinators in which FERC participates	75%	Office of Electric Reliability
Percentage of load served, included in ERO / industry reliability readiness evaluations, in which FERC participates	35%	Office of Electric Reliability
Percentage of ERO penalty action rulings reviewed or tolled to prevent inappropriate rulings from going into effect by default	100%	Office of Enforcement / Office of Electric Reliability
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	Office of Enforcement
Timeliness of reporting to the Commission on ERO and Regional Entity audits	Within 120 days of the Commencement Letter	Office of Enforcement
Percentage of ERO and Regional Entity audit recommendations issued and implemented	90% within 6 months	Office of Enforcement

PERFORMANCE MEASUREMENT DATA FOR ENERGY INFRASTRUCTURE: FY 2005—FY 2010

Goal 1 FY 2009		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Protect Safety at LNG and Hydropower Facilities		
Percentage of high- and significant-hazard-potential dams inspected annually	90%	Office of Energy Projects
Percentage of high- and significant-hazard-potential dams that either meet all current structural safety standards or are undergoing investigation or remediation	90%	Office of Energy Projects
Percentage of LNG peak-shaving facilities inspected biennially	90%	Office of Energy Projects
Percentage of LNG import terminals inspected annually	90%	Office of Energy Projects
Percentage of qualifying dams that either comply with EAP requirements or are conducting follow-up action(s) on outstanding item(s)	90%	Office of Energy Projects
Control access to CEII	No instances of improper access or improper denial affecting national security or Commission proceedings	Office of the General Counsel
Incorporate Environmental Considerations into Commission Decisions		
Percentage of final inspection reports completed	75% within 4 months of inspection	Office of Energy Projects
Timeliness of issuing environmental licensing requirements	Licensing responsibility letters sent within 60 days of license issuance date	Office of Energy Projects / Office of the General Counsel
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	Office of Energy Projects / Office of the General Counsel
Percentage of qualifying, major, on-shore-pipeline projects inspected during ongoing construction activity	90% of projects inspected at least once every four weeks	Office of Energy Projects

PERFORMANCE MEASUREMENT DATA FOR ENERGY INFRASTRUCTURE: FY 2005—FY 2010

Goal 1 FY 2010		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
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	Office of Energy Market Regulation / Office of the General Counsel
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	Office of Energy Projects / Office of the General Counsel
Percentage of pipeline certificate cases of first impression or containing larger policy implications completed	90% within 365 days of filing	Office of Energy Projects / Office of the General Counsel
Percentage of pipeline certificate cases requiring a major environmental assessment or EIS completed	90% within 480 days of filing	Office of Energy Projects / Office of the General Counsel
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	Office of Energy Projects / Office of the General Counsel
Percentage of qualifying LNG plants inspected during ongoing construction activity	90% of plants inspected every 8 weeks	Office of Energy Projects
Percentage of ILP pre-filing study plan determinations completed	75% within 30 days of applicant filing revised study plan for Commission approval	Office of Energy Projects / Office of the General Counsel
Percentage of infrastructure studies completed	▪ 95% for regional and issue-based infrastructure conferences ▪ 95% for Commission- and Congressional-directed studies	Office of Energy Projects
Percentage of electric transmission siting cases completed	90% within 365 days of filing	Office of Energy Projects / Office of the General Counsel

PERFORMANCE MEASUREMENT DATA FOR ENERGY INFRASTRUCTURE: FY 2005—FY 2010

Goal 1 FY 2010		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Encourage Investment and Effect Timely Cost Recovery		
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.	Office of Energy Market Regulation / Office of the General Counsel
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	Office of Energy Market Regulation / Office of the General Counsel
Timeliness of verification of EQR submissions	Within 10 business days of filing due date	Office of Enforcement
Percentage of Accounting Inserts completed for inclusion in merit orders on cost recovery proposals for new gas pipeline infrastructure	95%	Office of Enforcement
Percentage of financial accounting filings completed timely	75% within 60 days of filing date	Office of Enforcement
Percentage of reporting requirement filings completed timely	75% within 60 days of filing date	Office of Enforcement
Assure Reliability of Interstate Transmission Grid		
Timeliness of processing proposed reliability standards	75% of filed proposed reliability standards are remanded or approved within 18 months, unless found incomplete	Office of Electric Reliability / Office of the General Counsel
Review the performance of the ERO	Complete within 12 months of the submission by the ERO of an assessment of its performance	Office of Electric Reliability
Number of ERO Regional Entity compliance audits in which FERC participates	At least one in each of the eight regions	Office of Electric Reliability
Percentage of ERO / industry reliability readiness evaluations of Reliability Coordinators in which FERC participates	75%	Office of Electric Reliability
Percentage of load served, included in ERO / industry reliability readiness evaluations, in which FERC participates	35%	Office of Electric Reliability

PERFORMANCE MEASUREMENT DATA FOR ENERGY INFRASTRUCTURE: FY 2005—FY 2010

Goal 1 FY 2010		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of ERO penalty action rulings reviewed or tolled to prevent inappropriate rulings from going into effect by default	100%	Office of Enforcement / Office of Electric Reliability
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	Office of Enforcement
Timeliness of reporting to the Commission on ERO and Regional Entity audits	Within 120 days of the Commencement Letter	Office of Enforcement
Percentage of ERO and Regional Entity audit recommendations issued and implemented	90% within 6 months	Office of Enforcement
Protect Safety at LNG and Hydropower Facilities		
Percentage of high- and significant-hazard-potential dams inspected annually	90%	Office of Energy Projects
Percentage of high- and significant-hazard-potential dams that either meet all current structural safety standards or are undergoing investigation or remediation	90%	Office of Energy Projects
Percentage of LNG peak-shaving facilities inspected biennially	90%	Office of Energy Projects
Percentage of LNG import terminals inspected annually	90%	Office of Energy Projects
Percentage of qualifying dams that either comply with EAP requirements or are conducting follow-up action(s) on outstanding item(s)	90%	Office of Energy Projects
Control access to CEII	No instances of improper access or improper denial affecting national security or Commission proceedings	Office of the General Counsel

PERFORMANCE MEASUREMENT DATA FOR ENERGY INFRASTRUCTURE: FY 2005—FY 2010

Goal 1 FY 2010		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Incorporate Environmental Considerations into Commission Decisions		
Percentage of final inspection reports completed	75% within 4 months of inspection	Office of Energy Projects
Timeliness of issuing environmental licensing requirements	Licensing responsibility letters sent within 60 days of license issuance date	Office of Energy Projects / Office of the General Counsel
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	Office of Energy Projects / Office of the General Counsel
Percentage of qualifying, major, on-shore-pipeline projects inspected during ongoing construction activity	90% of projects inspected at least once every four weeks	Office of Energy Projects

PERFORMANCE MEASUREMENT DATA FOR COMPETITIVE MARKETS: FY 2005—FY 2010

FY 2005		
Performance Measurement	**Performance Target**	**Result**
Timeliness of processing filings to establish RTOs, ISOs, or ITCs	75% of all filings processed within 6 months of filing, or before applicant's proposed effective date (whichever is later)	Target Met. The initial applications for both SPP and ISO-NE were processed within six months of filing. These were the only applications processed in FY 2005.
Establishment of cost-effective elements of market design	Within 3 years of commencement of operation, approved RTO or ISO will implement, if cost effective: ▪ regional independent grid operation ▪ regional transmission planning process ▪ fair cost allocation for existing and new transmission ▪ market monitoring and market power mitigation ▪ spot markets to meet customers' real-time energy needs ▪ transparency and efficiency in congestion management ▪ firm transmission rights ▪ resource adequacy approaches	Target Not Met. Although Midwest ISO planned to start its energy markets on December 1, 2004 (within three years of receiving RTO status), the Commission approved a four-month delay to permit additional time for software testing and market participant training. The updated April 1, 2005 date was met.
Elimination of multiple, or "pancaked," transmission rates through the implementation of new rate designs to promote efficient trade across RTO and utility boundaries	The elimination of multiple charges for transmission service between PJM and Midwest ISO	Target Met. Effective December 1, 2004, the Commission established hearing procedures and accepted filings to eliminate through and out rates from the combined Midwest ISO and PJM regions for service commencing on or after April 1, 2004. In addition, the Commission established a December 1, 2004 through April 1, 2006 transition period for the collection of lost revenues resulting from the elimination of the regional through and out rates based on the Seams Elimination Charge Adjustment (SECA) methodology. At the end of the transition period, the through and out rates will be eliminated for all transactions under the open access transmission tariffs.

PERFORMANCE MEASUREMENT DATA FOR COMPETITIVE MARKETS: FY 2005—FY 2010

FY 2005		
Performance Measurement	**Performance Target**	**Result**
Transition existing regulatory constructs into competitive markets	Approval of an energy market that minimizes cost shifts while preserving existing contractual rights and creating efficiency gains	Target Met. As mentioned in the previous performance result, Midwest ISO commenced operation of its regional energy markets on April 1, 2005, in accordance with the terms of its recently approved Transmission and Energy Markets Tariff. The markets are designed to provide for an optimal dispatch of all generation resources within the region based on a security constrained economic dispatch which will enable Midwest ISO to ensure that all load requirements in its region are met reliably and efficiently. In addition, the Commission approved a California ISO proposal to resolve existing transmission contract rights. The proposal removed a major impediment to completion and implementation of California ISO's market redesign by specifying scheduling rights under the contracts and holding the contract holders financially harmless from congestion costs.
Movement toward competitive markets in each region, including greater interregional coordination of broader, more efficient, and non-discriminatory energy markets	Increase in: ▪ coordination of joint operating agreements between RTOs or an RTO and neighboring non-member utilities ▪ new, independent regional transmission providers ▪ new product markets within RTOs or ISOs ▪ RTO membership through the integration of the transmission facilities of additional transmission owners	Target Met. During FY 2005, Midwest ISO and PJM entered into a Joint Operating Agreement (JOA) to coordinate the market-to-market operations between the entities pending implementation of the joint and common market which is under development. In addition to the JOA, the Commission conditionally accepted a utility-to-utility interconnection agreement between Indiana Michigan Power Company, a PJM transmission owner, and Northern Indiana Public Service Company, a Midwest ISO transmission owner. Lastly, Midwest ISO also entered into joint operating and/or coordination agreements with SPP, Mid-Continent Area Power Pool (MAPP), TVA, and Manitoba-Hydro to coordinate market-to-nonmarket seams resulting from the start of its energy markets. In New England, the Commission accepted a transmission operating agreement between ISO-NE and Maine Electric Power Company (MEPCO) in which MEPCO granted ISO-NE authority to operate its 345 kilovolt (kV) intertie between Central Maine Power Company and Bangor Hydro Electric Company, thus integrating MEPCO into the New England Control Area.

PERFORMANCE MEASUREMENT DATA FOR COMPETITIVE MARKETS: FY 2005—FY 2010

FY 2005		
Performance Measurement	**Performance Target**	**Result**
Existence of RTO/ISO rules that encourage qualified demand response participation on an equal basis with supply options	All RTOs and ISOs have rules that do not inhibit demand response participation in RTO/ISO-controlled markets within 1 year of commencing day-ahead markets	Not applicable. During FY 2005, no RTO/ISO-controlled market was within one-year of its day-ahead markets commencing date.
Demonstrable improvements in regional competitive market structures	In any region of the country at least one of the following will occur: ▪ addition of a new or expansion of an existing RTO ▪ adoption by an RTO of additional market-oriented features, programs or rules ▪ in regions primarily without RTOs, an increase in the degree of transmission independence (ownership or control) from generation ▪ increase in the amount of competitive solicitation for supply ▪ improvement of open access tariff to reduce entry barriers of foster competition	Target Met. During FY 2005, the Commission accomplished several of the stated targets, including: ▪ the expansion of PJM; ▪ adding SPP and ISO-NE as RTOs; ▪ accepting new ISO-NE operating agreements; and ▪ the adoption of multiple rule and/or tariff revisions within several RTOs/ ISOs.
Timeliness of processing market-based rate filings to advance well-functioning markets that deliver the benefits of competition	100% of all market-based ratemaking filings processed within statutory deadline	Target Met. During FY 2005, 100% of the 434 market-based ratemaking filings were completed by the statutory deadline.
Percentage of market-based rates triennial review cases resolved	Resolve 80% of triennial review cases using the new generation market power screens within 1 year of the order on rehearing on the new screens	Target Met. During FY 2005, over 98% (342 out of 346) of market-based rates triennial review cases were completed.
Timeliness of corporate application orders	100% of all section 203 applications processed within 90 days of the date comments are filed	Target Not Met. During FY 2005, over 99% (124 out of 125) of the section 203 corporate applications were processed by the target completion date. The remaining application was completed in 93 days with the delay due to the applicant's failure to file the required concurrent petition for declaratory order. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance.

PERFORMANCE MEASUREMENT DATA FOR COMPETITIVE MARKETS: FY 2005—FY 2010

FY 2005		
Performance Measurement	**Performance Target**	**Result**
Timeliness of processing proposed rulemakings adopting industry-wide business practice standards (NAESB) and proposed rulemakings related to reliability	Non-controversial rulemakings completed within 9 months of receipt of NAESB proposal, and controversial rulemakings completed within 12 months	Target Met. During FY 2005, the Commission completed three important actions that met the stated targets, including: ▪ issuing a final rule adopting the Wholesale Gas Quadrant's Version 1.7 business practice standards (within 4½ months of being proposed); ▪ issuing a NOPR which proposes criteria for the establishment of an ERO to enforce reliability standards under the regulatory review and oversight of the Commission; and issuing a policy statement on creditworthiness standards that reiterates policies articulated in recent cases decided by the Commission.
Removal of barriers to entry into wholesale power markets for renewable energy resources	Approval of tariff provisions, both for transmission and generator interconnection, that grant all energy sources an opportunity to compete in the wholesale market	Target Met. During FY 2005, both the Small Generator Interconnection and the Wind Generation final rules were issued. In addition, the wind tariff services NOPR (Imbalance Provisions for Intermittent Resources) was issued.
Frequency of meetings with multi-state regional organizations (Regional State Committees) to resolve regional policy and planning issues	Participate in at least one meeting annually with multi-state organizations established for each approved RTO/ISO	Target Met. The Commission hosted and/or participated in numerous meetings with state representatives from each region.
Frequency of meetings to support development of robust customer demand-side participation in energy markets	In areas where there is no opportunity for robust customer demand-side participation in energy markets, meet with appropriate state commission officials at least annually to discuss demand response issues	Target Met. In June 2005, the Commission co-sponsored a National Town Meeting on Demand Response, which included state participation and live web casts to state commissions throughout the U.S. In addition, the Commission conducted a September 2005 technical conference with California state officials.
Provide timely resolution of third-party complaints	Issue initial order on 80% of all third-party complaints within 60 days of filing and 90% of all requests meeting fast-track requirements within prescribed time frame	Target Not Met. During FY 2005, 50% (30 of 60) of initial orders were issued within 60 days. The reasons for the difference include: ▪ extension requests by the parties; ▪ complainants withdrawal of complaints; ▪ deferral requests by the parties to pursue settlement; and ▪ the 60th day falling on a weekend or holiday. This performance target was set at an approximate level, and the deviation from that level, while not slight, had no effect on overall program performance.

PERFORMANCE MEASUREMENT DATA FOR COMPETITIVE MARKETS: FY 2005—FY 2010

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Review and propose revisions to OASIS standards	By June 30, 2006	Target Met. Docket No. RM05-5-000; Final Rule, Order No. 676, "Standards for Business Practices and Communication Protocols for Public Utilities," issued April 25, 2006.
Assess demand response	Issue annual report by August 8, 2006	Target Met. Staff report, "Assessment of Demand Response & Advanced Metering" (Docket No. AD-06-2-000) was delivered to Congress on August 4, 2006.
Issue final rule to implement PUHCA provisions of EPAct 2005	By January 31, 2006	Target Met. Final rule was issued on December 8, 2005.
Issue rules governing market manipulation in electricity and gas markets	By September 30, 2006	Target Met. The final rule (Order 670) was issued January 19, 2006 and an order denying rehearing was issued March 22, 2006 in Docket Nos. RM06-3, et al., Final Rule Prohibiting Energy Market Manipulation.
Movement toward competitive markets in each region, including greater interregional coordination of broader, more efficient, and non-discriminatory energy markets	Increase in: ▪ new, independent regional transmission providers ▪ coordination between RTOs or between RTOs and neighboring non-member utilities	Target Met. Some examples: ▪ In order to create a more seamless administration between the tariffs of the Midwest ISO's energy markets and the non-market operations of MAPP members that do not belong to the Midwest ISO, the Commission approved MAPP's proposal to conform its ATC calculation methodologies to provisions of the Seams Operating Agreement between MAPP and the Midwest ISO. ▪ The Commission approved proposed revisions to the SPP/Midwest ISO JOA and to the Congestion Management Process (CMP) which is incorporated in the JOA to align them more closely with the JOA and CMP of the Midwest ISO/PJM. ▪ Action was taken on Midwest ISO and PJM and their respective transmission owners' proposed revisions to the JOA for allocating to customers in each RTO the cost of new transmission facilities that are built in one RTO but provide benefits to customers in the other RTO (the so-called cross-border facilities).
Increased presence at RTOs, to improve relationships with and knowledge of existing RTOs	Creation and staffing of an office at any new RTO within 6 months of commencement of operations (including establishment of virtual office processes)	No new RTOs were established during the performance period. All existing RTOs have either staff on location or a virtual office process in effect.

PERFORMANCE MEASUREMENT DATA FOR COMPETITIVE MARKETS: FY 2005—FY 2010

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of filings to establish RTOs, ISOs, or ITCs processed	100% completed within 6 months of filing or before applicants' proposed effective date (whichever is later)	No filings were received to establish new RTOs, ISOs, or ITCs during the performance period.
RTO / ISO establishment of cost-effective market design elements per Order No. 2000	Within three years of commencement of operation, each approved RTO or ISO will implement (if cost effective): ▪ firm transmission rights ▪ resource adequacy approaches ▪ regional independent grid operation ▪ regional transmission planning process ▪ appropriate market monitoring and market power mitigation ▪ transparency and efficiency in congestion management ▪ spot markets to meet customers' real-time energy needs ▪ fair cost allocation for existing and new transmission	Target Met. With the exception of SPP, all RTOs/ISOs (PJM, ISO-NE, NY-ISO, Midwest ISO, and CAISO) have been operational over 3 years and all have implemented cost-effective market design elements. SPP has been operating as an RTO since November 1, 2004, and has received authorization during FY 2006 to commence a real-time energy imbalance market, as well as having received approvals for its market monitoring and mitigation plans.
Demonstrable improvements in regional competitive market transparency and independence (continued on next page)	In each region of the country, there will be: ▪ RTO adoption of additional market-oriented features, programs or rules ▪ improvement of open access tariff to reduce entry barriers or eliminate undue discrimination ▪ increase in the degree of transmission independence (ownership or control) from generation in regions primarily without RTOs (continued on next page)	Target Met. During FY 2006, the Commission acted on a number of proceedings related to improving competitive market transparency and independence. Some actions by the Commission will have nationwide impact. In May 2006, the Commission issued a NOPR proposing amendments to its regulations and the *pro forma* OATT to ensure that transmission services are provided on a basis that is just, reasonable and not unduly discriminatory or preferential. The NOPR aims to strengthen the OATT and address deficiencies that have become apparent since its adoption 10 years ago, particularly in the areas of ATC calculation and transmission planning. In addition, the Commission approved four proposals by vertically integrated utilities (Duke, MidAmerican, Entergy, and Louisville Gas & Electric) to contract with an independent entity to serve as the independent coordinator of transmission (ICT). The ICT performs oversight over these utilities' transmission systems, including authority to administer utilities' OATT. (continued on next page)

PERFORMANCE MEASUREMENT DATA FOR COMPETITIVE MARKETS: FY 2005—FY 2010

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
(continued from previous page) Demonstrable improvements in regional competitive market transparency and independence (continued on next page)	(continued from previous page) In each region of the country, there will be: ▪ RTO adoption of additional market-oriented features, programs or rules ▪ improvement of open access tariff to reduce entry barriers or eliminate undue discrimination ▪ increase in the degree of transmission independence (ownership or control) from generation in regions primarily without RTOs (continued on next page)	(continued from previous page) Other actions taken on proceedings related to establishing new or revised market rules, rule changes in RTOs, and increased transmission independence were region-specific. For example: <u>East</u> In the New England area, the Commission issued an order accepting a proposal filed by ISO-NE and NEPOOL which included, most significantly, the addition of a locational component to the existing Forward Reserve Market and the coordination and optimization of pricing of energy and reserves in real time to be effective October 1, 2006, or later date. In addition, the Commission approved a contested settlement that provided an alternative to the Locational Installed Capacity mechanism called the Forward Capacity Market (FCM). The Commission found that the FCM, in conjunction with an interim mechanism, will provide the revenues needed by generators to preserve reliability in New England. The Commission also found that the forward looking nature of the FCM will provide appropriate price signals to investors when new infrastructure resources are necessary with sufficient lead time to allow that infrastructure to be put in place before reliability is sacrificed. (Continue on next page)

PERFORMANCE MEASUREMENT DATA FOR COMPETITIVE MARKETS: FY 2005—FY 2010

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
(continued from previous page) Demonstrable improvements in regional competitive market transparency and independence	(continued from previous page) In each region of the country, there will be: ▪ RTO adoption of additional market-oriented features, programs or rules ▪ improvement of open access tariff to reduce entry barriers or eliminate undue discrimination ▪ increase in the degree of transmission independence (ownership or control) from generation in regions primarily without RTOs	(Continued from previous page) With respect to the PJM area, the Commission issued an initial order on PJM's proposed reliability pricing model (RPM) designed to replace its existing capacity obligation rules. The Commission found the existing capacity rules to be unjust and unreasonable to ensure energy resources to meet reliability responsibilities, and established further procedures to resolve the remaining issues. At the same time, the Commission encouraged the parties to continue to seek a negotiated resolution, and offered the Commission's settlement judge procedures to facilitate these discussions. Central: For the Midwest ISO region, the Commission approved the continuation of mitigation in Broad Constrained Areas; action on proposed revisions to real-time revenues sufficiency guarantee (RSG) payments; approval of revised rules defining less-than-seasonal FTR entitlements for network resources; approval of contractual arrangements related to the market monitor and balancing authorities; as well as offering guidance on Midwest ISO's future plans to implement ancillary service markets and an energy-only market. For the SPP region, the Commission provided guidance and approvals related to SPP's proposal to establish a real-time energy imbalance market. Regarding revisions to the OATT, the Commission approved various revisions to the Midwest ISO's creditworthiness provisions, reactive power requirements, as well as changes to the Midwest ISO *pro forma* interconnection agreement which reflect improvements or regional variations needed based upon its operational experience, including new pricing provisions. West: In September 2006, the Commission conditionally approved the CAISO MRTU market reforms and enhancements, such as a financially binding day-ahead market and more effective congestion management system. Elements of MRTU are intended to fix market design flaws, enhance reliability, better protect wholesale customers from price volatility and gaming, incorporate price-responsive demand in the markets, and encourage construction of new resources.

PERFORMANCE MEASUREMENT DATA FOR COMPETITIVE MARKETS: FY 2005—FY 2010

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of section 203 applications processed	98% completed within 90 days of the comments filing date	Target Met. 100% of the 145 section 203 corporate filings were processed by target completion dates in FY 2006.
Issue final rule on RTO and ISO accounting to improve oversight of RTO and ISO costs	By January 31, 2006	Target met. A final order on RTO accounting and financial reporting was issued on December 16, 2005 in Docket RM04-12-000, Order No. 668.
Percentage of market-based rate filings processed	100% of new filings within 60 days of filing date	Target Met. 100% of the 534 market-based rate filings were completed by the targeted deadline in FY 2006.
Percentage of competitive energy markets and market institution cases set for hearing completed according to the established schedule	▪ 75% of Track I cases in 29.5 weeks ▪ 75% of Track II cases in 47 weeks ▪ 75% of Track III cases in 63 weeks	▪ There were no Track I cases ▪ 87% of Track II cases in 47 weeks ▪ There were no Track III cases
Percentage of competitive energy markets and market institution cases set for hearing that achieve partial or complete consensual agreement	75%	100%
Percentage of applications filed by RTOs and ISOs to revise market rules to not inhibit demand response processed	100% within statutory deadlines	Target Met. The Commission processed all 5 filings involving demand response enhancements within the statutory deadlines: ▪ PJM submitted agreements to enhance demand response in the PJM region in a number of ways, including allowing demand resources to participate in PJM's ASM by bidding into the PJM reserve markets. ▪ ISO-NE's ASM Phase II will include measures allowing the owners of demand resources to bid their resources directly into the energy and reserve markets on an equal footing with generating resources. This change will establish the supporting market infrastructure that is needed to develop fully the potential for demand participation in the wholesale markets. ▪ NYISO's filing eliminated the sunset dates for NYISO's Day-Ahead Demand Response Program and its Emergency Demand Response Program. ▪ ISO-NE's proposal to establish a demand response reserve pilot program to test whether certain resources can reliably provide 30-minute and 10-minute Operating Reserve services. ▪ CAISO's MRTU tariff provides loads with demand response capability the opportunity to participate in the CAISO day-ahead, real-time, and ancillary services markets under comparable terms as supply.

PERFORMANCE MEASUREMENT DATA FOR COMPETITIVE MARKETS: FY 2005—FY 2010

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Support development of robust customer demand-side participation in energy markets in areas where it does not exist	Meet at least annually to discuss demand response issues with appropriate state commission officials	Target Met. Held technical conference on demand response in January 2006, where state representatives, including several state commissioners from all regions of the U.S., participated on panels. Met with NARUC officials in January 2006 to discuss Commission demand response report and seek their assistance in the FERC demand response and advanced metering survey. Met in April 2006 with Midwestern state officials, primarily Illinois Commissioners, on the development of a regional demand response initiative. Discussed demand response report with state officials and Commissioners at various events including the NARUC Winter Meeting in February 2006 and an EPRI Summer Seminar on Energy Efficiency and End-Use Technologies in August 2006.
Percentage of proposed NAESB business practice standards rulemakings completed	▪ 100% of non-controversial rulemakings within 9 months ▪ 100% of controversial rulemakings within 12 months	Target Met. During FY 2006, the Commission issued a final rule adopting the Wholesale Electric Quadrant's controversial first set of business practice and communication standards within 12 months of receiving NAESB's complete proposal. Docket No. RM05-5-000; Final Rule, Order No. 676, "Standards for Business Practices and Communication Protocols for Public Utilities," was issued April 25, 2006.
Percentage of initial orders completed on third-party complaints	▪ 80% within 60 days ▪ 95% within 180 days	60-day target not met. 49% (28 of 57 {1 projected}) issued within 60 days. This was an internal deadline, not statutorily based, and did not have a negative impact on operations. 180-day target met. 95% (49 {1 projected} of 51 {1 projected}) issued within 180 days.
Percentage of initial orders completed on fast track third-party complaints	90% within prescribed time frame	Target Met. One filing was received and completed on time.

PERFORMANCE MEASUREMENT DATA FOR COMPETITIVE MARKETS: FY 2005—FY 2010

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Employ Best Practices In Market Rules		
Timeliness of review of proposed market rules	By the statutory due date or the applicants' requested date, whichever is later	Target Met. All 358 filings from PJM, ISO-NE, NYISO, NEPOOL, SPP, Midwest ISO, and California ISO were acted on by statutory due dates.
Percentage of proposed NAESB business practice standards rulemakings completed	▪ 100% of unopposed rulemakings within 9 months ▪ 100% of all rulemakings within 12 months	Targets Met. The Commission issued two NAESB business practice standards rulemakings during the fiscal year, both completed within 9 months of issuance of the notice of proposed rulemaking, as follows: Docket No. RM05-5-003; NOPR issued February 20, 2007; Final Rule, Order No. 676-B, "Standards for Business Practices and Communication Protocols for Public Utilities," issued April 19, 2007; and Docket Nos. RM96-1-027 and RM05-5-001; NOPR issued October 25, 2006; Final Rule, Order 698, "Standards for Business Practices for Interstate Natural Gas Pipelines; Standards for Business Practices for Public Utilities," issued June 25, 2007.
Timeliness of applications processed on requests to encourage demand response in organized markets	Within 60 days of filing date or applicants' requested date, whichever is later	Target Met. All 15 filings were acted on within 60-day statutory due dates.
Reduce Barriers to Trade Between Markets and Among Regions		
Timeliness of review of filings to reduce or eliminate seams between organized markets	By the statutory due date or the applicants' requested date, whichever is later	Target Met. All 10 filings dealing with seams issues were completed by statutory due dates. In addition, two major orders were issued related to the California ISO's Market Redesign Technology Update (MRTU) addressing seams issues between CAISO and neighboring systems in the Western Interconnect. A technical conference was held on December 15, 2006, in Phoenix, Arizona, to address these western seams issues; and on March 29, 2007, a second conference was held in Washington, DC, to address eastern seams issues.

PERFORMANCE MEASUREMENT DATA FOR COMPETITIVE MARKETS: FY 2005—FY 2010

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Assure Proposed Mergers and Acquisition Are in the Public Interest		
Percentage of merger authorizations upheld by the courts	90%	Target met. 100% of merger authorizations have been upheld by the courts.
Percentage of merged applicants reporting on compliance with merger conditions imposed by the Commission	100%	Target Met. 100% of the 9 merger applicants reported on compliance, *if* or *as* applicable, with the four types of conditions—summary, notice of consummation, proposed accounting entries, and additional conditions—imposed by the Commission. It should be noted that most of the "additional" conditions only require compliance in the event that the merger applicants subsequently take some specific action. For example, in 5 of the 9 mergers, the Commission imposed a "hold-harmless" condition, requiring that if the applicants seek to recover merger-related costs through jurisdictional rates, they must show offsetting merger-related cost savings. As of yet, none of the applicants have sought to recover any merger-related costs, so they haven't needed to make a compliance filing.
Timeliness of processing applications 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)	▪ Within 180 days for non-major mergers ▪ Within 360 days for major mergers	Targets Met. ▪ 100% of the 100 non-major dispositions were completed within 180 days. ▪ 100% of the 9 major merger cases were completed within 360 days.
Address Market Power in Jurisdictional Wholesale Markets		
Revise open access transmission tariff	Issue final rule by June 30, 2007	Target Met. Docket Nos. RM05-17-000 and RM05-25-000; Final Rule, Order 890, "Preventing Undue Discrimination and Preference in Transmission Service," issued February 16, 2007.
Timeliness of processing initial market-based rate filings	Within 60 days of filing date or by applicant's requested date, whichever is later	Target Met. 100% of the 167 initial market-based rate applications were completed by the established target date.

PERFORMANCE MEASUREMENT DATA FOR COMPETITIVE MARKETS: FY 2005—FY 2010

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Develop generation market power screens for electric market based rates	Issue final rule by June 30, 2007	Target Met. Docket No. RM04-7-000; Final Rule, Order 697, "Market-Based Rates for Wholesale Sales Of Electric Energy, Capacity And Ancillary Services By Public Utilities," issued June 21, 2007.
Act timely on complaints	80% within 60 days or, for fast-track cases only, within the designated time-frame	Target not met; 78%. The performance goal was set at an approximate target level, and the deviation from that level is slight. There was no effect on overall program or activity performance.

FY 2008		
Strategy		
Performance Measurement	**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. 83% (40 of 48) filed within 60 days of the date of the answer. ▪ Target met. 98% (47 of 48) filed within 180 days of the date of the answer.
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% (410 out of 410) filings from PJM, ISO-NE, NYISO, NEPOOL, SPP, Midwest ISO, and California ISO were acted on by statutory due dates
Percentage of proposed NAESB business practice standards rulemakings completed	100% of all proposed rulemakings within 12 months of receipt of comments	Target Met. The Commission issued one NAESB business practice standards rulemaking. Docket No. RM05-5-005, NOPR issued April 21, 2008; Final Rule, Order No. 676-C, "Standards for Business Practices and Communication Protocols for Public Utilities," issued July 21, 2008 (three months later)
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% (10 out of 10) filings were acted on by statutory due dates.
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 34 sessions in first quarter, 36 sessions in second quarter, 33 sessions in third quarter, and 28 sessions in fourth quarter.

PERFORMANCE MEASUREMENT DATA FOR COMPETITIVE MARKETS: FY 2005—FY 2010

FY 2008		
Strategy		
Performance Measurement	**Performance Target**	**Results**
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% (6 out of 6) filings dealing with border utility issues between markets were completed by 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% (142 out of 142) of non-major dispositions were completed by the statutory deadlines Target Met. 100% (7 out of 7) of major merger cases were completed by the statutory deadline.
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% (156 out of 156) of initial market-based rate applications were completed by the established target date.

Goal 2 FY 2009		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
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	Office of the General Counsel / Office of Energy Market Regulation
Timeliness of review of proposed RTO/ ISO market rules	100% by the statutory due date or the applicant's requested date, whichever is later	Office of Energy Market Regulation / Office of the General Counsel
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	Office of Energy Market Regulation / Office of the General Counsel
Industry and state outreach to increase Commission awareness and understanding on emerging energy issues	Participate in and/or facilitate 10 sessions per quarter	Office of Energy Market Regulation

PERFORMANCE MEASUREMENT DATA FOR COMPETITIVE MARKETS: FY 2005—FY 2010

Goal 2 FY 2009		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
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	Office of Energy Market Regulation / Office of the General Counsel
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	Office of Energy Market Regulation / Office of the General Counsel
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	Office of Energy Market Regulation / Office of the General Counsel
Revise and clarify Standards of Conduct	Issue Final Rule by December 31, 2008	Office of Enforcement

Goal 2 FY 2010		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
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	Office of the General Counsel / Office of Energy Market Regulation
Timeliness of review of proposed RTO/ ISO market rules	100% by the statutory due date or the applicant's requested date, whichever is later	Office of Energy Market Regulation / Office of the General Counsel
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	Office of Energy Market Regulation / Office of the General Counsel

PERFORMANCE MEASUREMENT DATA FOR COMPETITIVE MARKETS: FY 2005—FY 2010

Goal 2 FY 2010		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Industry and state outreach to increase Commission awareness and understanding on emerging energy issues	Participate in and/or facilitate 10 sessions per quarter	Office of Energy Market Regulation
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	Office of Energy Market Regulation / Office of the General Counsel
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	Office of Energy Market Regulation / Office of the General Counsel
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	Office of Energy Market Regulation / Office of the General Counsel

PERFORMANCE MEASUREMENT DATA FOR ENFORCEMENT: FY 2005—FY 2010

FY 2005		
Performance Measurement	**Performance Target**	**Result**
Enhance institutional capability for overseeing energy markets	The EQR of electric transactions will be fully functional. The Commission will identify further key data requirements needed to analyze energy markets	Target Met. In addition to the fully functional EQR for electric transactions, the Commission also identified several key data requirements to analyze energy markets via its MMC (e.g. Dow Jones' real time data, Genscape's alert system data, U.S. Waterborne LNG Report, NE Power Data, CERA's energy advisory service, CoalDat, and AirDaily).
Development of market expertise	MMUs will produce standardized market metrics The Commission will use standard metrics developed by the MMUs to develop a balanced scorecard to determine how well energy markets are working	Target Met. During FY 2005, the Commission completed the development of 13 standardized market metrics and used those metrics to analyze and report on how well the energy markets are working in the State of the Markets report and the MMU Metrics paper.
Enhance the Commission's and public's understanding of energy markets	Issue Market Surveillance Reports to the Commission in conjunction with the Commission's public meeting schedule Publish Market Assessments, State of the Market Reports, and other reports as conditions warrant	Target Met. In conjunction with the Commission's public meeting schedule, fifteen Market Surveillance Reports were completed in FY 2005. In addition, the Commission published a Winter and Summer Seasonal Assessment Report (November 2004 and May 2005, respectively) along with its June 2005 State of the Markets report.
Identify and remedy market problems	Provide analysis and recommendations on major market problems	Target Met. During FY 2005, analysis and recommendations on major market problems were provided at Closed Commission meetings via Market Surveillance Reports. The problems included EIA's storage reporting process, major weather disturbances (e.g., Hurricanes Katrina and Rita), and pre-summer markets issues in California and the West.
Timeliness of industry wide financial audits	Complete 90% of audits within 120 days	Target Not Met. During FY 2005, none of the financial audits were completed within the 120 day targeted timeframe. This was due to the increasing complexities and management oversight of the audits, and due to a stricter interpretation of the audit timeframe (e.g., total days under audit as opposed to audit field-work days). In future years, this target has been narrowed to require a report to the Commission within 120 days of the audit Commencement Letter.
Timeliness of Hotline call resolutions	Close 60% within 2 weeks of initial contact	Target Met. During FY 2005, 74% of Hotline calls were closed within 2 weeks of initial contact.

PERFORMANCE MEASUREMENT DATA FOR ENFORCEMENT: FY 2005—FY 2010

FY 2005		
Performance Measurement	**Performance Target**	**Result**
Timely resolution of allegations of market misconduct	Resolution within established timeframes for FERC investigations and litigation, as posted on the Commission internet site	Target Met. Of the 5 cases under this performance measure in FY 2005, three cases were settled; one case is pending Commission consideration of the global Enron proceeding; and one case terminated by initial decision within the established timeframe, which varies from case-to-case based on the outlook of the Chief Judge and the Commission.
Number of major rule violations for a particular set of business practices	None or Few	Target Not Met. During FY 2005, the Commission conducted 29 investigations, eight of which were settled. Although this result did not meet the "None or few" target, the performance measure and target do not reflect the true goal of the Commission's enforcement function, which is to investigate and remedy violations of the Commission's statutes, orders, and regulations. While the Commission acknowledges that "deterrence" is an important part of enforcement, we do not believe it is reasonable to assume that no violations will occur. In future years, this measure has been removed and replaced with better performance measures and targets to evaluate the enforcement function.
Number of requests and referrals for ADR services	Maintain at or increase levels achieved in FY 2004	Target Met. The 65 requests or active cases in FY 2005 represented a 20.4% increase over the 54 logged in FY 2004.
Percentage of processes that achieve consensual agreements	Maintain at or increase levels achieved in FY 2004	Target Met. The Administrative Law area maintained their FY 2004 success rate as 90.2% of cases achieved settlement in FY 2005. DRS increased their FY 2004 success rate as 95.8% of cases achieved settlement in FY 2005.
Timeliness of formal complaint resolutions	Complete 80% within target time frames for various paths for resolution of complaints as specified by the Commission	Target Met. During FY 2005, all three of the Commission's initial decisions on complaints were completed within the specified deadlines, which vary from case-to-case based on the outlook of the Chief Judge and the Commission. Of the six additional complaints the Commission handled during FY 2005, three were settled, two were withdrawn, and one was returned to the Commission for further action.

PERFORMANCE MEASUREMENT DATA FOR ENFORCEMENT: FY 2005—FY 2010

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Reduce duplicative information requests through coordination with CFTC	50% reduction by September 30, 2006	Target met. Investigations coordinated with CFTC on all known cases of joint interest and there were no known duplicative information requests.
Timeliness of verification of EQR submissions	Within 10 business days of submission	Target met. Verified within 10 business days.
Review EQR submissions for completeness and contact companies that make up at least 80% of reported revenue for incomplete submissions	Within 10 business days of submission	Target met. Contacted 100% of companies in the EQR database that had filed incomplete submissions within 10 business days of filing deadline.
Conduct follow up reviews of companies that make up at least 80% of reported revenue on exercise of market power or market manipulation	Within 60 days of final submission	Target Met. Conducted follow-up reviews of EQR filers that make up at least 80% of reported revenue for the third quarter of 2005 for market manipulation or exercise of market power within 60 days of final submission.
Timeliness of reporting to Commission on important market events	Analysis complete within 60 days of event	Target Met. Provided the Commission with seven presentations at open Commission meetings, 26 Weekly Market Reviews beginning in April 2006 reviewing weekly market developments and performance, and seven end-of-day summaries on market conditions during heat waves in the summer of 2006.
Percentage of Hotline calls resolved	60% within 2 weeks of initial contact	Target Met. Since October 1, 2005, 80% of hotline calls were resolved within two weeks of initial contact.
Percentage of non-environmental, non-tribal ADR processes (agreed to by parties) concluded	75% within 120 days (convening and process)	Target Met. The DRS completed 25 cases in FY 2006 that were non-environmental and non-tribal, and in which the parties agreed to pursue an ADR process. Of these, 22 were completed within 120 days after being referred the DRS (88%).
Number of ADR requests and referrals to the DRS	Minimum number of requests and referrals equal to FY 2004	Target Met. The DRS addressed 70 new requests or ongoing cases from a previous year, involving gas, electric, hydroelectric, oil, and pipeline matters. This represents a 29.6% increase over FY 2004.
Favorable DRS customer satisfaction	80% customer satisfaction rate	Target Met. For training given by DRS, customer satisfaction rate was 89%. For casework concluded in FY 2006, all participants who completed evaluations gave the DRS staff favorable comments, for a satisfaction rate of 100%.
Percentage of market manipulation cases set for hearing completed according to the established schedule	▪ 75% of Track I cases in 29.5 weeks ▪ 75% of Track II cases in 47 weeks ▪ 75% of Track III cases in 63 weeks	There were no Track I, II, or III cases
Percentage of market manipulation cases set for hearing that achieve partial or complete consensual agreement	75%	100%
Timeliness of reporting to the Commission on operational audits	85% reported to the Commission within 120 days of Commencement Letter	Target Met. Since the beginning of the rating year, 100% of operational audits were reported to the Commission within 120 days of Commencement Letters.

PERFORMANCE MEASUREMENT DATA FOR ENFORCEMENT: FY 2005—FY 2010

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of operational audit recommendations issued and implemented	85%	Target Met. 100% of operational audit recommendations have been issued and implemented.
Timeliness of reporting to the Commission on financial audits	85% reported to the Commission within 120 days of Commencement Letter	Target Met. Since the beginning of the rating year, 100% of financial audits were reported to the Commission within 120 days of Commencement Letters.
Percentage of financial audit recommendations issued and implemented	85%	Target Met. 100% of financial audit recommendations have been issued and implemented.
Timeliness of reporting to the Commission on Standards of Conduct compliance audits	85% reported to the Commission within 120 days of Commencement Letter	No Standards of Conduct compliance audits were initiated during FY 2006.
Percentage of Enforcement investigations completed	75% within one year	Target Met. From October 1, 2005 to the present, 88% of cases were closed within one year (84% within 9 months and 60% within 6 months).

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Identify and Remedy Problems with Structure and Operations In Energy Markets		
Timeliness of verification of EQR submissions	Within 10 business days of submission	Target met. 100% verification within 10 business days.
Evaluate and improve the usefulness of EQR data	▪ Issue a data dictionary for all undefined fields with restricted entries ▪ Review the current EQR data structure and develop written recommendations for improvements	Targets met. Issued Final Order in Docket No. RM01-8-006 on September 24, 2007 which defined all EQR fields and improved EQR data structure.
Number of RTO and ISO MMU performance metrics	Increase over FY 2006	Target met. One new RTO and ISO MMU performance metric was developed in FY2007 (increasing the number of performance metrics from 11 in FY 2006 to 12 in FY 2007).
Timeliness of initiating or deciding action on MMU referrals	80% acted on within 30 days	Target met. 100% acted on within 30 days.
Percentage of organized markets reviewed and market structure and operations problems or deficiencies identified	100% reviewed and reports completed identifying market problems or deficiencies, if any, and recommended solutions	Target met. 100% of organized markets reviewed in daily oversight meetings, including all RTO/ISO markets, NYMEX, ICE and other relevant markets. Results of continuing review communicated to Commissioners via Weekly Reports and to the public via the Market Oversight website and the State of the Markets Report. Seven major structure and operations problems were identified.

PERFORMANCE MEASUREMENT DATA FOR ENFORCEMENT: FY 2005—FY 2010

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Timeliness of actions on problems or discrepancies identified in reviews of organized markets	With 6 months of completed report	Target met. Addressed all seven identified issues within six months of identification. Issues included: prices over $400 in West, lack of transparency for intrastate pipelines, lack of transparency for natural gas sales and purchases, need to clarify role of MMUs in RTOs, PJM/MISO transmission issues, CenterPoint data reporting, and Rockies Gas Prices.
Publish annual assessment of infrastructure and market conditions for each region	Complete by June 30, 2007	Target met. The State of the Markets Report was completed in February 2007 and detailed market and infrastructure issues for the country as a whole. In addition the Seasonal Assessment was published for electric power on May 17, 2007, specifically addressing summer 2007 and the new Market Oversight website provides updates and detailed information for each region on a monthly basis.
Establish Clear and Fair Processes		
Improve Forensic Audits and Investigations IT tools	Implement capability to search e-mails and voice recordings by June 30, 2007	Target met. The capability to search voice recordings was implemented beginning in September 2006 and the capability to search e-mails was implemented beginning in August 2006.
Improve Forensic Audits and Investigations capabilities	90% of enforcement and compliance staff participate in forensics training and interviewing skills by June 30, 2007	Target met. 95% of enforcement and compliance staff received training on forensic interviewing and auditing. Classes were held in August 2005 and May 2006.
Timeliness of reporting to the Commission on operational audits	100% reported to the Commission within 120 days of Commencement Letter	Target met. 100% of operational audits (24 out of 24 from 10/1/06 – 9/30/07) were reported to the Commission within 120 days of the Commencement Letter.
Percentage of operational audit recommendations issued and implemented	90%	Target met. 100% of operational audit recommendations issued were implemented within 6 months.
Timeliness of reporting to the Commission on financial audits	100% reported to the Commission within 120 days of Commencement Letter	Target met. 100% of financial audits (43 out of 43 from 10/1/06 – 9/30/07) were reported to the Commission within 120 days of the Commencement Letter.
Percentage of financial audit recommendations issued and implemented	90%	Target met. 100% of financial audit recommendations issued were implemented within 6 months.

PERFORMANCE MEASUREMENT DATA FOR ENFORCEMENT: FY 2005—FY 2010

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Conduct Investigations Promptly and Impose Penalties Where Appropriate		
Percentage of enforcement investigations completed	75% within one year of initiation	Target met. 94.8% of investigations were closed within a year of being initiated.
Percentage of Hotline calls resolved	70% within 2 weeks of initial contact	Target met. 75% of Hotline calls were resolved within 2 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. 95% of regulated entities included in the annual audit plan were audited (74 out of 78).
Timeliness of responses to regulated entities seeking guidance and clarification on compliance issues	Within 60 days	Target met. Responded to 100% of regulated entities seeking guidance and clarification on compliance issues within 60 days.
Timeliness of completing recommendations on compliance issues raised by regulated entities	Within 180 days, where Commission action is required	Target met. 100% of recommendations to the Commission (where Commission action was required) were completed within 180 days of completing an investigation originated by a self report.
Timeliness of reporting on compliance issues raised by regulated entities	Reports completed monthly	Target met. The Pending Case Report is issued at the end of each month and reports on compliance issues (i.e., self reports) raised by regulated entities.

FY 2008		
Strategy		
Performance Measure	**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. 45 Weekly Market Reviews (WMR) were produced. In 2 other instances, market conditions were summarized at the Commission's monthly meeting. In addition to the 45 WMRs published, 13 special reports providing in-depth analysis of emerging market issues were also published.
Timeliness of actions on significant issues identified by regular monitoring of natural gas and electric markets	Within 6 months of completed report	Target Met. Actions on all significant issues were completed within 6 months.
Complete transition of consolidated reporting to a web strategy	Complete by June 30, 2008	Target Met. The transition of this web strategy was completed in March 2008 when the State of the Markets report was published to the Oversight page (http://www.ferc.gov/market-oversight/market-oversight.asp) on the external FERC website.

PERFORMANCE MEASUREMENT DATA FOR ENFORCEMENT: FY 2005—FY 2010

FY 2008		
Strategy		
Performance Measure	**Target**	**Results**
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. The Commission was provided with a written memo and recommendations for each of the six settlements approved in FY 2008.
Develop and provide further guidance to the industry on FERC's expanded penalty authority	By September 30, 2008	Target met. The revised Policy Statement on Enforcement was issued on May 15, 2008.
Timeliness of reporting to the Commission on operational audits	Within 120 days of the Commencement Letter	Target Met. 100% (30 out of 30)
Percentage of operational audit recommendations issued and implemented	90% within 6 months	Target Met. 99% (94 out of 95)
Timeliness of reporting to the Commission on financial audits	Within 120 days of the Commencement Letter	Target Met. 100% (37 out of 37)
Percentage of financial audit recommendations issued and implemented	90% within 6 months	Target Met. 100% (23 out of 23)
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. 100% acted on within 30 days.
Percentage of enforcement investigations not including market manipulation issues completed	75% within one year of initiation	Target Met. 89% completed within one year of initiation.
Percentage of market manipulation enforcement investigations completed	75% within two years of initiation	Target Met. 100% completed within two years of initiation.
Percentage of Hotline calls resolved	70% within 2 weeks of initial contact	Target Met. 78% resolved within 2 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. 97% (77 out of 79).
Process complete requests for "No Action"	Within 60 days of receipt of final request	Target Met. All five requested no-action letters were all completed in less than 60 days.
Timeliness of reporting on compliance issues raised by regulated entities	Reports completed monthly	Target Met. Monthly pending case reports were issued for self-reports of compliance issues.

PERFORMANCE MEASUREMENT DATA FOR ENFORCEMENT: FY 2005—FY 2010

FY 2009		
Strategy		
Performance Measure	**Target**	**Data Source**
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	Office of Enforcement
Timeliness of actions on significant issues identified by regular monitoring of natural gas and electric markets	Within 6 months of completed report	Office of Enforcement / Office of Energy Market Regulation / Office of the General Counsel
Fully implement the Research in Market Oversight (RIMO) program	Perform at least four RIMO projects per year	Office of Enforcement
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	Office of Enforcement
Timeliness of reporting to the Commission on operational audits	Within 120 days of the Commencement Letter	Office of Enforcement
Percentage of operational audit recommendations issued and implemented	90% within 6 months	Office of Enforcement
Timeliness of reporting to the Commission on financial audits	Within 120 days of the Commencement Letter	Office of Enforcement
Percentage of financial audit recommendations issued and implemented	90% within 6 months	Office of Enforcement
Conduct investigations promptly and impose penalties where appropriate		
Timeliness of initiating or deciding action on MMU referrals	80% acted on within 30 days	Office of Enforcement / Office of Energy Market Regulation / Office of the General Counsel
Percentage of enforcement investigations not involving market manipulation issues completed	75% within one year of initiation	Office of Enforcement
Percentage of market manipulation enforcement investigations completed	75% within two years of initiation	Office of Enforcement
Percentage of Hotline calls resolved	70% within 2 weeks of initial contact	Office of Enforcement

PERFORMANCE MEASUREMENT DATA FOR ENFORCEMENT: FY 2005—FY 2010

FY 2009		
Strategy		
Performance Measure	**Target**	**Data Source**
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	Office of Enforcement
Process complete requests for "No Action"	Within 60 days of receipt of final request	Office of Enforcement/ Office of the General Counsel / Office of Energy Market Regulation
Timeliness of reporting on compliance issues raised by regulated entities	Reports completed monthly	Office of Enforcement

FY 2010		
Strategy		
Performance Measure	**Target**	**Data Source**
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	Office of Enforcement
Timeliness of actions on significant issues identified by regular monitoring of natural gas and electric markets	Within 6 months of completed report	Office of Enforcement / Office of Energy Market Regulation / Office of the General Counsel
Fully implement the RIMO program	Perform at least four RIMO projects per year	Office of Enforcement
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	Office of Enforcement
Timeliness of reporting to the Commission on operational audits	Within 120 days of the Commencement Letter	Office of Enforcement
Percentage of operational audit recommendations issued and implemented	90% within 6 months	Office of Enforcement
Timeliness of reporting to the Commission on financial audits	Within 120 days of the Commencement Letter	Office of Enforcement
Percentage of financial audit recommendations issued and implemented	90% within 6 months	Office of Enforcement

PERFORMANCE MEASUREMENT DATA FOR ENFORCEMENT: FY 2005—FY 2010

FY 2010		
Strategy		
Performance Measure	**Target**	**Data Source**
Conduct investigations promptly and impose penalties where appropriate		
Timeliness of initiating or deciding action on MMU referrals	80% acted on within 30 days	Office of Enforcement / Office of Energy Market Regulation / Office of the General Counsel
Percentage of enforcement investigations not involving market manipulation issues completed	75% within one year of initiation	Office of Enforcement
Percentage of market manipulation enforcement investigations completed	75% within two years of initiation	Office of Enforcement
Percentage of Hotline calls resolved	70% within 2 weeks of initial contact	Office of Enforcement
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	Office of Enforcement
Process complete requests for "No Action"	Within 60 days of receipt of final request	Office of Enforcement/ Office of the General Counsel / Office of Energy Market Regulation
Timeliness of reporting on compliance issues raised by regulated entities	Reports completed monthly	Office of Enforcement

PERFORMANCE MEASUREMENT DATA FOR SUPPORTING INITIATIVES: FY 2005—FY 2010

FY 2005		
Performance Measurement	**Performance Target**	**Result**
Number of new hires from recruitment program	Attract new talent in mainstream occupations through targeted recruitment, with 50% at entry levels	Target Met. 57% of new employees (42 of 74) were hired into mainstream occupations at the entry-level.
New staff from summer intern program	Hire 30% of participants into permanent positions	Target Not Met. 20% (6 0f 29) of interns eligible for conversion were hired into permanent positions. This performance target was set at an approximate level, and the deviation from that level is slight. In light of the increase in the number of entry-level new hires during FY 2005, this difference had no effect on overall program performance.
Increase diversity of staff in high grades	Continue increasing diversity in GS-14, GS-15 and SES positions	Target Met. Overall diversity in grades GS-14 and -15, SES, and equivalent level positions increased from 93 to 95 during FY 2005. This figure includes both women and minorities.
Improved executive/managerial development	Expand training in leadership and management skills by implementing an experienced supervisors leadership program	Target Met. Beginning in June 2005, the Commission launched a Business Acumen Course that was designed for supervisors. The curriculum, which was developed through a series of focus group meetings with SES managers, addresses the linkage between strategic plans, budgets, human capital plans, and operational plans in order to manage performance at both the organizational and individual levels. In August 2005, the first of four Business Acumen Courses were taught. Out of a target audience of 133 non-SES supervisors, 81 or 61% have completed or are enrolled to complete this course.
Improved technical development	Implement second phase of "markets curriculum" for experienced staff	Target Met. From March 2005 to June 2005, a second markets curriculum titled "FERC's Role in the Energy Markets and Infrastructure" was implemented through a series of four separate modules.
Mentoring program	Implement FERC-wide mentoring programs	Target Not Met. Although a draft mentoring program was prepared in late January 2005, a decision was made to merge the mentoring program with a larger training/developmental program that is being developed in FY 2006. This difference had no effect on overall program performance.
Improved human capital processes	Implement selected human resources flexibilities provided by new SES Pay-for-Performance legislation	Target Met. On April 7, 2005, the Commission received provisional certification to implement SES Pay-for-Performance for calendar year 2005 by demonstrating that our SES performance appraisal system made meaningful distinctions in pay and performance, demonstrated clear alignment to strategic goals, and included good measures of performance for each executive.

PERFORMANCE MEASUREMENT DATA FOR SUPPORTING INITIATIVES: FY 2005—FY 2010

FY 2005		
Performance Measurement	**Performance Target**	**Result**
Improved employee morale	Conduct baseline FERC-wide employee survey; identify issues and conduct follow-up survey; set improvement targets for follow-up survey in FY 2006	Target Met. Based on the analysis of a baseline Commission-wide employee survey conducted in early FY 2005, specific survey issues were identified and addressed (through action plans) by the Commission and each office. In accordance with a FY 2006 NDAA requirement, a follow-up survey is planned that will address and include those issues identified in the FY 2005 baseline survey (including improvement targets).
Improved services to employees	Successful implementation of payroll services and integration with HR services	Target Met. In March 2005, the Commission successfully migrated its processing of payroll distributions to the National Finance Center. Also in March 2005, the Commission's Employee Maintenance Helpdesk was established to provide a central point of contact for all human resources and payroll related inquiries.
Average IT costs per FTE	Below industry average for federal agencies	Target Met. The Commission's FY 2005 average IT cost per FTE of $12,154 is below the FY 2005 industry average for federal agencies of $14,590.
Percentage of transactions accepted electronically	95% of transactions accepted electronically	Target Not Met. The Commission received 80.2% of qualified documents (27,934 out of 34,817) electronically. Qualified documents represented about 56% of the total documents submitted to the Commission in FY 2005. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance since parties have the option to submit transactions via digital media (i.e. CD) rather than hard-copy form. In addition, the percentage represents an increase over the FY 2004 result of 75.7%.
Improved Internet Website	99% availability	Target Met. The Commission did not experience a major Internet outage in FY 2005, with average uptime reported at 100% (per contractor FY 2005 self-evaluation reports).
Timeliness of getting public documents online	99% within 24 hours of receipt or issuance	Target Not Met. During FY 2005, 96.6% of all documents presented to the Commission's eLibrary operations staff were published within 24 hours. Of the documents the Commission receives or issues electronically, 99.88% were published within 24 hours. As the volume of electronic filings increases, the current 96.6% will rise. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance.

PERFORMANCE MEASUREMENT DATA FOR SUPPORTING INITIATIVES: FY 2005—FY 2010

FY 2005		
Performance Measurement	**Performance Target**	**Result**
Improved reliability and availability of FERRIS	Increase customer satisfaction 25% over FY 2003	Target Met. During FY 2005, customer feedback from the eLibrary Helpdesk showed that 100% of customers felt they received a high quality of service.
Network availability	99%	Target Met. The Commission did not experience a major network outage in FY 2005, with average uptime reported at 100% (per contractor FY 2005 self-evaluation reports).
Desktop reliability	Increase reliability by 5% per year	Target Met. Compared to FY 2004 , the number of PC breakdowns (or re-images) during FY 2005 reduced by 9.2% from 54 re-images to 49 re-images. With no means to capture positive reliability data (e.g. reliability increases from FY 2004 to FY 2005), the current performance measure and target do not appear in future performance plans.
Standard office automation platform and PC rate of refresh	33%	Target Met. The Commission's FY 2005 upgrade percentage was 37%.
Timeliness of virus file updates on servers and workstations	Updates within 24 hours from release by vendors	Target Met
Implementation of Federal Information Security Management Act (FISMA) for small agencies	95%	Target Met. According to the Putnam scorecard, the measurement used to grade implementation of FISMA, the Commission earned a 100% (or A) rating for FY 2005.
Development of initial enterprise architecture	Complete by October 30, 2004	Target Met. The Commission's IT Enterprise Architecture was completed and in place by October 31, 2004.
Develop Communications Plan	Increase number of proactive interactions with the Press, Elected Officials, and Industry by 25%	Target Met. In FY 2005, the total number of proactive interactions increased by 27.6%.
Redesign Internet Website	Make internet site more useful and user-friendly	Target Met. In addition to several new user-friendly features, the Commission added eleven new project- / initiative-targeted web pages during FY 2005.
Engage Stakeholders	Provide 50 presentations to government or other groups of stakeholders	Target Met. The Commission provided over 70 presentations to government and/or other stakeholder groups during FY 2005.
Discussions with State regulatory bodies on Commission policies and actions	Formal, effective interactions between FERC and state officials on policy issues	Target Met. The Commission participated in 61 different meetings with state officials during FY 2005.
Foster communication with States and Governors on infrastructure	Hold infrastructure conferences in each region	Target Not Met. The Commission held a total of seven infrastructure related conferences during FY 2005 in the Northeast, Western, Appalachian, and Rocky Mountain regions. This performance target was set at an approximate level, and the deviation from that level is slight. The Commission's inability to hold a conference in each region did not have an effect on overall program performance.

PERFORMANCE MEASUREMENT DATA FOR SUPPORTING INITIATIVES: FY 2005—FY 2010

FY 2005		
Performance Measurement	**Performance Target**	**Result**
Maintain liaison with market monitors in RTOs and ISOs	Meet at least twice annually with RTO and ISO market monitors	Target Met. The Commission met with RTO and ISO market monitors twice during FY 2005, both at Commission-hosted conferences (December 2004 and July 2005).
Outreach to stakeholder groups to encourage use of conflict resolution mechanisms	Increase number of outreach opportunities with stakeholders by 25%	Target Met. The 83 active projects in FY 2005 represent a 29.7% increase over the 64 projects in FY 2004.
Support further discussions with Canada and Mexico	Formal interaction with Canadian and Mexican regulators on policy issues	Target Met. The Commission held or participated in 20 different meetings with Canadian and/or Mexican officials on issues related to infrastructure, reliability, and other policy initiatives during FY 2005.
Monitoring of manage-to-budget process	Bi-weekly tracking of office salary levels and quarterly review of salary levels between Chief Financial Officer and Office Directors	Target Not Met. Due to the National Finance Center processing of payroll distributions migration in March 2005, bi-weekly tracking information was briefly delayed. In addition, ongoing reviews and discussions between the Budget Division, individual office contacts, and the Chief Financial Officer did not necessitate the need for quarterly reviews with Office Directors. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance.
Monitoring of business plan	▪ Clarity of fit between projects, activities, and objectives ▪ Periodic monitoring of completions and adjustments to plan and related resources	Target Met. Both of the business plan updates that took place during FY 2005 accomplished the stated targets. A final FY 2005 update will be completed during the first week in November.
Timeliness of annual charges collections	Collect 98% of outstanding receivables within 45 days of billing	Target Not Met. The Commission received 92.7% of its annual charge collections within 45 days of billing. This performance target was set at an approximate level, and the deviation from that level is slight. Since the collections during the 45-day period off-set the Commission's FY 2005 appropriation and the Commission received 97.3% of its annual charge collections prior to the end of FY 2005, this difference had no effect on overall program performance.
Invoices paid by electronic funds transfer	98%	Target Met. The Commission paid 99% of its invoices via electronic funds transfer during FY 2005.

PERFORMANCE MEASUREMENT DATA FOR SUPPORTING INITIATIVES: FY 2005—FY 2010

FY 2005		
Performance Measurement	**Performance Target**	**Result**
Percentage of payments accomplished without error	98%	Target Not Met. The Commission made 97% of its payments without error during FY 2005. This performance target was set at an approximate level, and the deviation from that level is slight. Since all incorrect payments were recovered via internal or Department of Treasury collection actions, this difference had no effect on overall program performance.
Accuracy and completeness of annual financial statements	Unqualified opinion	Target Met. The Commission received an unqualified opinion on its FY 2004 financial statement audit.
Percentage of contracts performance-based	85%	Target Met. Of the 118 procurement actions that required a performance-based statement of work, 100% were awarded as performance-based.
Percentage of contracts advertised online	85%	Target Met. Of the 3 procurement actions eligible for advertising, 100% were advertised online.

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of summer interns hired into permanent positions	30%	Target Not Met. 14.3% of summer interns eligible to be rehired accepted offers of permanent employment. Conversions of summer interns have steadily declined since its high in 2003 with 33%. As EPAct of 2005 requirements have evolved, the need for skill sets not represented in the summer intern population has dictated hiring from other sources. This measure is omitted in 2007 and reduced in 2008 to 20%.
Implement entry-level Professional Development Program	Complete by September 30, 2006	Target Met. FERC Entry-Level Retention Program distributed to Program Offices in September 2006.
Percentage of minorities among senior-level positions (GS-14, GS-15, SL, and SES positions)	Increase over FY 2005	Target Met. Percentage of minorities among senior-level positions increased by 1% over FY 2005.
Implement Commission-wide Business Requirements guidelines	Complete by September 30, 2006	Target Met. Commission-wide Business Requirements Guidelines distributed to the Training Council in September 2006
Reliability of IT infrastructure	99% network availability rate	Target Met.
FISMA compliance according to the Putnam scorecard	Grade of “A”	Target Met. FERC received a grade of an "A" based on the Putnam scorecard for its most recent FISMA report which ended September 30, 2006.

PERFORMANCE MEASUREMENT DATA FOR SUPPORTING INITIATIVES: FY 2005—FY 2010

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Integrate the Business Plan, CPIC process, and IT architecture into the Commission's Enterprise Architecture	Complete by September 30, 2006	Target Met. DCIO's current CPIC process requires all requests to map to the FERC Business Plan. Pursuant to the CPIC process IT projects are approved or denied based on a number of criteria one being whether or not it supports the Commission's mission. Approved IT projects generate a Control Board action producing document. The data from the approved CCN is used to update the IT architecture which is entered into the Commission's Enterprise Architecture through the use of the Metis tool.
Percentage of approved IT initiatives with supporting documentation per the Commission's CPIC process	100%	Target Met. The CPIC Investment Review Board approved 21 projects of which all 21 went through the CPIC review process. Therefore, 100% of the approved IT projects went through the CPIC approval process.
Establish earned value management schedule and cost performance indices for all major projects	Complete by September 30, 2006	Target Met. As implemented in FERC Capability Maturity Model Integration level 2 (CMMI-2) policies and procedures, EVM is used to measure progress on major projects and major phases of multi-phased projects.
Develop and implement automated Business plan	Complete by September 30, 2006	Target Not Met. Though Software development for Phase 2 of the Activity and Tracking Management System (ATMS) has been completed, the target was not met because extensive testing of Phase 2 due to integration with other eGovernment systems will push deployment to February 2007. Though Phase 2 will support business plan reporting that is integrated with the HR time reporting system (MAPS), that reporting will depend on requisite information (e.g. proper use of time reporting codes, MAPS data, etc.) input by FERC's program and other offices. And since full automation will require Commission-wide deployment (Phases 3 and 4) and additional reporting requirements definition and software development, the target will not be fully met until ATMS Phase 4. Since manual processes for business planning will remain in place until they are replaced by an automated Business plan, there is no impact on operations or program performance.
Percentage of qualified-procurements that are performance-based	100%	Target Met. Of the 676 actions awarded during the period, a total of 78 actions were identified as performance-based. All 78 of these actions were awarded under performance-based contracts.

PERFORMANCE MEASUREMENT DATA FOR SUPPORTING INITIATIVES: FY 2005—FY 2010

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of qualified-procurements that are advertised on-line	100%	Target Met. Of the 676 actions awarded during the period, a total of 4 actions qualified for on-line advertisement, and all 4 actions were advertised on-line with Federal Business Opportunities (fedbizops).
Percentage of total procurement dollars awarded to small, women-owned, and minority businesses	5% increase over FY 2005	Target Met. In FY 2005, the Commission awarded 22% of its total procurement dollars to small, women-owned and minority businesses. In FY 2006, the Commission awarded 34% of its total procurement dollars to these entities which constitutes a 12% increase over the FY 2005 performance level.
Percentage of invoices paid via electronic funds transfer	99%	Target Met. During FY 2006, the Commission paid 99% of its invoices via EFT.
Percentage of payments in compliance with Prompt Payment Act deadlines	100%	Target Not Met. During FY 2006, the Commission processed 94% of its payments in compliance with Prompt Payment Act deadlines. The primary cause was the Commission's acceptance of invoices during the FY 2006 Continuing Resolution (October - December) which could not be paid. Since January, the Commission has processed 98% of its payments in compliance with Prompt Payment Act deadlines.
Percentage of payments made without error	100%	Target Not Met. During FY 2006, the Commission made 99% of its payments without error. The failure to meet this target did not have an adverse affect on overall program performance.
Timeliness of collecting accounts receivable	90% of invoices collected by due dates	Target Met. During FY 2006, the Commission collected 94% of its invoice balances by the stated due date.
Complete and accurate annual financial statements	Unqualified opinion on audited financial statements	Target Met

PERFORMANCE MEASUREMENT DATA FOR SUPPORTING INITIATIVES: FY 2005—FY 2010

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of filings capable of being received electronically	95%	Target Not Met. 42% of all document types are currently capable of being received electronically. Meeting the target has been delayed because of two primary factors: 1) The Commission has been responsive to industry feedback regarding the most efficient way for tariff filings to be filed electronically and has extended the prototyping and discussion of proposed solutions; and 2) The Commission has delayed to improve infrastructure (supporting database, storage, server, and disaster recovery infrastructure). To mitigate the effects of the delay the Commission encourages the filing of non-eFiling-capable documents on digital media (CD, DVD); routinely accepts non-eFiling-capable documents electronically on an exception basis when requested by filers; and performs OCR and full-text indexing on documents submitted on paper. In addition, the Commission is actively planning and gathering requirements for an eFiling system release that will meet the target. Given the mitigation efforts, there have been no negative impacts on program performance or operations.
Percentage of Commission orders approved during open meetings issued	99% within 5 business days	Target Met. 321 agenda items were approved in open meeting during the rating period. All but 2 were issued within 5 business days.
Percentage of Commission orders approved by notational vote issued	99% within 1 business day of adoption date	Target Not Met. 933 agenda items were approved through the notational process. 40 items were issued after one day of adoption date; these were all issued on the following business day. Percentage is 96%. This is a remarkable accomplishment considering the significant increase in notational items during this appraisal period and the target did not change from last appraisal period. This did not have a negative impact on operations.
Percentage of legally required notices issued	95% within 3 business days of being posted on eLibrary	Target Not Met. This measure includes notices for electric rate filings prepared by the Secretary; notices for other industries are prepared by program offices. Number of electric rate notices during the appraisal period is 2,667. Of these, 632, or 76%, were issued three days after filing was posted on eLibrary. This target was not met due to staff shortages. However, no Commission proceeding or action was negatively affected.

PERFORMANCE MEASUREMENT DATA FOR SUPPORTING INITIATIVES: FY 2005—FY 2010

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of press releases on important agency actions issued	95% within 1 hour of order being issued	Target Met. In FY 2006, 90 out of 92 or 97.8% of press releases were issued within 1 hour of action being taken.
Percentage of responses to public inquiries	▪ 60% within 3 business days ▪ 100% within 5 business days	Target Met. In FY 2006, OEA responded to approximately 2,800 public inquiries. Over 90% of these inquiries were responded to within 1 business day of receipt. All public inquiries were responded to within 5 business days.
Percentage of agency actions and time-sensitive content posted on the FERC Internet Website	95% within 1 hour of order being issued	Target Met. In FY 2006, 3,159 of 3,201 or 98.7% of important agency actions were posted on the Commission's internet website within 1 hour of issuance.
Timeliness of notices to NEB (Canada) and CRE (Mexico) of FERC activities pursuant to MOU	Within 1 business day	Target Met. The NEB and CRE are routinely notified of significant Commission activities that impact their respective countries through emails with summaries and links to these orders within one business day of the order being issued.
Timeliness of regional hearings or conferences email notifications sent to State officials and Governors	Within 1 business day	No regional hearings/conferences took place during the review period.
Submit FY 2005 Annual Report to Congress	Complete by June 30, 2006	Target Not Met. FY 2005 Annual Report has not been sent to Congress. The target was not met due to a significant change in the format of the Annual Report to improve the overall product by making it more targeted to the audience groups. The decision to re-format the Annual Report to track the agency's Strategic Plan resulted in a significantly more time-consuming review process and an extended period for obtaining the content for the Annual Report. There were no negative impacts on operations. The process for the FY 2006 Annual Report has already been initiated and the expectation is that the target will be met.
Submit FY 2005 international exchange and training activity data to U.S. Department of State	Complete by April 1, 2006	Target Met. FY 2005 international exchange and training activity data was sent to the U.S. Department of State in March 2006.
Submit FY 2005 FOIA Annual Report to Department of Justice	Complete by February 1, 2006	Target Met. FY 2005 FOIA Annual Report to the Department of Justice was submitted on January 27, 2006.
Submit FY 2005 Information Quality Agency Annual Report to the Office of Management and Budget (OMB)	Complete by January 1, 2006	Target Met. FY 2005 Information Quality Agency Annual Report was submitted to OMB prior to January 1, 2006.

PERFORMANCE MEASUREMENT DATA FOR SUPPORTING INITIATIVES: FY 2005—FY 2010

FY 2007		
Performance Measurement	**Performance Target**	**Data Source**
Develop and implement a competency-based requirements framework	Complete by January 31, 2007	Target Met. Framework developed in January, 2007. Implementation ongoing with mainstream occupations.
Percentage of women and/or minorities among all positions	Increase over FY 2006	Target Met. FY 2007 percentage for women was 52.9%. Increased percentage over FY06 by 8% (FY 2006 - 44.5%). FY 2007 percentage for minority women was 20.6%. Increased percentage over FY06 by 1.1% (FY 2006 – 19.5%).
Improve retention ratio of entry-level new hires	Increase FY 2006 ratio by 10%	Target Met. Retention ration for FY 2007 hires was 100% (FY 2006 percentage was 95%).
Implement workforce planning tools	Complete by September 30, 2007	Target Met. Implemented Hiring Gap Spreadsheet and Personnel Status Report. Continue to prepare and publish the Human Capital Plan.
Timeliness of submitting Fair Act Inventory to OMB per Circular A-76 requirements	Complete by June 30, 2007	Target Met. FY 2007 FAIR Act was submitted to OMB 6/30/07.
Customers are satisfied with the use of eGovernment initiatives to interact with FERC	90%	Target Met. The customer satisfaction level for FERC eGov Services exceeds 96% based on data collected from the external users surveys.

PERFORMANCE MEASUREMENT DATA FOR SUPPORTING INITIATIVES: FY 2005—FY 2010

FY 2007		
Performance Measurement	**Performance Target**	**Data Source**
Federal FTE time is mapped through systems to workload and strategic goals and objectives	Fully implemented by September 30, 2007	Target Not met. With the deployment of ATMS Phase 2 in February FY07 the following offices are fully able to map workload to strategic goals and objectives using an enterprise-wide system: OAL, OED, OGC, and OEMR (now OEMR and OER). For the following offices, some divisions are able to map workload to strategic goals and objectives using an enterprise-wide system while other divisions can map workload to strategic goals and objectives but must continue to use legacy, departmental, and/or cuff systems: OEA, OALJ, OE, OEP. Mapping of workload in terms of FTE time requires both a revision of budget reporting codes and development of a report that correlates information in the enterprise-wide workload tracking system with information in the FERC HR system. The complete implementation of all ATMS phases will take longer than planned due to contract staffing reductions from funding shortages under a yearlong FY 2007 continuing resolution and because the effort was underestimated. A detailed plan for ATMS Phase 3 is currently under review and the target may not be fully met in FY 2008.
Align Commission costs to strategic objectives	Complete by September 2007	Target Met. The FY2009 Budget Request has been structured to map both FTEs and the Commissions costs to strategic objectives and was completed on September 10, 2007.
Percentage of vendor payments made by established due dates	99%	Target Not Met. During FY07, the Commission processed 97.1% (1897 out of 1953) of payments in compliance with Prompt Payment Act deadlines. 37 of the 56 late payments did not result in interest begin paid to the vendor. The failure to meet this target did not have an adverse affect on overall program performance.

PERFORMANCE MEASUREMENT DATA FOR SUPPORTING INITIATIVES: FY 2005—FY 2010

FY 2007		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of payments made without error	100%	Target Not Met. During FY 2007, the Commission made 99.7% of its payments without error. The failure to meet this target did not have an adverse affect on overall program performance.
Timeliness of collecting accounts receivable that offset the Commission's appropriation	95% collected by due dates	Target met. During FY 2007, the Commission collected 99.5% of its offsetting accounts receivable by their stated due date.
Financial statements that present fairly, in all material aspects, the Commission's financial position	Unqualified audit opinion on FY 2006 financial statements	Target Met. Unqualified opinion received November, 2006
Percentage of transactional case assessments or convening sessions concluded	75% within 20 days	Target Met. DRS completed 100% (41 out of 41) transactional case assessments or convening sessions within 20 days after being referred to the DRS.
Percentage of transactional ADR processes agreed to by parties concluded	75% within 120 days total (convening and process)	Target Met. DRS completed 34 transactional processes or cases, both environmental and non-environmental in which parties agreed to pursue an ADR process. Of these, 31 were completed within 120 days after being referred to the DRS (91%).
Number of ADR requests and referrals to the DRS	Increase number over FY 2004 (base year)	Target Met. DRS addressed a total of 79 new requests or ongoing cases from a previous fiscal year involving gas, electric, hydropower, and pipelines. This represents a 46.3% increase over FY2004, in which there were 54 new requests or ongoing cases.
Favorable DRS customer satisfaction for casework and outreach	80% customer satisfaction rate	Target Met. The DRS requests customer feedback through evaluations of casework processes, and training sessions. For casework concluded in FY2007, all participants who completed evaluations gave the DRS staff favorable comments, for a satisfaction rate of 100%. In training sessions during FY 2007, participant ranking for Course Content averaged 90%, Course Materials averaged 88%, and Instructor Effectiveness averaged 94%.
Number of outreach events (e.g., trainings, workshops, and presentations) to promote the use of dispute resolution skills	Increase number over FY 2004 (base year)	Target Met. There were 65 active outreach projects in FY2007. This represents a 1.6 % increase over 2004 in which there were 64 projects. Note: The projects were both internal and external to FERC.

PERFORMANCE MEASUREMENT DATA FOR SUPPORTING INITIATIVES: FY 2005—FY 2010

FY 2007		
Performance Measurement	**Performance Target**	**Data Source**
Ensure timely and effective communication to all stakeholders	▪ Issue 95% of press releases for important agency actions on the same day as the underlining action ▪ Post 95% of important agency actions on the same day as the underlining action ▪ 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	Targets Met. ▪ In FY 2007, 80 out of 80 or 100% of press releases were issued within 1 hour of action being taken. ▪ In FY 2007, 3816 of 3820 or 99% of important agency actions were posted on the Commission's internet website within 1 hour of issuance ▪ In FY 2007, the office provided an initial and complete response to 2272 of 2791 or 81% of public inquiries at the time of receipt. ▪ In FY 2007, the Commission developed the following webpages in the assigned timeframe: Market Oversight, Electric Competition, OATT Reform, Blanket Certificates, Transmission Investment, Pipeline, Hydrokinetic Energy, MOU, Policy Statement, Hydro licensing, Annual Charges, Career, Media form, and FOIA form.
Enhance communication with National and International groups	▪ Respond to 50% of Official Congressional correspondence within 10 business days ▪ Provide email notification of significant Commission actions to Congress within 1 to 2 business days of the underlining action along with briefing offers where appropriate ▪ Provide timely and effective briefings to members of Congress ▪ Provide email notification of significant Commission actions to effected State regulatory agencies within 1 to 2 business days of the underlining action ▪ Accommodate visitation requests from delegations from various countries and organizations	Targets Met. ▪ 130 out of 205 pieces of official Congressional correspondence, or 63%, were responded to within 10 business days. ▪ In FY 2007, email notifications to members of Congress were sent out on 340 significant Commission actions within 1 to 2 business days of the underlining action. Briefing offers were made on appropriate items. ▪ In FY 2007, the Commission provided 38 briefings to members of Congress. ▪ In FY 2007, 178 email notifications to State regulatory agencies were sent out on significant Commission actions within 1 to 2 business days of the underlining action. ▪ In FY 2007, OEA hosted 71 visits from 75 countries and organizations.

PERFORMANCE MEASUREMENT DATA FOR SUPPORTING INITIATIVES: FY 2005—FY 2010

FY 2007		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of cases set for hearing that achieve partial or complete consensual agreement	75%	Target Met. 88% of cases set for hearing achieved partial or complete consensual agreement.
Percentage of cases set for hearing completed according to the established schedule	▪ 75% of Track I cases in 29.5 weeks ▪ 75% of Track II cases in 47 weeks ▪ 75% of Track III cases in 63 weeks	Targets Met. ▪ There were no Track I cases. ▪ 80% of Track II cases in 47 weeks. ▪ 88% of Track III cases in 63 weeks.
Issue well-reasoned initial decisions, based on facts, law, and Commission policies which are upheld in whole or in part	80% of initial decisions upheld in whole or in part	Target Met. 91% of initial decisions were upheld in whole or in part.

FY 2008		
Performance Measure	**Performance Target**	**Results**
Number of ADR requests and referrals addressed by DRS	Increase number over FY 2004	Target Met. The DRS addressed 57 new ADR requests and referrals; 3 more than FY 2004.
Percentage of mediated or facilitated case that achieve partial or complete consensual agreement	75%	Target Met. The DRS had a 90% (18 out of 20) success rate in assisting parties achieve consensual resolution of cases.
Favorable DRS customer satisfaction for casework and outreach	80% customer satisfaction rate	Target Met. In trainings and workshops during the period, participant ranking for Course Content averaged 89% and Instructor Effectiveness 93%. For casework, all participants who completed evaluations gave the DRS staff favorable comments, for a satisfaction rate of 100%.
Number of outreach events (e.g., trainings, workshops, and presentations) to promote the use of dispute resolution skills	Increase number over FY 2004	Target Not Met. The DRS delivered or assisted with 37 outreach events, equal to the number in FY 2004. The DRS met all of the outreach needs and there were no negative program impacts.
Of ADR processes concluded, percentage that resulted in savings of time and/or money over traditional processes	75%	Target Met. 100% of participants who completed a survey indicated that the use of ADR resulted in savings of time and/or money over traditional processes.
Percentage of cases set for hearing that achieve partial or complete consensual agreement	75%	Target Met. 91%

PERFORMANCE MEASUREMENT DATA FOR SUPPORTING INITIATIVES: FY 2005—FY 2010

FY 2008		
Performance Measure	**Performance Target**	**Results**
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. 95% (71 out of 75) press releases were issued within 1 hour of action being taken. ▪ Target Met. 100% (4,004 out of 4,005) important and time-sensitive actions were posted within 1 hour of action being taken by the Commission. ▪ Target Met. 74% (3,833 out of 5,149) of inquiries were provided a complete response at the time of the receipt of the request. ▪ Target met. 19 new web pages and/or sections on FERC.gov were developed within the assigned timeframe.
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 meeting requests within 3 business days of rendering a decision	▪ Target Met. 100% (61 out of 61) briefings were held and (318 out of 318) congressional inquiries were responded to within 10 business days of the request. ▪ Target Met. Email notifications concerning 292 significant Commission actions were sent within 1 to 2 business days of the underlying action. ▪ Target Met. 61 timely and effective briefings with members of Congress were held. Briefings on the top priority issues of cyber security; market manipulation; and transmission line siting were held within appropriate time frames. State officials were also briefed on these issues. ▪ Target Met. Staff provided 19 notifications of outreach efforts within 3 business days, and within at least 30 days' notice of public meetings for two additional outreach items. ▪ Target Met. 82% (40 out of 47) of requests were responded to within 3 business days.

PERFORMANCE MEASUREMENT DATA FOR SUPPORTING INITIATIVES: FY 2005—FY 2010

FY 2008		
Performance Measure	**Performance Target**	**Results**
Maintain an effective recruiting program	▪ Recruit at least 3 students each from at least 4 target universities ▪ Increase new hires from recruiting program by 10 over FY 2007 ▪ Hire 20% of interns into permanent positions	Target Met. A total of 19 students were recruited from 4 target universities. Target Met. 58 new hires in FY 2008; 41 more than FY 2007 Target Met. 36% (4 out of 11) of summer interns from FY 2007 hired in FY 2008.
Implement employee development programs	▪ Launch leadership development program ▪ Develop competency based training for mainstream occupations	Target Met. The LDP was launched in October 2007. 15 candidates will graduate from program in February 2009. Target Met. A competency assessment tool for competency based training needs analysis was launched in September 2008 and will be included in the FY 2009 Central Training Fund prioritization.
Maintain an effective performance management system	▪ All employees receive training annually ▪ Provide feedback to managers to ensure ratings reflect meaningful distinctions between performance ▪ High achievers are rewarded appropriately	Target Met. FERC Non-Supervisory Employees received training in August and September 2008. Target Met. All FERC managers received feedback on ratings and training on meaningful distinctions during the corresponding rating cycle of their program office. Target Met. Report analysis shows that higher monetary awards are commensurate with higher performance ratings.
Ensure appropriate representation of women and minorities at all levels within the organization	Increase over FY 2007 baseline	Target Not Met. Women. The representation of women was 45.5% in FY 2008, a 7.4% decrease from FY 2007. Minorities. Overall, the representation of minorities was 32.7% in FY 2008, a 0.5% decrease from FY 2007.
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. Unqualified opinion received November 6, 2008. Target Met. Unqualified assurance asserted over internal controls September 12, 2008.

PERFORMANCE MEASUREMENT DATA FOR SUPPORTING INITIATIVES: FY 2005—FY 2010

FY 2008		
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. 31% of total procurement dollars awarded to small, women-owned and minority businesses. ▪ Target met. 100% of all qualified procurements were performance based awards.
Full implementation of FERC's eGovernment initiatives	Completed by September 30, 2008	Target Met. eFiling 7.0 was completed by September 30, 2008. eFiling will increase the number of documents that can be submitted and provides a secure process for submitting Privileged and CEII materials. Also, ATMS 3.0 successfully developed the infrastructure to capture the tracking of all docketed and non-docketed work. Customer satisfaction with eGov services was over 90%.

Supporting Initiatives FY 2009		
Performance Measure	**Performance Target**	**Data Source**
Number of ADR requests and referrals addressed by DRS	Increase number over FY 2004	Dispute Resolution Service
Percentage of mediated or facilitated case that achieve partial or complete consensual agreement	75%	Dispute Resolution Service
Favorable DRS customer satisfaction for casework and outreach	80% customer satisfaction rate	Dispute Resolution Service
Number of outreach events (e.g., trainings, workshops, and presentations) to promote the use of dispute resolution skills	Increase number over FY 2004	Dispute Resolution Service
Of ADR processes concluded, percentage that resulted in savings of time and/or money over traditional processes	75%	Dispute Resolution Service
Percentage of cases set for hearing that achieve partial or complete consensual agreement	75%	Office of Administrative Litigation / Office of Administrative Law Judges
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	Office of External Affairs

PERFORMANCE MEASUREMENT DATA FOR SUPPORTING INITIATIVES: FY 2005—FY 2010

Supporting Initiatives FY 2009		
Performance Measure	**Performance Target**	**Data Source**
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	Office of External Affairs
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	Office of the Executive Director
Implement employee development programs	▪ Launch competency based training program for mainstream occupations ▪ Develop competency based training for all occupations	Office of the Executive Director
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	Office of the Executive Director
Ensure appropriate representation of women and minorities at all levels within the organization	Increase over FY 2008 baseline	Office of the Executive Director
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	Office of the Executive Director
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 performanced-based	Office of the Executive Director

PERFORMANCE MEASUREMENT DATA FOR SUPPORTING INITIATIVES: FY 2005—FY 2010

Supporting Initiatives FY 2010		
Performance Measure	**Performance Target**	**Data Source**
Number of ADR requests and referrals addressed by DRS	Increase number over FY 2004	Dispute Resolution Service
Percentage of mediated or facilitated case that achieve partial or complete consensual agreement	75%	Dispute Resolution Service
Favorable DRS customer satisfaction for casework and outreach	80% customer satisfaction rate	Dispute Resolution Service
Number of outreach events (e.g., trainings, workshops, and presentations) to promote the use of dispute resolution skills	Increase number over FY 2004	Dispute Resolution Service
Of ADR processes concluded, percentage that resulted in savings of time and/or money over traditional processes	75%	Dispute Resolution Service
Percentage of cases set for hearing that achieve partial or complete consensual agreement	75%	Office of Administrative Litigation / Office of Administrative Law Judges
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	Office of External Affairs
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	Office of External Affairs

PERFORMANCE MEASUREMENT DATA FOR SUPPORTING INITIATIVES: FY 2005—FY 2010

Supporting Initiatives FY 2010		
Performance Measure	**Performance Target**	**Data Source**
Maintain an effective recruiting program	▪ Increase retention rate of new hires over FY 2008 ▪ Hire 20% of interns into permanent positions	Office of the Executive Director
Implement employee development programs	▪ Launch competency based training program for mainstream occupations ▪ Develop competency based training for all occupations	Office of the Executive Director
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	Office of the Executive Director
Ensure appropriate representation of women and minorities at all levels within the organization	Increase over FY 2008 baseline	Office of the Executive Director
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	Office of the Executive Director
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 performanced-based	Office of the Executive Director

This page intentionally blank.

APPENDIX E: GUIDING PRINCIPLES THAT STRENGTHEN THE COMMISSION'S OVERALL PERFORMANCE

Five principles guide the Commission as it exercises its jurisdiction under its governing statutes. Whether the Commission is adjudicating a rate filing, ruling on an application, or developing a new policy, it strives to meet these principles as a means of ensuring that each of its actions is consistent with the public interest.

Organizational Excellence. Above all, the Commission strives to use its resources efficiently and effectively to achieve its strategic priorities. This includes its human resources. The Commission performs targeted recruiting and hiring and has developed a markets-oriented training curriculum for entry-level as well as experienced staff. The Commission also makes efficient use of its IT to receive filings, produce reports and orders, and maintain data repositories. The Commission tracks the activities of its staff to ensure that they are directed at meeting the Commission's strategic goals and objectives.

Due Process and Transparency. Paramount in all of its proceedings is the Commission's determination to be open and fair to all participants. Filings are publicly accessible through the Commission's website, and filings to change rates, terms and conditions of service are announced by way of public notice published in the Federal Register. Material issues of fact are resolved through hearings governed by due process rules; the Commission also encourages the use of ADR procedures, which provide for more informal public participation in resolution of a proceeding. The Commission often holds public conferences at which it receives input from members of the public on controversial issues of national importance. Finally, many of the Commission's major decisions are discussed and announced at meetings that are open to the public and also are webcast at no charge on its website.

Regulatory Certainty. In each of the thousands of orders, opinions and reports issued by the Commission each year, the Commission strives to provide regulatory certainty through consistent approaches and actions. Without an assurance that the Commission's policies will be internally consistent and applied consistently, investors may be unwilling to bear the risks associated with investing in critical energy infrastructure. Where it is appropriate, the Commission provides generic direction to industry participants in the form of guidance orders, policy statements or rulemakings, to avoid the uncertainty present in case-by-case adjudications. The Commission also has adopted market rules designed to help prevent the exercise of market power and market abuse, to provide a more stable marketplace, and create an environment that will attract needed investment capital.

Stakeholder Involvement. The Commission conducts regular outreach to ensure that interested persons have an appropriate opportunity to contribute to the performance of the Commission's responsibilities. The Commission also organizes technical conferences and workshops designed to explain and explore issues related to the development and implementation of its policies. In FY 2007, the Commission met with state and federal regulators, industry officials, and the public to discuss electric market and reliability issues. Outreach in FY 2007 engaged stakeholders on issues such as open access in electric markets, issues related to competition in power markets, operations among and between wholesale electric and gas markets, electric utility and holding company mergers and prevention of cross-subsidization by captive utility customers, demand response, cost-allocation for transmission system upgrades, the Commission's enforcement efforts, and mandatory reliability standards for the bulk power system. Finally, in processing hydropower and gas facility applications, the Commission conducts an extensive collaborative pre-filing process, during which it receives input from a multitude of stakeholders including citizen groups, environmental organizations, tribal interests, and local, state and federal resource agencies. The Commission has adopted a similar pre-filing process for resolution of transmission siting applications.

Timeliness. The Commission's goal is to reach an appropriate resolution of each proceeding in an expeditious manner. Toward that end, the Commission has steadily decreased the time it takes to act on proposed projects, such as LNG import terminals, gas storage facilities, and interstate natural gas pipelines. It has done so without compromising its environmental protection and public participation responsibilities. The Commission also sets and tracks compliance with goals for timely resolution of filings for cost recovery, new services or changes to existing services, as well decisions on initial decisions, complaints, and FPA section 203 applications.

APPENDIX F: ACRONYM GLOSSARY

Acronym	Full Description
ADR	alternative dispute resolution
ALJ	Office of Administrative Law Judges
ALP	alternative licensing process
ARO	asset retirement obligation
ASM	ancillary services market
ATC	available transfer capability
ATMS	Activity and Tracking Management System
Bcf	billion cubic feet
CAISO	California Independent System Operator
CEII	critical energy infrastructure information
CERA	Cambridge Energy Research Associates
CFTC	U.S. Commodity Futures Trading Commission
CIP	critical infrastructure protection
CMP	Congestion Management Process
COOP	Commission's Continuity of Operations
CWIP	construction work in progress
DCF	discounted cash flow
DHS	U.S. Department of Homeland Security
DOE	U.S. Department of Energy
DOT	U.S. Department of Transportation
DRS	Dispute Resolution Service
EAP	Emergency Action Plan
EIS	Environmental Impact Statement
EISA	Energy Independence and Security Act of 2007
EPAct 2005	Energy Policy Act of 2005
EQR	Electric Quarterly Report
ERCOT	Electric Reliability Council of Texas, Inc.
ERO	Electric Reliability Organization
ESAI	Energy Security Analysis Inc.
FCM	Forward Capacity Market
FERC or Commission	The Federal Energy Regulatory Commission
FISMA	Federal Information Security Management Act

Acronym	Full Description
FOIA	Freedom of Information Act
FPA	Federal Power Act
FPC	Federal Power Commission
FRCC	Florida Reliability Coordinating Council
FTE	full-time equivalent
FTR	Financial Transmission Rights
FY	fiscal year
GIS	Geographic Information System
HR	Human Resources
ICT	independent coordinator of transmission
ILP	integrated licensing process
ISO	independent transmission system operator
ISO-NE	ISO New England
IT	information technology
ITC	independent transmission company
ITMRA/ Clinger-Cohen Act	Information Technology Management Reform Act of 1996
JOA	Joint Operating Agreement
kV	Kilovolt
LNG	liquefied natural gas
LSE	load-serving entity
MAPP	Mid-Continent Area Power Pool
MEPCO	Maine Electric Power Company
MGGRA	Midwestern Greenhouse Gas Reduction Accord
Midwest ISO	Midwest Independent Transmission System Operator
MLP	Master Limited Partnership
MMC	Market Monitoring Center
MMU	market monitoring unit
MOU	memorandum of understanding
MRO	Midwest Reliability Organization
MRTU	Market Redesign and Technology Upgrade
MW	Megawatt

Acronym	Full Description
NAESB	North American Energy Standards Board
NAL	no-action letter
NARUC	National Association of Regulatory Utility Commissioners
NEPA	National Environmental Policy Act of 1969
NERC	North American Electric Reliability Council or
	North American Electric Reliability Corporation
NGA	Natural Gas Act
NGPA	Natural Gas Policy Act of 1978
NGWDA	Natural Gas Wellhead Decontrol Act of 1989
NIST	National Institute of Standards and Technology
NOP	Notice of Penalty
NOPR	notice of proposed rulemaking
NPCC	Northeast Power Coordinating Council: Cross Border Regional Entity, Inc
NRC	Nuclear Regulatory Commission
NYISO	New York Independent System Operator
OAL	Office of Administrative Litigation
OASIS	Open Access Same-Time Information System
OATT	Open Access Transmission Tariff
OCSLA	Outer Continental Shelf Lands Act of 1978
OE	Office of Enforcement
OEA	Office of External Affairs
OED	Office of the Executive Director
OEMR	Office of Energy Market Regulation
OEP	Office of Energy Projects
OER	Office of Electric Reliability
OGC	Office of the General Counsel
OMB	Office of Management and Budget
PJM	PJM Interconnection
PSE	Puget Energy, Inc.
PUHCA	Public Utility Holding Company Act of 1935

Acronym	Full Description
PUHCA 2005	Public Utility Holding Company Act of 2005
PURPA	Public Utility Regulatory Policies Act of 1978
QF	qualifying facility
RFC	Reliability First Corporation
RGGI	Regional Greenhouse Gas Initiative
RIMO	Research in Market Oversight
ROE	return on equity
RPM	reliability pricing model
RSG	revenues sufficiency guarantee
RTO	regional transmission organization
SBREFA	Small Business Regulatory Enforcement Fairness Act of 1996
SEC	Security and Exchange Commission
SERC	SERC Reliability Corporation
SPP	Southwest Power Pool, Inc.
TRE	Texas Regional Entity
TVA	Tennessee Valley Authority
VRF	Violation Risk Factor
VSL	Violation Severity Level
WCI	Western Climate Initiative
WECC	Western Electricity Coordinating Council
WMR	Weekly Market Reviews