FEDERAL ENERGY REGULATORY COMMISSION
Office of Enforcement & Regulatory Accounting

2026 Report on Enforcement

A Staff Report to the Commission

Docket No. AD07-13-020

November 19, 2026

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This report is a product of the staff of the Federal Energy Regulatory Commission. The views expressed in this report do not necessarily reflect the views of the Commission or any Commissioner.

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INTRODUCTION

The staff of the Office of Enforcement and Regulatory Accounting (Enforcement) of the Federal Energy Regulatory Commission (Commission) is issuing this report as directed by the Commission in its Revised Policy Statement on Enforcement.[1] This report informs the public and the regulated community of Enforcement's activities during Fiscal Year 2026 (FY2026),[2] including an overview of, and statistics reflecting, the activities of the three divisions within Enforcement: Division of Investigations (DOI), Division of Audits and Accounting (DAA), and Division of Analytics and Surveillance (DAS).

Enforcement recognizes the importance of informing the public of the activities of its staff and prepares this report with that objective in mind. Most of the information the public receives about Enforcement's activities comes from public Commission orders approving settlements, orders to show cause, publicly released staff reports, Commission and delegated letter orders addressing accounting and financial reporting matters, and audit reports. This report summarizes the status and resolution of various matters that were public in FY2026. However, not all of Enforcement's activities result in public actions by the Commission. Like reports in previous years, the FY2026 report provides the public with more information regarding the nature of non-public Enforcement activities, such as investigations that are closed without action, self-reported violations, and examples of surveillance inquiries initiated by DAS that are terminated short of being referred to DOI with the recommendation that an investigation be opened. This report also highlights Enforcement's work administering the audit and accounting programs and performing surveillance and analysis of conduct in wholesale natural gas and electric markets.

Additionally, new this year, this report includes an update to the 2016 White Paper on Effective Energy Trading Compliance Practices,[3] which is intended to recognize developments in the energy industry and respond to market participants' requests for updated and supplemental information to assist in implementing effective compliance programs.

[1] *Enforcement of Statutes, Regulations and Orders*, 123 FERC ¶ 61,156, at P 12 (2008) (Revised Policy Statement). Enforcement's current organizational chart is attached as Appendix A to this report.

[2] The Commission's fiscal year begins October 1 and ends September 30 of the following year. FY2026, the subject of this report, began on October 1, 2025 and ended on September 30, 2026.

[3] Federal Energy Regulatory Commission, Staff White Paper on Effective Energy Trading Compliance Practices (Nov. 2016).

OFFICE OF ENFORCEMENT AND REGULATORY ACCOUNTING PRIORITIES

The Commission's current Strategic Plan sets forth a mission to account for significant changes in energy supply due to a number of factors, such as the changes in the fuel mix of resources participating in the organized electric markets and the emergence and growth of new energy technologies.[4] In addition, the Strategic Plan sets forth a mission to address increasing threats to the nation's energy infrastructure, such as extreme weather events and cybersecurity threats. As the Strategic Plan notes, both the nation's energy infrastructure and energy markets must adapt to these changes.[5] The Strategic Plan identifies three primary goals to fulfill this mission: (1) ensure just and reasonable rates, terms, and conditions; (2) promote safe, reliable, and secure infrastructure consistent with the public interest; and (3) support the mission through organizational excellence.[6] To further those goals and assist the Commission in its obligation to oversee regulated markets, Enforcement gathers information about market rules, market participants, and market behavior through its investigations, audits, and surveillance. Enforcement also gathers information regarding energy infrastructure, as appropriate. Each of the divisions continues to work to bring entities into compliance with applicable statutes, Commission rules, orders, regulations, and tariff provisions.

In FY2026, Enforcement's priorities focused on matters involving:

- Fraud and market manipulation;
- Serious violations of the Reliability Standards;
- Anticompetitive conduct;
- Threats to the nation's energy infrastructure and associated impacts on the environment and surrounding communities; and
- Conduct that threatens the transparency of regulated markets.

Enforcement focuses on deterring, investigating, and remedying misconduct involving the greatest harm to the public, where there may be significant gain to the violator or loss to the victims. Conduct involving fraud and market manipulation also poses a significant threat to the markets the Commission oversees. Such misconduct undermines the Commission's goal of ensuring efficient energy services at a reasonable cost because the losses imposed by fraud and manipulation are ultimately passed on to consumers. Similarly, anticompetitive conduct and

[4] *See* The Federal Energy Regulatory Commission, Strategic Plan FY 2022-2026 (Mar. 28, 2022) (Strategic Plan), https://www.ferc.gov/media/ferc-fy22-26-strategic-plan.

[5] *Id*. at 22.

[6] *Id.* at 7-9.

conduct that threatens market transparency undermines confidence in the energy markets and harm consumers and competitors. Such conduct might also involve the violation of rules designed to limit market power or to ensure the efficient operation of regulated markets.

The Reliability Standards established by the North American Electric Reliability Corporation (NERC), and approved by the Commission, protect the public interest by ensuring a reliable and secure bulk power system. Enforcement investigates and remedies noncompliance with these standards and focuses primarily on violations resulting in actual harm, through the loss of load or other means. Enforcement also focuses on cases involving repeat violations of the Reliability Standards or violations that present a substantial risk to the bulk power system. In addition, Enforcement investigates and remedies noncompliance with Certificates of Public Convenience and Necessity and hydroelectric licenses to minimize the impact of these projects on the environment, landowners, and communities.

In FY2026, Enforcement staff opened 28 new investigations, while bringing ten pending investigations to closure without further action. During the fiscal year, Enforcement staff negotiated eight settlements that were approved by the Commission, which resolved pending investigations for a total of approximately $7,086,687 ($5,573,851 in civil penalties and $1,512,836.26[7] in disgorgement). In addition, on April 15, 2026, the Commission issued an Order Assessing Penalties requiring that American Efficient, LLC and its affiliates pay a civil penalty of $722 million and disgorge unjust profits totaling approximately $410 million.[8] This matter is discussed more fully below in "Significant Pending Matters."

In FY2026, DAA completed seven audits of public utility and natural gas companies covering a wide array of topics. The audits resulted in 27 findings of noncompliance and 133 recommendations for corrective action—the majority of which were implemented within six months—and directed approximately $40 million in refunds and other recoveries. Additionally, during the fiscal year, DAA acted through the Chief Accountant's delegated authority or advised on 443 proceedings, including acting on 102 accounting filings requesting approval of a proposed accounting treatment or financial reporting matter and assisting with 341 rate, pipeline certificate, and merger and acquisition proceedings before the Commission. DAA also administered and oversaw compliance with the regulatory requirement to file FERC Form Nos. 1, 1-F, 2, 2-A, 3-Q (gas and electric), 6, 6-Q (oil), 60, and FERC-61, and responded to email inquiries pertaining to reporting and accounting instructions. During FY2026, the Commission received approximately 2,565 such financial form submittals.

In FY2026, DAS surveillance staff identified and reviewed numerous instances of potential misconduct, some of which resulted in DAS opening a surveillance inquiry or an in-depth review

[7] In one settlement in FY2026, total disgorgement was $626,642, of which $299,298 had been paid to an ISO/RTO prior to the issuance of the order approving the settlement. The balance was due within 10 days of the order's issuance.

[8] *American Efficient, LLC, et al.*, 195 FERC ¶ 61,043 (2026).

of a market participant's conduct to determine whether to recommend an investigation. During the fiscal year, natural gas surveillance staff conducted 1,433 surveillance reviews, which resulted in 14 natural gas surveillance inquiries and four referrals to DOI for investigation. In total, DAS closed 14 natural gas surveillance inquiries—with no referral.[9] Electric surveillance conducted 2,016 surveillance reviews, which resulted in 33 electric surveillance inquiries and 12 referrals to DOI for investigation. In total, DAS closed 13 electric surveillance inquiries with no referral and, as of the end of the fiscal year, continued its analytic work on eight electric surveillance inquiries. DAS also provided analytical support on approximately 65 investigations with DOI and five other matters involving inquiries or litigation. In FY2026, the responsibility for Electronic Quarterly Reports administration transferred from DAA to DAS. As part of that role, DAS assessed the EQR submittals from more than 3,700 entities for compliance with the Commission's EQR-related requirements. In addition, during FY2026, DAS staff reviewed over 2.95 million transactions filed through the Commission's EQRs by all market-based rate sellers in the bilateral wholesale energy markets.

DIVISION OF INVESTIGATIONS

A. Overview

This section of the report provides details on DOI's current investigative processes and practices to give the energy industry and the public added insight into investigations and to provide investigative subjects general guidance on what to expect during an investigation.

DOI staff conducts investigations of potential violations of the statutes, regulations, rules, orders, tariffs, certificates, and licenses administered by the Commission. DOI staff learns of potential violations from various sources, including referrals from other program offices within the Commission and other divisions within Enforcement, referrals from Independent System Operators/Regional Transmission Organizations (ISOs/RTOs) in organized markets or their market monitoring units (both internal and external), referrals from other agencies (both federal and state), self-reports, calls to the Enforcement Hotline, whistleblowers, and information gathered in other investigations. After learning of a potential violation, DOI staff evaluates whether to open an investigation based on the factors outlined in the Commission's Revised Policy Statement on Enforcement.[10]

If, after opening an investigation, and then gathering and reviewing relevant facts, DOI staff finds no violation, insufficient evidence to prove a violation, or that a violation should not be subject to sanctions, DOI staff closes the investigation without further action and so informs the

[9] Three of these closed inquiries commenced in FY2025.

[10] *Revised Policy Statement*, 123 FERC ¶ 61,156, at P 25.

subject.[11] Most of DOI staff's investigations are closed without further action.[12] On the other hand, if DOI staff finds that a violation occurred that warrants sanctions, it provides the subject with its preliminary findings. At the preliminary findings stage, DOI staff provides investigative subjects with third-party evidence it gathered during the investigation. The subject then has the opportunity to respond to DOI staff's preliminary findings with any additional information or defenses. This stage presents an important opportunity for the subject to supplement factual information or to point out its views and theories of the case. Where warranted, DOI staff conducts additional fact-finding after reviewing a subject's response and may modify its findings based on the response and further fact-finding.

If, after reviewing the subject's response to the preliminary findings and conducting any supplemental fact-finding, DOI staff continues to conclude that violations occurred and that the violations warrant sanctions, it seeks authority from the Director of the Office of Enforcement and Regulatory Accounting to enter into settlement negotiations with the subject. If the Director grants settlement authority, DOI staff seeks a negotiated resolution within the authorized settlement authority range and terms. Investigative subjects can indicate a desire to explore settlement and/or submit a unilateral offer of settlement at any point in the investigative process.

Enforcement staff will generally seek settlement terms designed to clearly inform the regulated industry about what conduct constitutes the violation(s). If Enforcement staff and the investigative subject agree on a settlement offer, DOI staff submits the offer to the Commission for approval, along with any information that may aid the Commission's determination as to whether the settlement offer is in the public interest, such as details about the alleged violation(s), investigative facts, relevant law, and, if available, the subject's response to preliminary findings issued by DOI staff. The settlement offer is then executed by the investigative subject but remains non-public unless and until it is approved by the Commission. If the Commission approves the settlement offer, it issues a public order that states why the settlement serves the public interest and attaches the executed settlement agreement.

[11] The ten investigations DOI closed with no action in FY2026 were closed because Enforcement staff found there was either no violation, insufficient evidence to establish that a violation had occurred, or that a violation should not be subject to sanctions under the circumstances.

[12] In some circumstances, even where DOI staff has determined that an investigation should be terminated, it has also identified broader market issues that may warrant attention. For example, the investigation may expose vague or ambiguous market rules that appear to undermine, distort, or otherwise inject uncertainty into market performance and participant obligations. To address these types of issues, Enforcement has a process whereby its staff can share its concerns about existing tariffs, market rules, or business practice manuals with the Commission's Office of Energy Market Regulation (OEMR), Office of the General Counsel (OGC), and Office of Technical Reporting and Economics (OTRE) and explain how the identified issues may be resulting in poor or inefficient market outcomes.

In FY2026, Enforcement resolved eight investigations via settlements approved by the Commission. These settlements involved Enforcement's allegations of:

(1) a wind project that violated the Southwest Power Pool (SPP) Tariff and the Commission's Duty of Candor Rule, 18 C.F.R. § 35.41(b), by failing to convert from being a non-dispatchable variable energy resource to a dispatchable variable energy resource and omitting material facts in its communications with SPP;

(2) a municipal water and power department that misrepresented and failed to disclose violations of the North American Electric Reliability Corporation's Critical Infrastructure Protection Standards to the Western Electricity Coordinating Council during an audit;

(3) a dam operator that violated the ISO New England (ISO-NE) Tariff and the Commission's Market Behavior Rules, 18 C.F.R. § 35.41(a) and (b), by failing to properly report outages;

(4) a lead market participant for a capacity resource that modified the real-time offers of a generator based on economic considerations rather than physical availability and falsely communicated to ISO-NE in violation of ISO-NE's Tariff and the Commission's Market Behavior Rules, 18 C.F.R. § 35.41(a) and (b);

(5) a company that violated the California Independent System Operator (CAISO) Tariff, the Commission's Market Behavior Rule on Unit Operation, 18 C.F.R. § 35.41(a), Section 222 of the Federal Power Act (16 U.S.C. § 824v), and the Commission's Anti-Manipulation Rule, 18 C.F.R. § 1.c.2, by selectively and illegally avoiding regulation-down awards at two resources by disconnecting those resources from automatic generation control and/or claiming unjustified outages;

(6) a gas-fired generator that violated the New York Independent System Operator's (NYISO) Tariff and Commission Market Behavior Rules, 18 C.F.R. § 35.41(a) and (b), by conducting summer capability tests in configurations that differed from expected operations, by not informing NYISO of derates, by submitting inaccurate Generating Availability Data System (GADS) data, and by overselling capacity and reserves;

(7) a generating station that misrepresented to the market monitor for Midcontinent Independent System Operator (MISO) its outage events and repair sequencing and failed to exercise due diligence leading up to the Planning Resource Auction, in violation of the Commission's Duty of Candor Rule, 18 C.F.R. § 35.41(b);

(8) a company that violated the NYISO Tariff by interconnecting its cryptocurrency load to a co-generation facility without first submitting the required interconnection proposal to NYISO for approval.

These settlements are described more fully below in DOI Section C.

If a settlement cannot be reached, and Enforcement intends to recommend to the Commission that it issue an Order to Show Cause (OSC), initiating an on-the-record proceeding before the Commission, DOI staff will provide the investigative subject with notice and an opportunity to respond pursuant to Section 1b.19 of the Commission's regulations, 18 C.F.R. § 1b.19. If DOI staff continues to believe violations occurred after reviewing the investigative subject's response (if any), it drafts an Enforcement Staff Report and Recommendation, which includes its findings of fact and conclusions of law regarding the investigation, as well as its recommendation to issue an OSC. This Enforcement staff report, the investigative subject's response to the Section 1b.19 notice, and, when applicable, other submissions from the subject are then submitted to the Commission for consideration along with a proposed OSC. If the Commission concurs with Enforcement staff's recommendation, it issues an OSC in a public docket directing the subject to explain why it did not commit a violation and why penalties, disgorgement, or any other proposed remedies are not warranted. The subject then has an opportunity to respond to the OSC, and Enforcement staff may reply to the subject's response. The Commission's issuance of an OSC initiates a contested on-the-record proceeding, with Enforcement and subjects as participants and the Commission as a neutral adjudicator, which triggers the Commission's *Ex Parte* and Separation of Functions Rules.[13] The Commission therefore issues a public notice designating Enforcement staff generally as "non-decisional," with the exception of the specific identified Enforcement staff designated as "decisional," who had no prior involvement in the underlying investigation.

After considering the factual record and legal arguments submitted by the subject and Enforcement, the Commission issues a decision, which will take different forms depending on the relevant statute.[14] Aspects of the Commission's processes have been challenged in light of the Supreme Court's decision in *SEC v. Jarkesy*, 603 U.S. 109 (2024). That opinion found that the Securities and Exchange Commission's use of Administrative Law Judges (ALJs) to adjudicate civil penalty actions in securities fraud cases violated the Seventh Amendment right to a jury trial.

B. Significant Pending Matters

During FY2026, DOI staff prepared briefs, reports, and other public filings related to litigation in federal courts and administrative proceedings before the Commission. DOI also worked on behalf of the Commission in three matters in federal district court, and two in bankruptcy court. In addition, there were three administrative proceedings before the Commission.

As of the end of FY2026, a total of approximately $722 million in civil penalties and $410 million in disgorgement of unjust profits, plus interest, remained pending in federal court

[13] *See* 18 C.F.R. §§ 385.2201, 385.2202 (2026) (outlining the Commission's rules governing off-the-record communications and separation of functions). *See also* 5 U.S.C. § 554(d) (2024).

[14] *See Process for Assessing Civil Penalties*, 117 FERC 61,317 (2006).

proceedings related to the *American Efficient, LLC* matter. Finally, in the *Powhatan* bankruptcy proceeding, the Commission received payment under its proof of claim of $24,071.

1. District Court Proceedings

Since 2013, Enforcement has filed 11 enforcement actions in district courts across the country, including the *Powhatan* action, which resolved in FY2026. In those proceedings, district courts have issued rulings to address a variety of procedural and substantive legal issues, including: (1) when a claim accrues for purposes of the federal statute of limitations under 28 U.S.C. § 2462, (2) whether the Commission's civil actions seeking to enforce its penalty assessments should follow the Federal Rules of Civil Procedure, (3) the sufficiency of the Commission's notice of fraud and deceptive conduct pleadings, (4) what constitutes individual culpability under the FPA, (5) particular activity that establishes manipulation, (6) what evidence satisfies the scienter requirement for manipulation, (7) what is required to establish "due diligence" to overcome a section 35.41(b) violation, (8) the sufficiency of defendants' affirmative defenses, and (9) whether the Commission's proceedings violate the Seventh Amendment in light of the Supreme Court's decision in *SEC v. Jarkesy*, 603 U.S. 109 (2024).

a) FERC v. Ketchup Caddy, LLC & Philip Mango, No. 3:25-cv-3116 (C.D. Ill.)

On December 5, 2024, the Commission issued an Order Assessing Civil Penalties that found that Ketchup Caddy, LLC (Ketchup Caddy) and Philip Mango (Mango) violated section 222 of the FPA along with the Commission's Anti-Manipulation Rule, by engaging in a manipulative scheme to register demand response resources with MISO without those resources' knowledge or consent, as well as violating sections 69A.3.5 and 69A.7.1 of the MISO Tariff by offering uncontracted resources into the annual planning resource auctions that MISO uses to procure capacity necessary to maintain the reliability of the MISO grid. The Commission assessed civil penalties of $25,000,000 against Ketchup Caddy and $1.5 million against Mango, and ordered payment of $506,502 in disgorgement, plus interest, by Mango.

On May 6, 2025, Enforcement staff filed a complaint in the United States District Court for the Central District of Illinois seeking to enforce the Commission's Order Assessing Civil Penalties. Mango and Ketchup Caddy waived service of process but never responded to the Complaint. Therefore, on August 29, 2025, Enforcement staff requested an entry of default against Mango and Ketchup Caddy. The Clerk of the Court entered default on September 15, 2025. On October 6, 2025, the Commission filed a Motion for Default Judgment. Mango and Ketchup Caddy again did not respond, and on October 22, 2025, the Court entered a default judgment of $26,323,033.17 against Ketchup Caddy and $2,262,137.99 against Mango, inclusive of disgorgement and interest. Following the entry of judgment, the DOJ's Financial Litigation Unit of the Eastern District of Texas (where Ketchup Caddy is located and where Mango resides) registered the default judgment and is pursuing collection efforts.

b) American Efficient, et al, Lawsuit Against the Commission

On January 29, 2025, American Efficient filed a Complaint in the United States District Court for the Middle District of North Carolina against the Commission, seeking an injunction prohibiting the Commission from further investigating this matter or continuing the Order to Show Cause proceeding. The Complaint alleges that the Commission's penalty assessment process violates the Seventh Amendment under *Jarkesy*, and that the Commission's statutory structure violates Article II of the United States Constitution by improperly insulating the Commissioners from at-will removal by the President. Along with the Complaint, American Efficient sought a preliminary injunction on its *Jarkesy* claim, which the Commission opposed on March 3, 2025. On November 24, 2025, the District Court denied American Efficient's motion for a preliminary injunction.

On February 23, 2026, the District Court granted the Commission's motion to stay all further proceedings pending the Supreme Court's resolution of (a) two cases addressing whether the availability of a *de novo* jury trial following an agency's assessment of a civil penalty complies with the Seventh Amendment as determined by *Jarkesy* (*FCC v. AT&T* and *Verizon v. FCC*), and (b) *Trump v. Slaughter,* which addresses the President's authority under Article II to remove a member of a partisan-balanced, multimember federal commission. In June 2026, the Supreme Court decided the *FCC* and *Slaughter* cases. Notwithstanding the resolution of these cases, the District Court proceeding is still stayed.

2. Bankruptcy Proceedings

In FY2026, Enforcement staff worked in conjunction with DOJ to represent the Commission in two matters in federal bankruptcy court to enforce the Commission's penalty assessments. Those federal bankruptcy court matters are:

a) FERC v. Powhatan Energy Fund, LLC, et al., No. 3:15-cv-00452 (E.D. Va.)

On May 29, 2015, in Docket No. IN15-3-000, the Commission issued an Order Assessing Civil Penalties in which it determined that Powhatan Energy Fund, LLC (Powhatan), Houlian "Alan" Chen, HEEP Fund, Inc. (HEEP), and CU Fund, Inc. (CU) (collectively, the Powhatan Defendants) violated the Commission's Anti-Manipulation Rule by engaging in fraudulent Up-To Congestion (UTC) trades in the PJM market during the summer of 2010. The Commission determined that the Powhatan Defendants engaged in trades to improperly collect certain market payments (called Marginal Loss Surplus Allocation). Specifically, the Commission found that the Powhatan Defendants placed fraudulent round-trip trades (trades in opposite directions on the same paths, in the same volumes, during the same hours) that involved no economic risk and constituted wash trades. The Commission assessed civil penalties of $16.8 million against Powhatan, $1 million against Chen, $1.92 million against HEEP, and $10.08 million against CU and ordered disgorgement of unjust profits, plus interest, in the amounts of $3,465,108 from Powhatan, $173,100 from HEEP, and $1,080,576 from CU.

On July 31, 2015, Enforcement staff filed a petition in the United States District Court for the Eastern District of Virginia to enforce the Commission's penalty assessment order. On October 29, 2021, the Commission approved a settlement between Enforcement staff and Chen, HEEP, and CU (collectively, Chen Defendants). The terms of that settlement, which are laid out in more detail in 177 FERC ¶ 61,076, required the Chen Defendants to disgorge $600,000 to PJM after the Chen Defendants demonstrated an inability to pay the entire amount of the Commission-assessed penalty and disgorgement. Chen also agreed to a trader ban of two years in FERC jurisdictional markets.

Enforcement staff continued the Commission's case against Powhatan. On February 16, 2022, following the close of fact and expert discovery, Powhatan filed for Chapter 7 bankruptcy, resulting in the United States District Court for the Eastern District of Virginia staying the litigation pending the disposition of proceedings in the United States Bankruptcy Court for the District of Delaware.

On March 7, 2023, after successfully moving for an order lifting the stay, the Commission filed a motion for default judgment against Powhatan. The Commission moved for the judgment after the Trustee for Powhatan's bankruptcy estate determined he would no longer defend the district court litigation. On March 22, 2023, the United States District Court for the Eastern District of Virginia granted that motion and issued a final judgment against Powhatan.[15] The court fully affirmed both the legal holding and penalties contained in the Commission's Order Assessing Penalties. In reaching this decision, the court held that "[t]he well-pleaded allegations, deemed admitted as a result of Powhatan's default, meet the requirements for market manipulation because FERC shows Powhatan committed (1) fraud, with the (2) requisite scienter, (3) in connection with the purchase or sale of electric energy within FERC's jurisdiction."[16] This marked the first time a federal district court has issued a final judgment against an entity the Commission has found to have committed market manipulation.

On August 11, 2025, the bankruptcy court signed an "Order of Distribution" that required the proceeds of the estate to be paid out to claimants pursuant to specific distribution schedules. In January 2026, the Trustee paid all claims, including the Commission's. Due to the size of the bankruptcy estate, the Commission's claim was reduced to $24,815.91. The DOJ received a 3% fee for its assistance, resulting in a final payment to the U.S. Treasury of $24,071.43 in March 2026. This matter is closed.

b) American Efficient, et al., Bankruptcy Petition

On July 18, 2026, certain of the American Efficient entities (specifically, American Efficient LLC, Affirmed Energy LLC, Midcontinent Energy LLC, and American Efficient Origination LLC (f/k/a Wylan Energy, LLC)) (collectively, Debtors) filed Chapter 11 bankruptcy petitions in the United States Bankruptcy Court for the Western District of North Carolina. On

[15] *FERC v. Powhatan Energy Fund, LLC*, No. 3:15-452, 2023 WL 2603381 (E.D. Va. Mar. 22, 2023).

[16] *Id.* at *4.

July 28, 2026, Debtors filed a Complaint in the bankruptcy court against PJM seeking to recover the collateral being held by the latter. After PJM moved to dismiss, Debtors filed an Amended Complaint on September 17, 2026 that seeks substantially the same relief. PJM moved to dismiss the Amended Complaint on October 1, 2026. On August 11, 2026, PJM moved for the appointment of a Chapter 11 trustee to administer and oversee the bankruptcy estate (in response to which the Commission filed a statement in support). The court denied PJM's motion for appointment of a Chapter 11 trustee on September 24, 2026. On October 15, 2026, the Bankruptcy Administrator moved to transfer the proceedings to the Middle District of North Carolina, on the basis that venue is improper in the Western District of North Carolina. On October 28, 2026, PJM filed (a) a statement in support of dismissing (or transferring) the proceedings due to improper venue, and (b) a motion to dismiss the Chapter 11 proceedings on the basis that Debtors are incurring continued losses and have no plan or reasonable prospect for rehabilitating their business. These motions remain pending.

3. Administrative Proceedings at the Commission

a) Rover Pipeline, LLC and Energy Transfer Partners, LP, Docket No. IN19-4-000

On March 18, 2021, the Commission issued an OSC directing Rover Pipeline, LLC and Energy Transfer Partners, LP (collectively, Rover) to show cause why they should not be found to have violated 18 C.F.R. § 157.5 by misleading the Commission in its Application for a Certificate of Public Convenience and Necessity and attendant filings. Section 157.5 requires that certificate applications and attendant filings contain full and forthright information. The Commission asked Rover to address allegations that Rover was planning to purchase the Stoneman House, an 1843 historic farmstead, with the intent to demolish it, and ultimately did demolish it, without notifying the Commission of the purchase or demolition. The OSC directed Rover to show cause why it should not be assessed civil penalties in the amount of $20,160,000. On January 20, 2022, the Commission issued an order setting the matter for a hearing before an Administrative Law Judge (ALJ) to make certain factual findings.

On February 1, 2022, Rover filed a civil action in the United States District Court for the Northern District of Texas (No. 3:22-cv-00232), seeking a declaratory judgment that Enforcement staff must litigate its claims in federal district court (Declaratory Judgment action). On May 24, 2022, the district court stayed the Commission proceeding. On October 23, 2026, Rover and DOJ, on behalf of the Commission, jointly moved to dismiss the Declaratory Judgment action and on October 26, 2026, the Northern District granted the motion. On October 30, 2026, the Commission issued an order terminating the OSC proceeding, noting the matter's unique circumstances and that the procedural schedule had been suspended for over four years.

b) Rover Pipeline, LLC and Energy Transfer Partners, LP, Docket No. IN17-4-000

On December 16, 2021, the Commission issued an OSC directing Rover Pipeline, LLC and Energy Transfer Partners, LP (collectively, Rover) to show cause why they should not be found to have violated section 7(e) of the NGA; section 157.20 of the Commission's regulations,

18 C.F.R. § 157.20; and the Commission's Order Issuing Certificates, issued to Rover in 2017, by: (1) intentionally including diesel fuel, other toxic substances, and unapproved additives in the drilling mud during its horizontal directional drilling (HDD) operations under the Tuscarawas River in Stark County, Ohio; (2) failing to adequately monitor the right-of-way at the site of the Tuscarawas River HDD operation; and (3) improperly disposing of inadvertently released drilling mud that was contaminated with diesel fuel and hydraulic oil. The OSC directed Rover to show cause why it should not be assessed civil penalties in the amount of $40,000,000. Rover filed an answer to the OSC on March 21, 2022, and Enforcement staff filed its response to the answer on April 20, 2022. Rover filed a surreply on May 13, 2022.

On November 6, 2026, the Commission approved a settlement between Enforcement and Rover wherein Rover neither admitted nor denied the violations, but stipulated to the facts therein and agreed to pay a civil penalty of $10 million to the U.S. Treasury.

c) American Efficient LLC, et al., Docket No. IN24-2-000

On December 16, 2024, the Commission issued an Order to Show Cause and Notice of Proposed Penalty directing American Efficient, LLC and its affiliates (collectively, American Efficient) to show cause why they should not be found to have violated (a) section 222 of the FPA, (b) the Commission's Anti-Manipulation Rule, 18 C.F.R. § 1c.2, and (c) multiple provisions of the PJM and MISO Tariffs, including by seeking and receiving capacity payments for a purported energy efficiency program (1) that was not "designed to achieve" a load reduction, i.e., the program was not designed to achieve "additionality," or energy reductions that would not otherwise occur, and (2) for which American Efficient lacked the requisite contractual rights to participate in PJM and MISO's capacity markets. The Order to Show Cause proposed civil penalties and disgorgement as follows: $722,000,000 in civil penalties; $2,116,057 in disgorgement to MISO, plus interest; and $250,937,821 (plus additional unjust profits received after April 2024) in disgorgement to PJM, plus interest.

On April 15, 2026, the Commission issued an Order Assessing Penalties, requiring that American Efficient pay a civil penalty of $722 million and disgorge unjust profits totaling approximately $410 million.

C. Settlements

In FY2026, the Commission approved eight settlement agreements to resolve pending enforcement investigations. The settlements totaled approximately $5,573,851 in civil penalties and disgorgement of $1,512,836.[17] Since 2007 and through FY2026, Enforcement has negotiated settlements totaling approximately $905.5 million in civil penalties and approximately $665.6

[17] As noted previously, in one settlement in FY2026, total disgorgement was $626,642, of which $299,298 had been paid to an ISO/RTO prior to the issuance of the order approving the settlement. The balance was due within 10 days of the order's issuance.

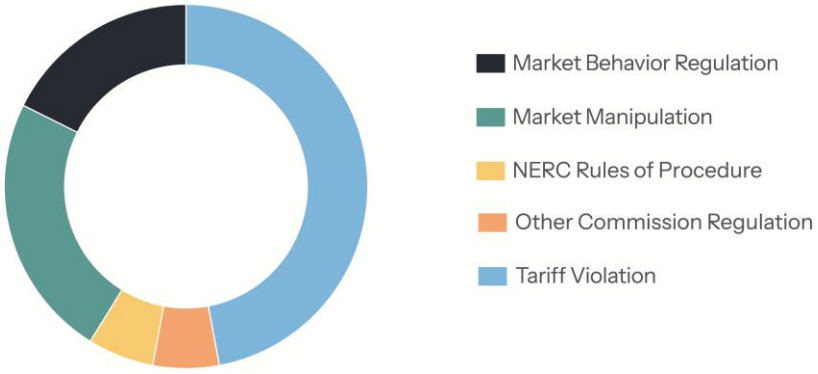
million in disgorgement.

In 2010, the Commission issued revised Penalty Guidelines, which apply to organizations.[18] Under the Penalty Guidelines, an organization's civil penalty can vary significantly depending on the amount of market harm caused by the violation, the amount of unjust profits, an organization's efforts to remedy the violation, and other culpability factors, such as senior-level personnel involvement, prior history of violations, the existence and robustness of compliance programs, self-reporting of the violation, acceptance of responsibility, and cooperation with Enforcement's investigation. For example, under the Penalty Guidelines, an organization's culpability score can be reduced to zero through favorable culpability factors, lowering the base penalty by as much as 95 percent.[19]

In FY2026, the Commission approved settlement agreements that resolved investigations concerning several different types of violations, including violations of the Anti-Manipulation Rule, 18 C.F.R. Part 1c; the Commission's Market Behavior Rules on Unit Operation and Communications, 18 C.F.R. § 35.41(a) and (b); and the ISO/RTO tariffs.

Figure 1 illustrates the types of violations settled in FY2026. Some settlements resolved multiple types of violations.

Figure 1: Types of Violations Settled, FY2026



[18] *Enforcement of Statutes, Orders, Rules, and Regulations*, 132 FERC ¶ 61,216 (2010) (Revised Penalty Guidelines), https://www.ferc.gov/sites/default/files/2020-07/RevisedPolicyStatementonPenaltyGuidelines.pdf.

[19] *Id.* P 109.

The Commission approved the following settlement agreements resolving investigations in FY2026:

a) NorthWestern Corp. d/b/a NorthWestern Energy, Docket No. IN25-14-000

On October 2, 2025, the Commission issued an order approving the settlement of Enforcement's investigation of NorthWestern Corporation, doing business as NorthWestern Energy (NorthWestern) for NorthWestern's Beethoven wind farm project (Beethoven). Under the SPP Tariff, Attachment AE, Section 2.2(10), certain generating resources were required to convert their status from a non-dispatchable variable energy resource to a dispatchable variable energy resource (DVER).

Enforcement concluded that, based on Beethoven's executed generator interconnection agreement and commercial operation date, NorthWestern was required to convert the Beethoven wind farm project to DVER status by October 1, 2015, but did not in fact complete Beethoven's conversion until February 1, 2025, in violation of the SPP Tariff. Enforcement determined that this behavior also violated the Commission's Market Behavior Rule on Unit Operation, 18 C.F.R. § 35.41(a). Enforcement further determined that NorthWestern violated the Commission's Duty of Candor Rule, 18 C.F.R. § 35.41(b), by omitting material facts in its communications with SPP. Under the terms of the settlement agreement, NorthWestern neither admitted nor denied the violations but stipulated to the facts contained therein. NorthWestern agreed to (a) pay disgorgement of $32,000, inclusive of interest, to SPP; (b) pay a civil penalty of $40,000 to the U.S. Treasury; and (c) undertake compliance monitoring for two years.

b) Los Angeles Department of Water and Power, Docket No. IN25-11-000

On October 2, 2025, the Commission issued an order approving the settlement of Enforcement's investigation of the Los Angeles Department of Water and Power (LADWP). Enforcement determined that LADWP intentionally submitted false, inaccurate, or misleading information to the Western Electricity Coordinating Council (WECC) during a 2020 audit. Specifically, LADWP made misrepresentations concerning—and otherwise failed to disclose to the WECC—violations of the North American Electric Reliability Corporation's (NERC) Critical Infrastructure Protection Standards arising from a late 2018 penetration test on LADWP's Physical Access Control System servers.

Enforcement found that LADWP violated §§ 401.3 (Data Access) and 403.10 (Information Submittal) of NERC's Commission-approved Rules of Procedure and related Commission regulations (18 C.F.R. § 39.2(b) and (d)). LADWP stipulated to the facts, but neither admitted nor denied the violations. LADWP agreed to: (a) pay a $350,000 civil penalty to the U.S. Treasury and (b) submit an annual compliance monitoring report to Enforcement for two years with a third year at Enforcement's discretion.

c) Green Mountain Power Corp., Docket No. IN25-15-000

On January 6, 2026, the Commission approved a Stipulation and Consent Agreement (Agreement) between Enforcement and Green Mountain Power Corporation (Green Mountain). Enforcement determined that Green Mountain violated the ISO-NE Tariff and the Commission's Market Behavior Rules, 18 C.F.R. § 35.41(a) and (b), by failing to properly report outages at the Bolton Falls Dam project between September 27, 2022 and December 27, 2024.

Under the terms of the Agreement, Green Mountain stipulated to the facts set forth therein and admitted the violations. Green Mountain agreed to: (a) pay a civil penalty of $32,500 to the U.S. Treasury; (b) pay disgorgement of $94,833.26, plus interest, to ISO-NE; (c) submit two annual compliance monitoring reports to Enforcement, with the requirement of a third annual report at Enforcement's option; and (d) conduct annual training for three consecutive years on compliance with applicable ISO-NE market rules—including but not limited to outage reporting requirements.

d) Tenaska Power Services Co., Docket No. IN25-13-000

On January 12, 2026, the Commission issued an order approving the settlement of Enforcement's investigation of Tenaska Power Services Co. (TPS). TPS served as the Lead Market Participant in ISO-NE for the sale of Energy and Ancillary Services from the Berkshire Generator, an approximately 250 MW natural gas-fired generator in Agawam, Massachusetts. Enforcement concluded that on January 11 and 12, 2021, TPS improperly sought to allow the generator to avoid expensive fuel purchases that would have enabled the generator to run at the levels dispatched by ISO-NE per the generator's day-ahead award.

Capacity resources in ISO-NE, like the Berkshire Generator, have a strict performance obligation. Capacity resources receive guaranteed monthly capacity payments in exchange for which they are required to be offered into the ISO-NE energy markets on a daily basis whenever they are physically available. Nonperformance by or inaccurate information about these resources can have substantial economic and reliability effects. Enforcement determined that TPS, as the Lead Market Participant, modified the real-time offers of the Berkshire Generator based on economic considerations rather than physical availability and attempted to reduce the dispatched level of the generator by falsely communicating to ISO-NE an inability to operate at full output. These actions violated ISO-NE's Tariff and the Commission's Market Behavior Rules, 18 C.F.R. § 35.41(a) and (b).

Under the terms of the settlement agreement, TPS neither admitted nor denied the violations but stipulated to the facts contained therein. TPS also agreed to: (a) disgorge $78,354 in unjust capacity payments, plus interest, to ISO-NE; (b) pay a civil penalty of $51,000 to the U.S. Treasury; and (c) be subject to compliance monitoring for one year, with a requirement of a second year at Enforcement's discretion.

e) Terra-Gen, LLC, Docket No. IN26-2-000

On April 7, 2026, the Commission approved a Stipulation and Consent Agreement (Agreement) between Enforcement and Terra-Gen, LLC (Terra-Gen). The Agreement resolved Enforcement's investigation into whether Terra-Gen violated the CAISO Tariff, the Commission's Market Behavior Rule (18 C.F.R. § 35.41(a)), section 222 of the Federal Power Act (16 U.S.C. § 824v), and the Commission's Anti-Manipulation Rule (18 C.F.R. § 1.c.2), in connection with Terra-Gen's participation in the CAISO ancillary services market from July 7, 2020 through April 17, 2022, as well as whether it violated the Commission's Duty of Candor Rule (18 C.F.R. § 35.41(b)) in connection with a compliance report that it submitted to Enforcement pursuant to a prior Commission-approved settlement of an unrelated matter.

Enforcement determined that Terra-Gen selectively avoided CAISO regulation-down awards at its Mojave 89 and Mojave 90 resources by disconnecting these resources from automatic generation control and/or claiming unjustified outages. In the Agreement, Terra-Gen stipulated to the facts set forth therein and admitted tariff and section 35.41 violations; it neither admitted nor denied Enforcement's determination that Terra-Gen violated section 222 of the Federal Power Act and the Anti-Manipulation Rule. Terra-Gen agreed to: (a) pay a civil penalty of $4,950,000 to the U.S. Treasury; (b) disgorge $681,007, plus interest, to CAISO; and (c) be subject to compliance monitoring and reporting requirements for two years, with the requirement of a third year at Enforcement's discretion.

f) MPH Rockaway Peakers, LLC (MPH-Rockaway), and Bayswater Peaking Facility, LLC (Bayswater) (collectively, Rockaway), Docket No. IN25-10-000

On April 8, 2026, the Commission issued an order approving the settlement of Enforcement's investigation of MPH Rockaway Peakers, LLC (MPH-Rockaway), and Bayswater Peaking Facility, LLC (Bayswater) (collectively, Rockaway) regarding its operation of the FPL Far Rock Peaking facility, an approximately 60.5 MW natural gas-fired electric generation plant, located in Far Rockaway, NY. Enforcement determined that from November 2020 to September 2024, Rockaway violated the NYISO Tariff and Commission's Market Behavior Rules, 18 C.F.R. §§ 35.41(a)-(b) by (a) conducting summer capability tests in configurations that differed from expected operations; (b) not informing NYISO of derates; (c) submitting inaccurate Generating Availability Data System (GADS) data; and (d) overselling capacity and reserves. Rockaway admitted the violations and agreed to pay (a) a civil penalty of $35,351 to the U.S. Treasury;[20] (b) disgorgement of $327,344 plus interest;[21] and (c) be subject to compliance monitoring obligations.

[20] This amount reflects the tariff-based sanction already paid to NYISO of $149,649, credited against the total penalty of $185,000 determined by Enforcement staff.

[21] This amount reflects the disgorgement already paid to NYISO of $299,298, credited against the total disgorgement of $626,642 determined by Enforcement staff.

g) Interstate Power and Light Company, Docket No. IN25-6-000

On April 17, 2026, the Commission issued an order approving the settlement of Enforcement's investigation of Interstate Power and Light Company (Interstate), which owns the Marshalltown Combustion Turbine generating station (Marshalltown units), a three-unit natural gas-fired combustion turbine in MISO. Enforcement investigated whether Alliant Energy Corporate Services, Inc. (AECS), acting on behalf of Interstate, misrepresented to Potomac Economics, the Market Monitor for MISO, the operational status of the Marshalltown units in connection with an audit performed by Potomac Economics in December 2023 and January 2024.

Enforcement concluded that AECS violated the Commission's Duty of Candor Rule when it provided an inaccurate timeline of events for the Marshalltown units to Potomac Economics. Enforcement found the initial timeline materially misstated outage events and repair sequencing leading up to the Planning Resource Auction. Additionally, Enforcement concluded that AECS failed to exercise due diligence in its audit responses to Potomac Economics. Finally, Enforcement noted that MISO had already imposed Capacity Replacement Non-Compliance Charge penalties for Interstate's improper bids into the Planning Resource Auction, which was the underlying basis for Potomac Economics' audit. Under the terms of the settlement agreement, Interstate neither admitted nor denied the violations but stipulated to the facts contained therein. Interstate agreed to: (1) pay a civil penalty of $70,000 to the U.S. Treasury; and (2) be subject to compliance monitoring for two years, with a third year at Enforcement's discretion.

h) Digi Power X Inc. f/k/a Digihost Technology Inc., Docket No. IN25-4-000

On August 3, 2026, the Commission issued an order approving the settlement of Enforcement's investigation of Digi Power X Inc. f/k/a Digihost Technology Inc. (Digihost). Enforcement concluded that Digihost violated NYISO Tariff Section 3.9.1 when, from February 17, 2022 to April 30, 2022, Digihost interconnected its cryptocurrency load to a co-generation facility without first submitting the required interconnection proposal to NYISO for approval. Under the terms of the settlement agreement, Digihost neither admitted nor denied the violation but stipulated to the facts contained therein. Digihost also agreed to: (a) pay a civil penalty of $45,000 to the U.S. Treasury; and (b) be subject to compliance monitoring for two years with an option for a third year at Enforcement's discretion.

D. Self-Reports

Over the previous five fiscal years (Fiscal Years 2022-2026), Enforcement staff received approximately 728 self-reports. The vast majority of those self-reports were concluded without further enforcement action because, among other factors, there was no material harm (or the reporting companies already had agreed to remedy any harms) and the companies had taken appropriate corrective measures (including appropriate curative filings) to remedy the violation and, through enhancements to their compliance programs, to avoid future violations.

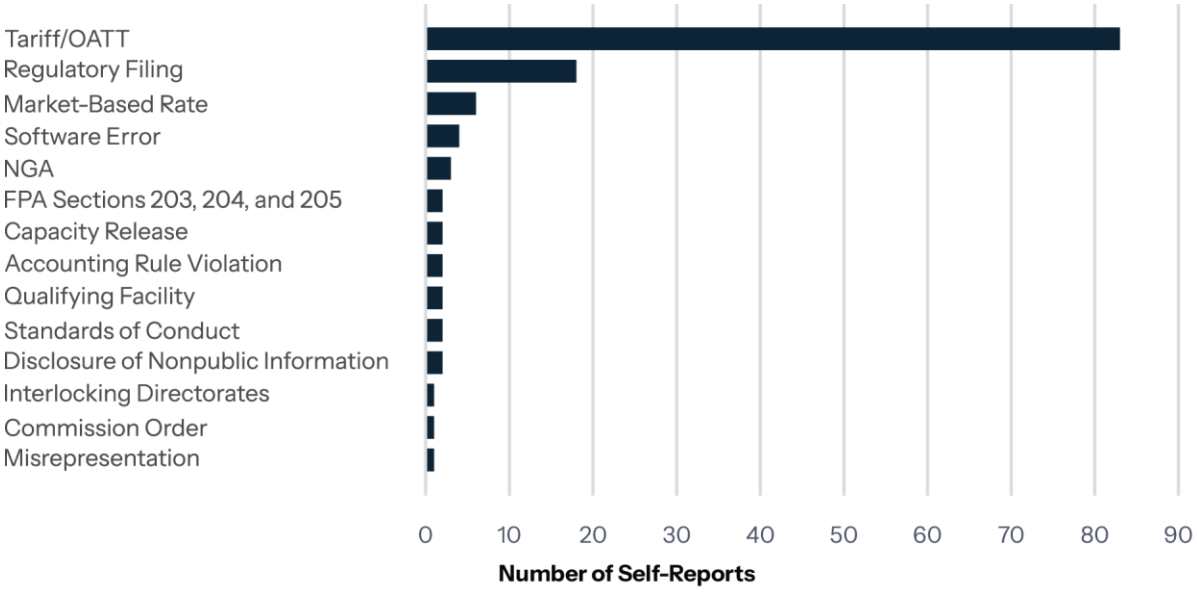
1. Statistics on Self-Reports

In FY2026, Enforcement staff received 143 new self-reports from a variety of market participants, including public utilities, natural gas companies, generators, and ISOs/RTOs. Many of these self-reports (83) were from ISOs/RTOs and involved relatively minor violations of tariff provisions. Enforcement staff closed 129 self-reports in FY2026 (and four additional self-reports shortly thereafter), 18 of which were carried over from previous fiscal years. Of the self-reports received in FY2026, 28 remained pending at the end of the fiscal year.

The Penalty Guidelines emphasize the importance of self-reporting by providing credit that can significantly mitigate penalties if a self-report is made.[22] Enforcement staff continues to encourage the submission of self-reports and views self-reports as a reflection of a company's commitment to compliance. Additional information about self-reports, including how to submit them to DOI, is contained on the Commission's website at www.ferc.gov/self-reports.

Figure 2 depicts the types of violations for which Enforcement staff received self-reports in Fiscal Years 2026.[23] Some self-reports include more than one type of violation.

Figure 2: Self-Reports Closed in FY 2026 by Type of Violation



[22] *Revised Penalty Guidelines*, 132 FERC ¶ 61,216, at P 127.

[23] The Self-Reports Closed chart in this FY2026 Annual Report includes the violations reported by an ISO/RTO.

2. Illustrative Self-Reports Closed with No Action

As discussed in Section D(1), the Penalty Guidelines emphasize the importance of self-reports. They also show a commitment to compliance and inform Enforcement of types of violations that are occurring. In a continued effort to promote transparency while encouraging the compliance efforts of regulated entities, Enforcement presents the following illustrative examples of self-reports that Enforcement closed in FY2026 without conversion to an investigation. In determining whether to close a self-report or open an investigation, Enforcement staff considers the factors set forth in the Commission's Revised Policy Statement on Enforcement.[24] The summaries below are intended to provide guidance to the public and to regulated entities as to why Enforcement staff chose not to pursue an investigation or enforcement action, while preserving the non-public nature of the self-reports.

Tariff/OATT Violation (Electric). A demand response provider self-reported that, from 2020 through 2024, it failed to correctly report Demand Response Energy Measurement (DREM) performance values. As a result, the DREM values on file with the ISO/RTO sometimes differed from the DREM that the market monitor calculated using the provider's own baseline and meter data, leading to overpayments (by the ISO/RTO). After identifying the discrepancy, the provider lowered the automated threshold for resubmitting corrected DREM data and voluntarily returned the overpayments with interest. Because the violation appeared inadvertent, there was no evidence of market manipulation, the financial harm was fully remediated, and the provider implemented corrective controls to reduce the likelihood of recurrence, Enforcement staff closed this self-report without further action.

Filing of Erroneous EQRs (Electric). Two solar power sellers self-reported having filed EQRs for 2024 that erroneously reported certain electricity sales into an ISO/RTO market. Sellers thereafter worked with Enforcement to file corrected EQRs. In addition, the sellers implemented updated EQR compliance procedures and undertook formal EQR training. Because the erroneous filings were inadvertent and then corrected, and because the companies implemented compliance procedures and training to minimize the risk of future such errors, Enforcement staff closed this self-report without further action.

Failure to Report Status Change (Electric). A company and three of its affiliates, all with market-based rate authority from the Commission, self-reported their inadvertent failure to submit a notice of change in status and an update to the relational database following a merger changing their ultimate ownership. The companies submitted the required notice and update to the Commission shortly after discovery of the failure. The companies adopted enhanced compliance procedures to reduce the likelihood of missing such reporting deadlines in the future. Because the failure was inadvertent and then remedied, and because the companies implemented compliance procedures designed to minimize the risk of future such failures, Enforcement staff closed this self-report without further action.

[24] *Revised Policy Statement*, 123 FERC ¶ 61,156, at P 25.

Tariff/OATT Violation (Electric). A public utility self-reported that it failed to provide certain load and resource projections to an ISO/RTO in the manner required by the ISO/RTO Tariff. Upon discovery, the utility promptly investigated the issue and determined that it had not been submitting the required projections in recent years due to significant turnover within the group responsible for providing the projections and the absence of staff enrolled in the ISO/RTO's email reminder system. The company discussed the issue with the ISO/RTO, which indicated that while the company had not submitted the projections in the format and timeframe required by the Tariff, the ISO/RTO nevertheless had access to substantially the same information through other required data submissions. The company took steps to mitigate and prevent recurrence of this reporting issue. First, it promptly gathered the required information and submitted it by the Tariff-proscribed deadline for the current year. And second, the reporting requirement was added to the company's FERC compliance tracking system to ensure proactive monitoring and timely submission on a going-forward basis. Because the violation was inadvertent, the utility coordinated with the ISO/RTO, there appeared to be no market harm, and it implemented appropriate remedial actions to reduce the likelihood of recurrence, Enforcement staff closed this self-report without further action.

Regulatory Violation (Gas). A natural gas company self-reported that it had violated the Commission's regulation at 18 C.F.R. § 284.7(a)(3) concerning firm transportation service. In response to interest from a shipper, the company created a bundle of short-term firm capacity rights, but in doing so, inadvertently oversubscribed capacity at one of its receipt locations. While an employee at the company received an internal system alert for unavailable capacity on the same day the bundle was created, the employee believed the alert to be false, and the company posted the bundle for bidding and capacity was awarded to a shipper that day. The internal system then sent an email warning later that evening, which caused the company to realize the error. To remedy the error, the company notified the impacted shipper and then executed an amendment to the bundle to reduce the allocation to the proper level, effective the following day. No other shippers were impacted by the oversubscription. To prevent recurrence, the company implemented a new review procedure for system errors during the capacity offering process and conducted mandatory training for relevant employees. Because the error was remedied quickly, the company implemented appropriate procedures to prevent recurrence and there was no market impact, Enforcement staff closed this self-report without further action.

Regulatory Violation (Electric). A generator self-reported that it had violated Commission regulations by making a one-time 20 MW discharge of electricity to the grid without first obtaining market-based rate authorization from the Commission. This discharge occurred over a two-hour period while testing a new facility during construction. The generator did not seek or receive compensation for this electricity. Personnel for the generator mistakenly believed that market-based rate authorization was not needed under these circumstances. However, after counsel was retained and learned of this matter, the generator promptly submitted a self-report (and applied for market-based rate authorization before the facility became operational). Because this was a one-time incident, and because there was no market harm or unjust enrichment resulting from the errant discharge, Enforcement staff closed this self-report without further action.

Regulatory Filing Violation (FPA Section 305). A series of affiliated companies self-reported potential violations of Section 305(b) of the FPA on the basis that individual employees of subsidiary companies were not timely disclosed as holding automatically interlocking directorate positions. Upon discovery of the issue, the companies made filings disclosing interlocking directorates and reported organizational changes to strengthen compliance on a going-forward basis. Because the violations were inadvertent, quickly discovered and the required filings were made, Enforcement staff closed this self-report without further action.

Tariff/OATT Violation (Electric). An investor-owned utility self-reported non-compliance with Order No. 860, which requires the identification of upstream affiliate owners and submission of upstream affiliate owners in the Commission's market-based rate relational database to ensure lack of horizontal and vertical market power. Following the discovery, the utility promptly reported the violation to Enforcement staff, initiated updates to the market-based rate relational database to input the upstream affiliate owner, and implemented a process to reduce the likelihood of reoccurrence. For these reasons, Enforcement staff closed this self-report without further action.

Market Protocols Violation (Electric). A not-for-profit generation and transmission cooperative submitted a self-report regarding a miscommunication by the cooperative's scheduling agent to the ISO/RTO, which violated the ISO/RTO's tariff and protocols regarding Resource Status, Day-Ahead Reliability Unit Commitment Results, and Energy and Operating Reserved Deployment Failure. The cooperative placed one of its units in "self-status" (meaning, self-committed) in the market portal for its yearly peak load test. However, the ISO/RTO failed to update the information for the unit and as a result, subsequently issued two Reliability Unit Commitments that the cooperative could not meet because the units were offline. Because this incident was inadvertent in nature and the cooperative promptly addressed the issue with the ISO/RTO, Enforcement staff closed this self-report without further action.

Tariff/OATT Violation (Electric). The owner of two standalone battery energy storage systems (Batteries) self-reported that the Batteries had made wholesale sales without seeking prior authorization from the Commission in violation of section 205 of the FPA, 16 U.S.C. § 824d, and the Commission's implementing regulations at 18 C.F.R. Part 35. The Batteries filed for market-based rate authorization and notices of exempt wholesale generator status, as well as prepared a refund report. The owner made the required refunds, with interest. Because the violation was inadvertent, the owner coordinated with OEMR, and implemented the appropriate remediation, Enforcement staff closed the self-report without further action.

Standards of Conduct (Gas). A company which owns and operates an interstate natural gas pipeline system that transports natural gas for others self-reported that it shared non-public transmission information relating to an outage with its production department, in violation of the Commission's Standards of Conduct. A member of the production team then inadvertently posted this information on an internal message board that was available to all employees, while this information was not disclosed simultaneously on the public informational posting website. The posting was discovered within an hour and the company immediately removed access to the outage information and made a public post about the incident. Because the incident was inadvertent,

resulted from human error, was mitigated quickly, was reported up through company management and internally investigated, and resulted in no identified market harm, Enforcement staff closed this self-report without further action.

Regulatory Filing Violation (FERC Form No. 552). A domestic natural gas company and a related foreign gas company collectively self-reported that they failed to file Form No. 552 in 2025 when they were required to so because they had exceeded the requisite volume of natural gas purchases/sales. The companies also inadvertently failed to file Form No. 552 for 2020 through 2024. They eventually made all of the missing Form No. 552 filings. Because limited harm resulted from the filing failures, they were fully remedied, and the companies have taken remedial steps to strengthen their internal Form No. 552 filing compliance procedures, Enforcement staff closed this self-report without further action.

Regulatory Violation (Electric). A generator self-reported that it failed to timely comply with the Commission's Open Access and Standards of Conduct rules before temporarily taking ownership of energized transmission facilities. The generator explained that it intended to transfer ownership of the transmission facilities before they were energized, but that did not occur as planned. While the generator could have requested a waiver of these requirements under 18 C.F.R. § 35.28(d)(1), it failed to do so within the 60-day time period set forth in the regulation. The generator attributed this to an inadvertent oversight and, upon identifying this violation, submitted a prospective waiver of these requirements to the Commission. Ownership of the facilities was subsequently transferred, and the Commission issued an order effectively granting the generator's waiver request, thus bringing the generator into compliance. Importantly, the transmission facilities were under the operational control of the ISO/RTO even before they were energized. As such, no discernable harm had been identified and Enforcement staff closed this self-report without further action.

Integrated Market Protocols Violation (Electric). A not-for-profit generation and transmission cooperative submitted two self-reports regarding improper status adjustments of units by different traders at different times. The traders for this cooperative are employed by their scheduling agent and generation operator. The two incidents occurred at a plant where all units are capable of grid-switching between two organized markets. In both incidents, the trader accidentally made units available to both markets, which is prohibited by the market coordinating agreement between the markets. As these violations were inadvertent and did not result in any market harm, and because the cooperative implemented new training and other requirements in response to the violations, Enforcement staff closed this self-report without further action.

Regulatory Violation (FPA Section 205). Several proximately located solar energy providers self-reported that they made wholesale power sales during a brief period when they were small power production qualifying facilities (QFs) that were not eligible for the FPA Section 205 exemption for QFs that are 20 MW or less in size. Under the applicable rule, providers within one mile of each other are aggregated for purposes of the 20 MW limitation. Because the non-compliance was corrected when two of six QFs relinquished QF status and filed for market-based

rate authority, and no refunds were due because no revenue from the violating sales was collected during the period of violations, Enforcement staff closed this self-report without further action.

Tariff/OATT Violation (Electric). A utility self-reported that it had failed to post its projected net revenue data and hold a related open meeting by the previous October, as required by its transmission formula rate protocols. Upon identifying the oversight, it promptly completed both requirements and notified Enforcement. The utility attributed the lapse to an administrative error and implemented corrective measures, including broader staff training and use of external support to track deadlines. Given the limited nature of the violation and prompt remediation, Enforcement staff closed the self-report without further action.

Tariff/OATT Violation (Electric). A nonprofit generation and transmission cooperative self-reported that, after taking its unit off Automatic Generation Control because the unit could not follow dispatch due to frozen coal, it failed to promptly return the unit to a dispatchable state later that day, due to human error. The cooperative disciplined those employees involved in the incident, retrained all of its employees, and provided Enforcement staff with substantial evidentiary data surrounding the event, which corroborated that the violation was due to inadvertent human error. Because this was a one-time violation, based on human error, and the company implemented additional measures to prevent future violations, Enforcement staff closed this self-report without further action.

Regulatory Filing Violation (FERC Form No.556). A wind energy provider self-reported that due to certain administrative oversights, Form No. 556 filings associated with a project did not include all information required by 18 C.F.R. § 292.203(a)(3) and did not properly reflect a change in upstream ownership. Concurrently with the self-report, the company submitted to the Commission a petition for declaratory order and a refund report documenting time-value refunds tendered to purchasers. Because the violations were inadvertent, and the company took steps to remedy the non-compliance, Enforcement staff referred the matter to the OEMR and closed this self-report without further action.

Tariff/OATT Violation (Electric). An independent power producer self-reported that it may have permitted certain energy supply employees to access and view non-public third-party outage and derate information at a jointly owned facility. The producer reported there was no evidence that its employees had viewed the restricted information. Shortly after discovering the issue, the producer worked with its software vendor to deploy a comprehensive patch to prevent energy supply employees from accessing restricted information moving forward. Because the access issue was inadvertent, the personnel may not have accessed the restricted information, and corrective measures were taken, Enforcement staff closed this self-report without further action.

Regulatory Violation (Electric). A public utility self-reported that due to a software error, it failed to post its Forecasted Native Daily Peak Load data to OASIS. The utility identified and corrected the issue the next day and posted the omitted load data to OASIS. Because there was no identified market harm, the error was inadvertent, and the utility took corrective steps to prevent a recurrence, Enforcement staff closed the matter without further action.

Tariff/OATT Violation (Electric). A generation and transmission cooperative self-reported that, due to a misunderstanding in the control room at one of its generation facilities, it activated one more unit than the number of units the ISO/RTO had dispatched. Within 20 minutes of the extra unit coming online, the cooperative, in consultation with its energy management company and with the ISO/RTO, took the unit offline. Because the error was caused by inadvertent human error, did not appear to result in any material market harm, and was promptly remedied, and because the cooperative subsequently instituted process changes in its control room to prevent recurrence, Enforcement staff closed this self-report without further action.

Various Tariff/OATT Violations (ISOs/RTOs). Multiple ISOs/RTOs self-reported what Enforcement staff determined upon factual review to be relatively minor violations of their tariffs, resulting from either software or human error. Those errors included: miscalculating or misapplying collateral requirements; errors in reserves calculation and pricing; inadvertent failures to post timely required notices; miscalculation of administrative charges; failures to perform timely price corrections; delays in reviewing technical data submitted in support of interconnection requests; inadvertently sending a notice to transmission developers after the tariff-established deadline; failure to calculate a metric used in the development of the planning reserve margin in accordance with its tariff; inadvertent reduction in a certain generation type which triggered shortage conditions and corresponding high prices; improper settlement calculations based on faulty energy and operating reserve slope offer curves and commitment periods; miscalculating demand response payments; miscalculating market clearing prices for certain ancillary services; miscalculating location marginal prices during a market system outage; miscalculating certain out of market payments and demand curves; and misapplying a local market power test resulting in over-mitigation. The ISOs/RTOs also reported certain other potential mistakes in implementing tariff provisions. In all such instances, the violations were inadvertent, resulted in minimal harm, and were promptly and effectively remedied to mitigate the harm and prevent future violations. Accordingly, Enforcement staff closed these self-reports without further action.

E. Investigations

In FY2026, Enforcement staff opened 28 new investigations, as compared with 24 investigations opened in FY2025 and 30 investigations opened in FY2024. These investigations arose from several sources, including referrals by ISO/RTO Market Monitors and Enforcement's other divisions. In addition to cases closed through settlement, Enforcement staff closed 10 investigations without further action in FY2026, as compared to 17 closed without further action in FY2025. Included in the investigations closed in FY2026, Enforcement staff closed five investigations resulting from Independent Market Monitor/Market Monitoring Unit (Market Monitor) referrals following analysis of the referred conduct and alleged violations. Finally, one Market Monitor referral, discussed in DOI Section F below, was closed without being converted into an investigation.

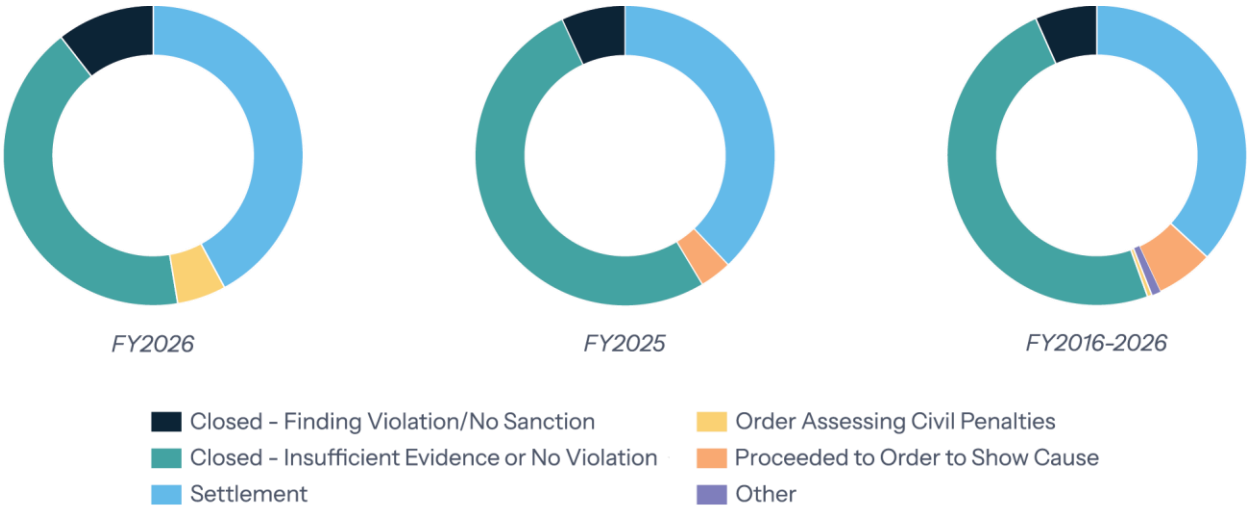
1. Statistics on Investigations

Of the 28 investigations Enforcement staff opened in FY2026 (some of which involved more than one type of potential violation and/or multiple subjects), at least 8 involved potential market manipulation, 19 involved potential tariff violations, and five involved potential misrepresentations prohibited by the Commission's Duty of Candor Rule. The 28 investigations also involved a wide range of additional issues, including potential NERC Reliability Standard violations and potential violations of the Commission's Market Behavior Rule on Unit Operation.

In each of the 10 investigations DOI closed with no action in FY2026, DOI staff found that there was either no violation, insufficient evidence to establish that a violation had occurred, or that a violation occurred but should not be subject to sanctions. The 10 closings were in addition to the 8 investigations closed pursuant to settlements that Enforcement staff reached with subjects. The Commission-approved settlements in these 8 investigations are summarized above in DOI Section C. The investigations closed without enforcement action are discussed below.

The charts in Figure 3 show the year-by-year disposition of investigations that closed over the past two years (FY2025-2026) and the aggregate disposition of investigations that closed from Fiscal Years 2016 through 2026.

Figure 3: Disposition of Investigations



Figures 4 and 5 summarize the nature of the conduct at issue for those investigations that were closed without further action in Fiscal Years 2025-2026.

Figure 4: Types of Alleged Violations in Investigations Closed With No Action, FY2026

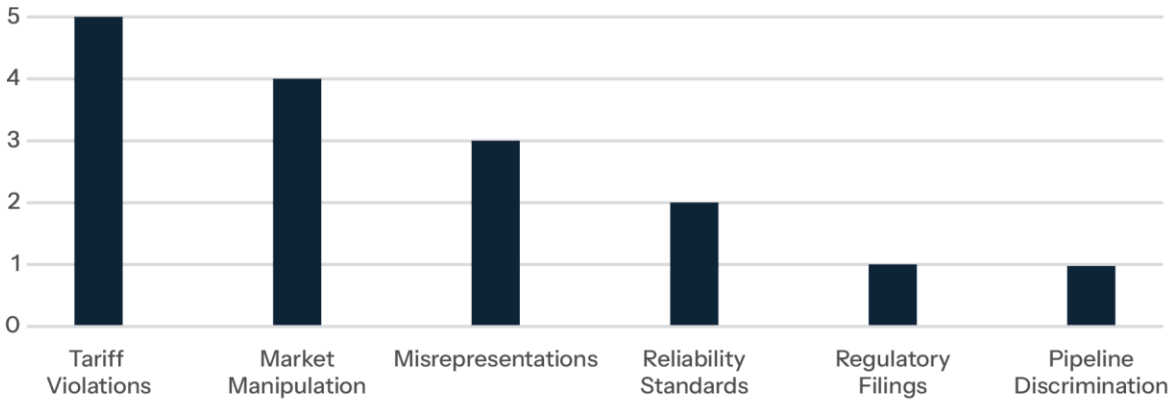
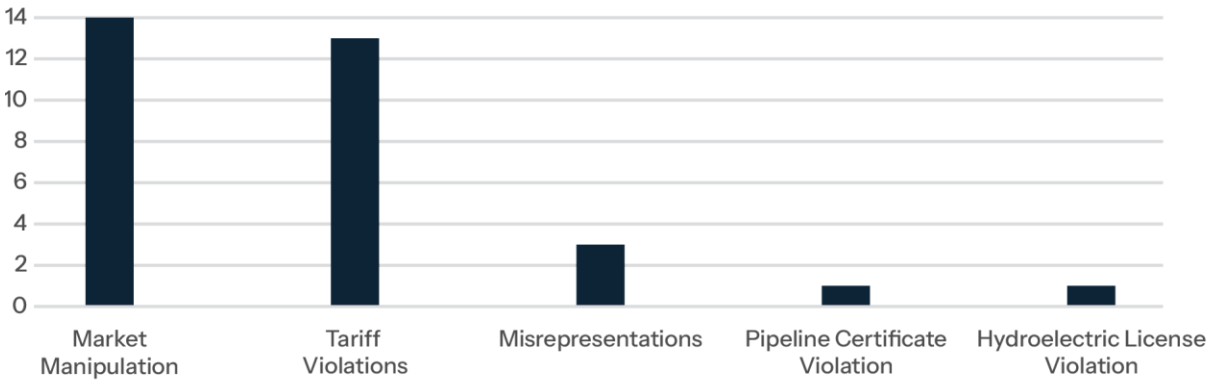


Figure 5: Types of Alleged Violations in Investigations Closed With No Action, FY2025



2. Illustrative Investigations Closed with No Action

The following summaries of investigations that Enforcement closed without further action in FY2026 are intended to provide guidance to the public and the regulated community while preserving the non-public nature of DOI's investigations.

Potential Tariff Violation (Electric). Following a referral from a Market Monitor alleging that an ISO/RTO violated its tariff by paying uplift to generation units that failed to follow the ISO/RTO's dispatch signal, Enforcement opened an investigation into the ISO/RTO. While the investigation was underway, the ISO/RTO initiated tariff revisions to address the potential compliance issues uncovered during the investigation. The Commission approved those revisions, and Enforcement closed the investigation without further action.

Market Manipulation and Tariff Violation (Gas). Following a tip alleging improper capacity reporting to retain higher rates, Enforcement investigated whether a pipeline violated regulatory requirements or engaged in manipulative conduct related to its peak day capacity submissions. After reviewing regulatory standards, modeling practices, and evidence of compliance, Enforcement staff found no evidence of manipulative intent or material misrepresentations. Based on these findings, Enforcement closed the investigation without further action.

Market Manipulation and Tariff Violation (Electric). Following a series of referrals from a Market Monitor, Enforcement opened an investigation into whether several utilities violated the Commission's Anti-Manipulation Rule or the ISO/RTO's tariff in connection with resource adequacy tariff requirements. The referral suggested that the utilities may have submitted false information to the ISO/RTO about the availability of certain generators for the upcoming season. After reviewing documents and conducting legal analysis, Enforcement staff concluded that the evidence did not support a finding that the utilities had provided false or inaccurate information to the ISO/RTO about its generators. Based on these findings, Enforcement closed this investigation without further action.

Market Manipulation (Electric). Following a referral from a Market Monitor, Enforcement staff opened an investigation into whether a utility's offer behavior during periods of sustained and sharply negative Locational Marginal Prices (LMPs) violated the Commission's Anti-Manipulation Rule. Enforcement staff took investigative testimony of witnesses from the utility and gathered data and other information regarding the utility's offer behavior from the Market Monitor and the utility. Enforcement staff determined that the offer behavior and operations that appeared anomalous resulted from RTO dispatch instructions via the generator's Automatic Generation Control, which the relevant ISO/RTO uses as the method of frequency regulation to ensure its system is in balance. Thus, Enforcement staff closed this investigation without further action.

Tariff Violation and Misrepresentations Prohibited by Duty of Candor Rule (Electric). Following a referral from a Market Monitor, Enforcement staff opened an investigation into whether a utility violated (1) an ISO/RTO's tariff regarding the representation, registration, and forecasting of a large data center load and (2) the Commission's Duty of Candor Rule, 18 C.F.R. § 35.41(b), by submitting misleading responses or omitting material information in its responses to the Market Monitor's information requests. After issuing data requests, conducting interviews and investigative testimony, and analyzing potential market harm, Enforcement staff determined that the utility's responses were not misrepresentations, did not in fact violate the ISO/RTO's tariff,

and resulted in little (if any) market harm. For these reasons, Enforcement staff closed the investigation without further action.

Reliability Standards. Following a Hotline call, Enforcement staff opened an investigation into whether an electric utility company violated NERC Reliability Standards by not properly protecting certain cyber system information or certain facilities from physical threats, or through deficiencies relating to wildfire safety. Enforcement staff issued data requests, analyzed the company's relevant audit and compliance history, and analyzed other information received from the company. Enforcement staff's investigation did not substantiate the majority of the Hotline caller's allegations. To the extent there were occasional incidents of noncompliance that may have been consistent with some of the allegations, the incidents were already known to the Regional Entity, NERC, and the Commission and did not warrant further action. Further, the Regional Entity was already focusing its monitoring on the relevant Reliability Standards as part of the company's Compliance Oversight Plan. For these reasons, Enforcement staff closed the investigation without further action.

Market Manipulation and Tariff Violation (Electric). Following a referral from a Market Monitor, Enforcement staff opened an investigation into whether a demand response aggregator violated the Commission's Anti-Manipulation Rule or the ISO/RTO tariff at issue. Specifically, Enforcement staff investigated whether the company attempted to register resources for demand response that were already registered for demand response by another provider and/or attempted registration without the consent of the owners of those resources. Enforcement staff found that there was insufficient evidence to justify further enforcement action, including because the demand response aggregator produced evidence substantiating its agreements with the owners of the demand response resources, and accordingly closed this investigation without further action.

Market Manipulation (Electric). Based on a Hotline call, Enforcement staff opened an investigation into whether an energy trading firm placed trades in an ISO/RTO based on inside information about third party trades or to move energy prices to benefit the firm's financial positions, in potential violation of the Commission's Anti-Manipulation Rule. After taking testimony from multiple witnesses and reviewing thousands of documents, Enforcement staff concluded that there was insufficient evidence of manipulative intent. Enforcement staff therefore closed the investigation without further action.

Post-Audit Non-Compliance (Electric). Following a referral from DAA, Enforcement staff opened an investigation into whether a company and its affiliates and subsidiaries failed to comply with the corrective action recommendations made after a final audit report issued via delegated letter order. Enforcement staff investigated whether (1) the company's failure to follow the final audit recommendations violated the audit provisions of PUHCA 2005, sections 301 and 304 of the FPA, and related provisions of the Commission's regulations at 18 C.F.R. § 366.2 and (2) whether the company violated the Commission's Duty of Candor Rule, 18 C.F.R. § 35.41(b) in failing to implement modifications to the company's capitalization methodology and sufficiently demonstrate that a consultant contract was not a lobbying expense. Enforcement staff issued data requests, met with opposing counsel, and reviewed a large volume of data request responses and

company filings. Enforcement staff also took testimony from several witnesses and consulted with OEMR staff. Enforcement staff determined that there was inadequate evidence to conclude that any violations occurred. For these reasons, Enforcement staff closed the investigation without further action.

F. Market Monitor Referrals

ISO and RTO Market Monitors perform a critical function surveilling organized electric markets to detect potential violations, including market manipulation, anticompetitive behavior, and tariff noncompliance. As the Commission has recognized, "effective market monitoring requires close collaboration between the [Market Monitors], ISOs, RTOs, and [Enforcement]."[25] This collaboration occurs formally, through certain reporting requirements set forth in Commission regulations, as well as informally, through regular dialogue with Enforcement. Both types of collaboration facilitate a high level of situational awareness among Enforcement staff and ensure a robust knowledge base for investigations and surveillance. To promote transparency and provide guidance to regulated entities and Market Monitors, this section highlights the Market Monitors' functions, describes the types of conduct Market Monitors review and refer to Enforcement, and provides illustrative examples of Market Monitor referrals that Enforcement closed in FY2026 following initial inquiries that did not lead to an investigation.

By regulation, Market Monitors are required "to make a non-public referral to the Commission in all instances where the [Market Monitor] has reason to believe that a Market Violation has occurred."[26] This referral requirement applies to potential "misconduct by the ISO or RTO, as well as by a market participant."[27] The Commission has not prescribed a specific level of detail or length for referrals; however, they must be: (1) non-public, (2) in writing, and (3) addressed to the head of Enforcement with copies to the heads of OEMR and OGC.[28] In addition, they must include: (1) "sufficient credible information to warrant further investigation by the Commission;" (2) the names and contact information for suspected violators; (3) the dates of the alleged violations and whether the behavior is ongoing; (4) the rule, regulation, or tariff provisions allegedly violated; (5) the specific conduct that allegedly constitutes the violation; (6) the consequences to the market; (7) if the referral includes allegations of manipulation, a description of the alleged manipulative effect; and (8) any other information the Market Monitor wishes to include.[29] There is also a continuing obligation to update referrals with any information

[25] *Southwest Power Pool, Inc.*, 137 FERC ¶ 61,046, at P 20 (2011).

[26] 18 C.F.R. § 35.28(g)(3)(iv)(A). A Market Violation is a violation of a tariff, Commission order, rule or regulation, market manipulation, or inappropriate dispatch that creates substantial concerns regarding unnecessary market inefficiencies. *Id.* § 35.28(b)(8).

[27] *Wholesale Competition in Regions with Organized Elec. Mkt.*, Order No. 719, 125 FERC ¶ 61,071, at P 311 (2008).

[28] 18 C.F.R. § 35.28(g)(3)(iv)(B)-(C).

[29] *Id.* § 35.28(g)(3)(iv)(D).

the Market Monitor learns that is "related to the referral."[30] After receiving a referral, Enforcement conducts an inquiry into the alleged conduct and determines whether to open a full investigation.

To help facilitate these regulatory requirements, Enforcement assigns staff to serve as liaisons with the Market Monitors for each ISO/RTO as well as with the ISO/RTO itself. Market Monitors refer a wide range of potential violations, in terms of both type and seriousness. Examples of referrals illustrating this broad range include: (1) Interstate Power and Light Company for violating the Commission's Duty of Candor Rule by providing an inaccurate operating status information and false statements regarding the causes and timing of outages for its Marshalltown units to the Market Monitor for MISO;[31] (2) Terra-Gen, LLC for violating the CAISO Tariff, the Commission's Market Behavior Rule, and the Commission's Anti-Manipulation Rule when it avoided CAISO regulation-down awards at solar facilities by disconnecting those resources from automatic generation control and/or claiming unjustified outages;[32] (3) Tenaska Power Services Co. for violating ISO-NE's Tariff and the Commission's Market Behavior Rules by failing to follow dispatch when it sought to avoid additional, more expensive fuel purchases that would have enabled the generator to run at the levels dispatched by ISO-NE;[33] (4) Green Mountain Power Corp. for violating the ISO-NE Tariff and the Commission's Market Behavior Rules by failing to properly report outages at the Bolton Falls Dam project;[34] (5) Digi Power X Inc. f/k/a Digihost Technology Inc. for violating the NYISO Tariff when it interconnected its cryptocurrency load to a co-generation facility without submitting the required interconnection proposal to NYISO for approval;[35] and (6) NorthWestern Corp. for violating the SPP Tariff and the Commission's Market Behavior Rule on Communication by failing to convert its wind farm from being a non-

[30] *Id.* § 35.28(g)(3)(iv)(E). Separate and apart from this referral requirement, Market Monitors also must "[i]dentify and notify [Enforcement] of instances in which a market participant's or [ISO's/RTO's] behavior may require investigation, including, but not limited to, suspected Market Violations." 18 C.F.R. § 35.28(g)(3)(ii)(C). These notifications are more informal, can be made orally or in writing, and do not require the documentation involved in a referral.

[31] *Interstate Power and Light Company*, 195 FERC ¶ 61,048 (2026) (approving settlement agreement that included a $70,000 civil penalty).

[32] *Terra-Gen, LLC*, 195 FERC ¶ 61,016 (2026) (approving settlement agreement that included a civil penalty of $4,950,000 and disgorgement of $681,007).

[33] *Tenaska Power Services Co.*, 194 FERC ¶ 61,029 (2026) (approving settlement agreement that included a civil penalty of $51,000 and disgorgement of $78,354).

[34] *Green Mountain Power Corp.*, 194 FERC ¶ 61,014 (2026) (approving settlement agreement in which the company admitted to the violations and agreed to pay a civil penalty of $32,500 and disgorgement of $94,833.26).

[35] *Digi Power X. f/k/a/Digihost Technology Inc.*, 196 FERC ¶ 61,100 (2026) (approving settlement agreement that included a civil penalty of $45,000).

dispatchable variable energy resource to a dispatchable variable energy resource and omitting material facts in its communications with SPP.[36]

1. Statistics on Market Monitor Referrals

In FY2026, Enforcement staff received 27 new Market Monitor referrals. Of these referrals (some of which involved more than one type of violation or multiple subjects), at least 10 involved potential market manipulation, at least 22 involved potential tariff violations, and at least four involved potential misrepresentations prohibited by the Commission's Duty of Candor Rule. Seventeen of these Market Monitor referrals became the sources for investigations opened in FY2026 and two were incorporated into already-open investigations.

Enforcement staff elected not to open a full investigation of one Market Monitor referral in FY2026. This referral was analyzed and closed without further action because Enforcement staff concluded that there was insufficient evidence of market harm.

2. Illustrative Market Monitor Referrals Closed with No Action

Enforcement presents the following summary of the one Market Monitor referral that Enforcement staff closed in FY2026 without converting to an investigation. In determining whether to open an investigation based on a Market Monitor referral, Enforcement staff considers the factors set forth in the Commission's Revised Policy Statement on Enforcement.[37] The summary below is intended to provide guidance to the public and to regulated entities as to why Enforcement staff chose not to pursue an investigation or enforcement action, while preserving the non-public nature of the Market Monitor referrals.

Potential Tariff Violation. Following a referral from a Market Monitor alleging that a municipal utility violated an ISO/RTO tariff, Enforcement staff analyzed whether the municipality utility's submission of a Resource Adequacy (RA) Workbook that sought to accredit a generating unit that the municipal utility knew would not be available during the relevant RA period constituted a tariff violation. Enforcement staff determined that the municipal utility violated the tariff but that the violation caused no market harm because, even excluding the improperly accredited unit, the municipal utility would have exceeded its RA requirement for the relevant RA period. Enforcement staff therefore concluded that pursuing an investigation would not be an efficient use of staff's resources and would result in no incremental enforcement benefit. After a discussion with the municipal utility regarding the importance of submitting accurate information to the ISO/RTO, Enforcement closed this referral without further action.

[36] *NorthWestern Corporation d/b/a NorthWestern Energy*, 193 FERC ¶ 61,011 (2025) (approving settlement agreement that included a civil penalty of $40,000 and disgorgement of $32,000).

[37] *Revised Policy Statement on Enforcement*, 123 FERC ¶ 61,156 at P 25.

G. Enforcement Hotline

DOI staff fields phone calls and other inquiries made to the Enforcement Hotline (Hotline).[38] The Hotline is a means for people, anonymously if preferred, to inform Enforcement staff of potential violations of statutes, Commission rules, orders, regulations, and tariff provisions. When Enforcement staff receives information concerning possible violations, such as allegations of market manipulation, abuse of an affiliate relationship, or violation of a tariff or order, Enforcement staff researches the issue presented and often consults other members of the Commission's staff with expertise in the subject matter of the inquiry. In some cases, Hotline calls lead to the opening of investigations by DOI.

In FY2026, Enforcement received 269 Hotline calls and inquiries, 267 of which promptly were resolved. The Hotline calls and inquiries involving matters jurisdictional to the Commission[39] were resolved either through advice provided by Enforcement staff; because the caller stopped responding to Enforcement staff's communications; or because the matter was already pending before the Commission, and so Enforcement staff could not discuss it with the caller due to the *ex parte* rules, although in those instances Enforcement staff directed the caller to the docketed proceeding. Of the Hotline calls received in FY2026, two were opened as investigations. Enforcement staff also closed eight Hotline matters that had been pending from prior years.

H. Other Matters

In addition to its investigative work, DOI staff worked on other important matters in FY2026, including:

Collaboration with Other Commission Offices. DOI staff regularly coordinates with other Commission program offices regarding potential enforcement matters or enforcement-related policies and procedures. This includes working closely with the Office of Energy Projects (OEP) and OGC on pipeline certificate and hydroelectric licensing matters to ensure compliance with statutory and regulatory obligations, and the terms and conditions of pipeline certificates and hydroelectric licenses and exemptions. In addition, DOI staff works closely with OGC, OEMR, and OTRE regarding late filings submitted under sections 203 or 205 of the FPA. DOI staff also works closely with OGC and OEMR on evaluating refund reports related to the late filings. DOI, OGC, and OEMR staff regularly collaborate on issues that arise related to qualifying facilities under Part 292 of the Commission's regulations and the Public Utility Regulatory Policies Act. Regulated entities can submit questions to the Compliance Help Desk to reduce their risk of subsequent findings of noncompliance and potential enforcement actions. In addition, OGC and

[38] *See* 18 C.F.R. § 1b.21.

[39] Every year, a significant percentage of the Hotline calls and inquiries relate to subjects outside of the Commission's jurisdiction. Enforcement staff resolves these matters by advising the callers where they may find the information they need.

OEMR confer with DOI staff for prefiling meetings and/or regarding requests involving the Standards of Conduct under Order No. 717[40] or Affiliate Restrictions under Order No. 697.[41] OEP's DHAC has authority over hydropower compliance matters until such matters are referred to Enforcement. DOI staff discussed potential dam safety and other violations with DHAC during FY2026.

No-Action Letters. Enforcement is one of several offices within the Commission that is jointly responsible for processing requests seeking a determination whether Enforcement staff would recommend enforcement action against the requestor if it pursued particular transactions or practices. Among the various approaches for submitting a request, the "No-Action Letter" can be a useful tool for entities subject to the Commission's authority to reduce the risk of failing to comply with the statutes the Commission administers, the orders, rules or regulations thereunder, or Commission-approved tariffs.[42] Commission staff is generally available to confer on a pre-filing basis for possible "No-Action Letter" requests.

DIVISION OF AUDITS AND ACCOUNTING

A. Overview

The Division of Audits and Accounting (DAA) administers Enforcement's audit, accounting, and financial forms administration and compliance programs to support the Commission's mission to assist consumers in obtaining reliable, safe, secure, and economically efficient energy service, at a reasonable cost, through appropriate regulatory and market means. DAA's primary goal in conducting its audit, accounting, and financial forms administration and compliance activities is to enable the Commission to achieve its strategic objectives by assisting in the development of just and reasonable rates and providing knowledge and awareness of, and increasing compliance with, the Commission's regulations and policies.

DAA's audit program supports the Commission's strategic objectives through public risk-based audits. DAA performs various types of audits that respond to the needs of the Commission, public, and industry, and advises the Commission on often complex compliance and other matters. The audit program serves as a resource for the Commission to examine risk areas within the regulated industries and inform the Commission's actions regarding rates, regulatory accounting, tariffs, financial and operational transparency, policy initiatives, law, reliability, and other areas in the electric, natural gas, and oil industries. DAA audits also provide jurisdictional entities with an opportunity to work with DAA to evaluate and improve their overall compliance, identify potential areas of noncompliance before they escalate, and facilitate stronger compliance programs. DAA's

[40] *Standards of Conduct for Transmission Providers*, Order No. 717, 125 FERC ¶ 61,064 (2008).

[41] *Market-Based Rates for Wholesale Sales of Electric Energy, Capacity and Ancillary Services by Public Utilities*, Order No. 697, 119 FERC ¶ 61,295 (2007).

[42] *See Interpretive Order Modifying No-Action Letter Process and Rev. Other Mechanisms for Obtaining Guidance*, 123 FERC ¶ 61,157 (2008).

publicly issued audit commencement letters and audit reports provide valuable guidance and insight into areas of emphasis and concern involving industries regulated by the Commission.

DAA's accounting program is a vital component of achieving the Commission's strategic goal of establishing just and reasonable cost of service rates, terms, and conditions by: (1) overseeing the accounting and reporting of financial information affecting cost of service rates; (2) acting as the focal point for interpretive guidance concerning the Commission's financial accounting and reporting rules, orders, regulations, and statutes; and (3) advising the Commission and industry on accounting and other financial issues. The accounting program facilitates the consistent reporting of financial information and ensures that a regulated entity's operations are reported in a manner that most appropriately supports ratemaking analysis. DAA's accounting program also provides accounting expertise to the Commission's other program offices and assists in evaluating accounting and financial issues when implicated in proposed rulemakings and other Commission initiatives.

DAA's financial forms administration and compliance program supports the Commission's responsibility to ensure just and reasonable rates, terms, and conditions for consumers. DAA administers, analyzes, and ensures compliance with the filing requirements of FERC Form Nos. 1, 1-F, 2, 2-A, 3-Q (gas and electric),6, 6-Q, and 60, and FERC-61. These financial forms provide valuable information to the public, the regulated community, and the Commission and support the development of regulatory strategies that focus on the competitiveness and efficiency of wholesale energy markets. DAA conducts outreach to and communication with the public regarding these compliance programs, with the goal of ensuring that all parties comply with the Commission's filing requirements.

B. Outreach and Guidance

DAA's programs, and DAA's outreach and guidance, inform the regulated industry, the public, and others about what constitutes effective compliance, accountability, and transparency. The goal of DAA's outreach is to provide jurisdictional entities with ample opportunity to achieve compliance and avoid noncompliance that may result in harm to jurisdictional customers and energy markets. DAA actively engages in regular outreach activities with industry trade associations, such as the American Gas Association (AGA), Edison Electric Institute (EEI), Interstate Natural Gas Association of America (INGAA), and Liquid Energy Pipeline Association (LEPA), and encourages interested parties to contact DAA with any inquiries or concerns. As a result of these interactions, DAA considers opportunities to enhance the efficiency, transparency, and effectiveness of its audit, accounting, and financial forms administration and compliance programs. DAA also engages with state regulators, including through outreach activities with the National Association of Regulatory Utility Commissioners (NARUC), and with the public accounting firms that audit and certify jurisdictional entities' financial reports. In May 2026, DAA staff, along with staff from other Commission offices, hosted a workshop, providing information to jurisdictional utilities, transmission formula rate data users, state regulators, and other stakeholders about the Commission's electric transmission formula rate processes, including the annual update and challenge process and the Commission's electric transmission formula rate audit

program. Such outreach contributes to DAA's analysis of accounting, financial reporting, and market trends affecting jurisdictional entities and issuances of accounting guidance by the Chief Accountant.

DAA provides formal accounting guidance in response to accounting requests filed with the Commission. Informal accounting guidance may be requested and obtained from DAA via email (accountinginquiries@ferc.gov) and phone ((202) 502-8877). Informal guidance on issues related to the FERC financial forms may be obtained from DAA via email: Form1@ferc.gov (Form Nos. 1, 1-F, and 3-Q (electric)); Form2@ferc.gov (Form Nos. 2, 2A, and 3-Q (gas)); Form6@ferc.gov (Form Nos. 6 and 6-Q (oil)); and Form60@ferc.gov (Form No. 60 and FERC-61 (service companies)). Informal guidance on all other compliance matters may be obtained through the Compliance Help Desk.[43]

In 2026, DAA staff assisted the Commission with its Notice of Proposed Rulemaking (NOPR) issued on June 18, 2026, that proposes to clarify and, in some instances lessen, financial reporting obligations of regulated entities.[44] The NOPR is discussed below in section E. In addition, the Chief Accountant issued two notices on June 29, 2026 that make pre-1991 accounting guidance (found on the Commission's website) more accessible by publishing it in eLibrary and clarify whether such guidance is still effective or has been superseded and/or rendered obsolete and is rescinded.[45]

C. Audit Matters

DAA's audits are risk-based and cover a variety of audit scope areas. The entities selected for an audit are not typically suspected of any wrongdoing. Rather, selections are based upon DAA's development of audit risk factors using publicly available information. DAA also consults with other divisions within Enforcement and other Commission program offices to inform DAA's risk-based methodology for selecting audit scope areas and audit candidates. DAA's audits are conducted pursuant to the FPA, NGA, NGPA, and Interstate Commerce Act (ICA) and respond to the needs and priorities of the Commission and the industry. Individual audits may contain multiple and different scope areas, but every audit includes a review of the audited entity's internal compliance program.

DAA's public audit reports detail each audit's scope, methodology, findings of noncompliance, and corrective recommendations, with the expectation that all jurisdictional entities will use this information to be better informed, avoid noncompliance, and improve internal

[43] Information about the Commission's Compliance Help Desk is available at https://www.ferc.gov/about/contact-us/compliance-help-desk.

[44] *See Revisions to Financial Forms Reporting and Filing Requirements*, 195 FERC ¶ 61,206 (2026).

[45] *See Notice of Rescinded Accounting Guidance*, Docket No. AI26-1-000 (June 29, 2026); *Notice of Availability of Historical Accounting Releases*, Docket No. AI26-2-000 (June 29, 2026).

accounting, financial reporting, and other procedures. Although not all audits result in findings of noncompliance, when they do, timely implementation of the audit report's corrective recommendations is expected. Timely implementation demonstrates an entity's commitment to improving compliance with the Commission's regulations and precedents and to reducing the risk of future noncompliance.

In FY2026, DAA completed seven audits of public utility and natural gas companies covering a wide array of topics. The audits resulted in 27 findings of noncompliance and 133 recommendations for corrective action. Also in FY2026, DAA recognized an estimated $39,616,867 in refunds and other recoveries from current and prior years' audits. Specifically, DAA directed $16,016,867 in refunds to jurisdictional customers and prevented inappropriate costs estimated at $23,600,000 from being potentially collected through future customer rates. These refunds and other recoveries addressed DAA findings concerning, among other subjects, improperly capitalizing costs related to replacement of minor items of property in a manner not consistent with the regulated entity's units of property listing; employment discrimination settlement costs; improper capitalization of vegetation management costs; accounting for production-related or distribution-related expenses as general or transmission-related expenses; and compliance with the Commission's allowance for funds used during construction (AFUDC) regulations.

Besides these refunds and other recoveries, audit recommendations directed improvements to the audited companies' internal accounting processes and procedures, financial reporting for accuracy and transparency, website postings, and efficiency of operations. Collectively, these refunds, other recoveries, and recommendations prevented unjust charges in jurisdictional rates and provided procedural and process enhancements that benefit the jurisdictional entity, ratepayers and market participants. The seven audits summarized below were completed in FY2026 and provide a sample of the types of findings and related recommendations DAA makes. No audited entity contested DAA's findings or recommendations in FY2026. The audited entities agreed to revise accounting and reporting policies and procedures in the identified areas of noncompliance and, where directed, agreed to make refunds to Commission-jurisdictional customers. The complete audit reports, as well as prior year reports, are publicly available in the Commission's eLibrary system.[46] In addition, a directory with copies of recently issued audit reports, arranged by calendar year of issuance and industry, can be accessed at https://www.ferc.gov/audits. Suggestions or comments related to DAA's audit process may be emailed to QualityAssuranceFeedback@ferc.gov. This mailbox is maintained by DAA's Quality Assurance specialist, and emails are treated as confidential.

1. Formula Rates & Accounting

***Southwestern Electric Power Company (SWEPCo)*, Docket No. FA24-2-000.** DAA evaluated SWEPCo's compliance with the following: (1) approved rates, terms, and conditions of its transmission formula rate mechanism provided in Attachment H-28 of the SPP OATT;

[46] The Commission's eLibrary system can be accessed at elibrary.ferc.gov.

(2) accounting regulations of the Uniform System of Accounts (Public Utilities); (3) financial reporting requirements of the FERC Form No. 1 and Form No. 3-Q; and (4) preservation of record requirements under 18 C.F.R. Part 125. The audit identified seven findings of noncompliance and made 37 recommendations that required SWEPCo to take corrective action.[47]

The seven findings covered the following areas:

(1) Capitalizing amounts for vegetation management in a manner inconsistent with the Commission's accounting regulations, in that SWEPCo capitalized costs that had no relation to the initial or original clearing of land and rights-of-way for construction, accrued AFUDC on such improperly capitalized amounts, and in some instances recorded the same costs in two different accounts that both flowed into its annual transmission revenue requirement;

(2) Improperly including in construction work in progress (CWIP) accrued AFUDC on a prepaid pension asset, despite the fact that, under the Commission's accounting regulations, a prepaid pension asset is not a component of CWIP and, hence, the associated AFUDC should not have been recorded as CWIP;

(3) When calculating AFUDC, improperly (i) calculating the long-term debt rate using a method other than the method specified in 18 C.F.R. § 35.13(h)(22)(ii); (ii) reducing the long-term debt balance by amounts recorded in Accounts 181, Unamortized Debt Expense, 189, Unamortized Loss on Reacquired Debt, and 226, Unamortized Discount on Long-Term Debt; (iii) accruing AFUDC on completed or suspended projects, as well as on purchased equipment, contrary to the rule that AFUDC applies during periods of construction and, hence, does not apply to completed or suspended projects or to purchases of capital equipment ready for use; and (iv) recording the *state* portion of AFUDC debt and equity accumulated deferred income tax (ADIT) in Account 283, Accumulated Deferred Income Taxes – Other, instead of in the correct Account 282, Accumulated Deferred Income Taxes − Other Property;

(4) Improperly recording prepayments in expense accounts, instead of in Account 165, Prepayments, in part because SWEPCo improperly applied a minimum prepayment threshold (in this case $100,000) to costs that were applicable to future periods;

(5) Misclassifying as administrative and general (A&G) expenses various function-specific expenses, including (i) misclassifying third-party legal services fees as A&G expenses when they related solely to production function work; (ii) assigning all employee relocation costs to an A&G expense account, Account 921, Office Supplies and Expenses, when the employee relocation costs related solely to the distribution or to the transmission function, depending on the employee being relocated; and (iii) treating customer account-related costs for obtaining data analysis used by SWEPCo's Corporate Communication Group for residential customer modeling and marketing as general office supplies and expenses costs recordable in Account 921;

[47] *Sw. Elec. Power Co.*, Docket No. FA24-2-000 (Mar. 19, 2026) (delegated letter order).

(6) Improperly netting excess and deficient ADIT in Account 254, Other Regulatory Liabilities; and

(7) Not reporting all required information in FERC Form No. 1 and 3-Q filings.

***Atlantic City Electric Company (ACE),* Docket No. FA25-4-000.** DAA evaluated ACE's compliance with the following: (1) approved rates, terms, and conditions of its transmission formula rate provided in Attachment H-1A of the PJM OATT; (2) accounting regulations of the Uniform System of Accounts (Public Utilities); (3) financial reporting requirements of the FERC Form No. 1 and Form No. 3-Q; and (4) preservation of records requirements in 18 C.F.R. Part 125. The audit identified five findings of noncompliance and made 22 recommendations that required ACE to take corrective action.[48]

The five findings covered the following areas:

(1) Improperly recording compromise settlement payments made to settle claims of alleged employment discrimination in various operations and maintenance (O&M) and A&G accounts, instead of in Account 426.5, Other Deductions, as required by Accounting Release 12;

(2) Not recording the cost of write-offs of materials and supplies inventory to the appropriate O&M accounts based on the intended use of the materials and supplies;

(3) Not accounting for various bank fees – specifically credit-facility-related fees including commitment, bank, and issuing and paying agent (IPA) fees – in the correct A&G accounts;

(4) Improperly netting excess and deficient ADIT in Account 254, Other Regulatory Liabilities; and

(5) Improperly using Account 254 and Account 190, Accumulated Deferred Income Taxes, instead of Accounts 182.3, Other Regulatory Assets; 282, Accumulated Deferred Income Taxes – Other Property; and 283, Accumulated Deferred Income Taxes – Other, to record equity related AFUDC ADIT amounts, contrary to the guidance in Accounting Interpretation No. 93-5.[49]

***Southern Electric Generating Company (SEGCO),* Docket No. FA24-3-000.** DAA evaluated SEGCO's compliance with the following: (1) rates, terms, and conditions of its Commission-approved cost recovery mechanisms provided in SEGCO's Rate Schedule No. 1 and other Commission-approved cost recovery mechanisms; and (2) accounting, recordkeeping, and reporting requirements prescribed for public utilities under 18 C.F.R. Parts 101, 125, and 141. The

[48] *Atlantic City Elec. Co.*, Docket No. FA25-4-000 (Aug. 6, 2026) (delegated letter order).

[49] *Acct. for Income Taxes*, Docket No. AI93-5-000, at Question No. 6, Equity AFUDC (Apr. 23, 1993) (delegated letter order by the Chief Accountant) (Accounting Interpretation No. 93-5), *reh'g denied sub nom. Accounting for Income Taxes Under SFAS 109*, 64 FERC ¶ 61,352 (1993).

audit identified four findings of noncompliance and made 18 recommendations that required SEGCO to take corrective action.[50]

The four findings covered the following areas:

(1) Improperly capitalizing costs related to replacement of minor items of property in a manner not consistent with SEGCO's units of property listing and the Commission's accounting requirements;

(2) Improperly accruing AFUDC on projects that had completed construction, including on a multi-phase project after each distinct phase was completed and on a project for which construction was completed but a final engineering test was delayed, and on a cancelled project;

(3) Using a depreciation rate that was not on file with the Commission; and

(4) Not reporting all required information in FERC Form No. 1 and 3-Q filings.

***Niagara Mohawk Power Corporation (Niagara Mohawk),* Docket No. FA25-3-000.** DAA evaluated Niagara Mohawk's compliance with the following: (1) approved rates, terms, and conditions of its transmission formula rate mechanism provided in Attachment H of the NYISO OATT; (2) accounting regulations of the Uniform System of Accounts (Public Utilities); (3) financial reporting requirements of the FERC Form No. 1 and Form No.3-Q; and (4) the preservation of record requirements under 18 C.F.R. Part 125. The audit identified seven findings of noncompliance and made 35 recommendations that required Niagara Mohawk to take corrective action.[51]

The seven findings covered the following areas:

(1) Improperly recording monthly compliance payments for Zero Emission Credits and Renewable Energy Certificates that were not applicable to future accounting periods in Account 165, Prepayments, resulting in overstating rate base and transmission service charges;

(2) Improperly recording function-specific O&M and construction costs in A&G accounts, including improperly recording distribution-function labor and labor-related O&M costs in A&G accounts; distribution-related legal costs in A&G Account 923, Outside Services Employed; and transmission-related O&M and construction costs in A&G Account 930.2, Miscellaneous General Expenses;

(3) Misclassifying other costs, namely (i) improperly recording customer service and informational expenses in A&G Accounts 921, Office Supplies and Expenses, and 923, Outside

[50] *S. Elec. Generating Co.*, Docket No. FA24-3-000 (May 7, 2026) (delegated letter order).

[51] *Niagara Mohawk Power Corp.*, Docket No. FA25-3-000 (Sept. 18, 2026) (delegated letter order).

Services Employed, rather than correct Accounts 909, Informational and Instructional Advertising Expenses, and 910, Miscellaneous Customer Service and Informational Expenses; (ii) improperly recording consulting service costs for support and maintenance of financial reporting software used by administrative departments and the costs of implementation of an Enterprise Resource Planning system in Account 566, Miscellaneous Transmission Expenses, rather than in the appropriate A&G expense accounts; and (iii) improperly recording expenses of meals, car allowance, and per diems in A&G Account 920, Administrative and General Salaries, instead of in correct A&G Account 921, Office Supplies and Expenses;

(4) Correctly transferring the cost of general plant from transmission plant accounts (where the cost was originally improperly recorded) to general plant accounts but not correcting for the impact of the error on the transmission revenue requirement computation and billings to transmission service customers;

(5) Improperly excluding certain transmission rental revenues and improperly including certain distribution rental revenues in revenue credit calculations for 2024, which led to, on a net basis, an understatement of the revenue credit amount included in Niagara Mohawk's 2024 transmission service charge calculation and, hence, an overstatement of the service charge;

(6) When calculating AFUDC, improperly (i) calculating the long-term debt cost rate using a method different from that prescribed in 18 C.F.R. § 35.13(h)(22)(ii); (ii) including balances of Account 226, Unamortized Discount on Long-Term Debt, in the long-term debt balance for purposes of computing the long-term debt cost rate; and (iii) not using the equity balances reported in FERC Form No. 1 in AFUDC rate calculations, as required by the Commission's accounting regulations; and

(7) Improperly netting excess and deficient ADIT in Account 254, Other Regulatory Liabilities.

2. ISO/RTO Tariffs, Agreements, Rules, and Markets

***DC Energy, LLC and affiliated companies (DC Energy)*, Docket No. PA23-11-000.** DAA evaluated DC Energy's jurisdictional wholesale electric market activity, including compliance with (1) tariffs of ISOs/RTOs and transmission owners in electricity markets where DC Energy participates and (2) its market-based rate Market Based Rate authorizations, including, but not limited to, the Commission's Market Based Rate regulations under 18 C.F.R. Part 35, Subpart H and EQR filing regulations under 18 C.F.R. § 35.10b. The audit identified one finding of noncompliance and made five recommendations that required DC Energy to take corrective action.[52]

[52] *DC Energy, LLC,* Docket No. PA23-11-000 (Jan. 8, 2026) (delegated letter order).

The finding related to not submitting quarterly financial statements to PJM and SPP, as required by PJM's credit policy in Attachment Q of PJM's OATT and SPP's credit policy in Attachment X of SPP's OATT, respectively.

3. Electric Tariff

Idaho Power Company (Idaho Power), **Docket No. PA25-5-000.** DAA evaluated Idaho Power's compliance with (1) the terms and conditions of its OATT; and (2) the regulations regarding Open Access Same-time Information Systems prescribed in 18 C.F.R. Part 37. The audit did not identify any findings of noncompliance that required Idaho Power to take corrective actions.[53]

4. Gas Tariff & Accounting

Houston Pipe Line Company LP (HPL), **Docket No. PA24-7-000.** DAA evaluated HPL's compliance with (1) its rates, charges, and terms and conditions in its Statements of Operating Conditions Applicable to NGPA Section 311 Transportation and Storage Service (SOCs), under 18 C.F.R. §§ 284.123 and 284.227; (2) the non-discriminatory access requirement that service must be made without undue discrimination or preference of any kind, under 18 C.F.R. § 284.7(b)(1); (3) the terms of service included in transportation and storage contracts for natural gas under 18 C.F.R. § 284.124; (4) the regulations regarding sales of natural gas under 18 C.F.R. § 284.142; and (5) the reporting requirements of the FERC Form No. 549D, Quarterly Transportation and Storage Report of Intrastate Natural Gas and Hinshaw Pipelines, under 18 C.F.R. § 284.126. The audit identified three findings of noncompliance, one other matter, 11 recommendations requiring corrective action, and five recommendations proposing actions to address the other matter.[54]

The three findings covered the following areas:

(1) Not uniformly charging shippers the 1.3% fixed fuel retention percentage specified in HPL's SOC for the transportation of gas, and instead providing some shippers with discounted fuel retention percentages, with some discounts as low as 0.00%, while executing a transportation service agreement with a shipper that contained a fixed fuel retention percentage of 1.5%;

(2) Not reporting complete and accurate information in HPL's FERC Form No. 549D filings and not timely submitting such filings for some quarters; and

(3) Not filing an annual report detailing information about the construction of facilities used for section 311 transportation as required by 18 C.F.R. § 284.11.

The other matter concerned HPL's transportation SOC, which provided shippers with the option to pay a portion of the transportation fees with in-kind gas by converting such gas into a

[53] *Idaho Power Co.*, Docket No. PA25-5-000 (Sept. 24, 2026) (delegated letter order).

[54] *Houston Pipe Line Co. LP*, Docket No. PA24-7-000 (July 21, 2026) (delegated letter order).

transportation rate using a published price index. However, HPL's SOC did not include the specific price index location, nor the index price to be used to value the gas, and did not contain a provision that allowed for refunds to shippers if the price of the in-kind gas exceeded the maximum rate for transportation specified in the SOC. Including such information in HPL's SOC would provide greater transparency as to HPL's transportation rate and better align its in-kind gas practice with the Commission's Price Index Policy.

5. Pending Contested Audit Matters

***Commonwealth Edison Company (ComEd),* Docket No. FA21-5-000.** DAA evaluated ComEd's compliance with the following: (1) approved terms, rates, and conditions of its transmission formula rate; (2) accounting requirements of the Uniform System of Accounts (Public Utilities) in 18 C.F.R. Part 101; (3) reporting requirements of FERC Form No. 1 under 18 C.F.R. § 141.1; and (4) the requirements in Preservation of Records of Public Utilities and Licensees under 18 C.F.R. Part 125. The audit, issued on July 27, 2023, identified 11 findings of noncompliance and made 61 recommendations that required ComEd to take corrective action.[55] ComEd formally contested findings 3, 4, and 7 (in part), which related, respectively, to the following: ComEd's accounting and transmission formula rate treatment of asset retirement obligations (ARO) and related costs; allocating labor overheads to construction using a methodology not based on either actual time or a study of actual time during a representative period; and recording in Account 930.2, Miscellaneous General Expenses, internal labor costs relating to manufactured gas plant (MGP) remediation.

On December 8, 2023, the Commission issued an order setting the ARO and MGP issues for paper hearing procedures and the labor overheads capitalization issue for a trial-type hearing and settlement judge procedures.[56] On February 11, 2025, ComEd and Enforcement staff submitted an uncontested offer of settlement with respect to the labor overheads capitalization issue, pursuant to which ComEd agreed to revise its accounting for labor and labor-related overheads capitalization for the years 2024 and going forward to be consistent with time studies that will be conducted periodically and as necessary to be representative, and to reduce its plant balances by $70 million to address and resolve all disputes about labor overheads in years 2017 through 2023.[57] This is in addition to $8,119,540 in refunds that ComEd agreed to pay after the audit report issued in 2023 that were separate from the contested proceeding described above. On April 4, 2025, the Commission approved the settlement.[58]

[55] *Commonwealth Edison Co.*, Docket No. FA21-5-000 (July 27, 2023) (delegated letter order).

[56] *Commonwealth Edison Co.*, 185 FERC ¶ 61,179, at PP 23, 26 and ordering paras. (A)-(D) (2023).

[57] *Commonwealth Edison Co.*, Docket Nos. FA21-5-000, FA21-5-001 (uncontested offer of settlement) (Feb. 11, 2025).

[58] *Commonwealth Edison Co*., 191 FERC ¶ 61,014 (2025).

Initial and reply memoranda have been filed with the Commission pertaining to the ARO and MGP issues, and those matters are pending before the Commission.

D. Accounting Matters

DAA administers the Commission's accounting programs established for the electric, natural gas, and oil industries as vital components of the Commission's mission of ensuring just and reasonable cost-of-service rates. The foundation of the Commission's accounting programs is the Uniform Systems of Accounts codified in the Commission's regulations for public utilities and licensees, centralized service companies, natural gas companies, and oil pipeline companies. In addition, the Commission issues accounting rulings relating to specific transactions and applications through orders and Chief Accountant guidance letters based upon a consistent application of the Uniform Systems of Accounts. This body of accounting regulations, orders, and guidance letters comprises the Commission's accounting requirements and promotes consistent, transparent, and useful accounting information used by the Commission and other stakeholders to set and monitor cost-of-service rates. DAA enables the Commission to achieve this strategic goal through careful consideration of the Commission's ratemaking policies, past Commission actions, industry trends, and external factors (e.g., economic, environmental, technological changes, and mandates from other regulatory bodies) that impact the industries under the Commission's jurisdiction.

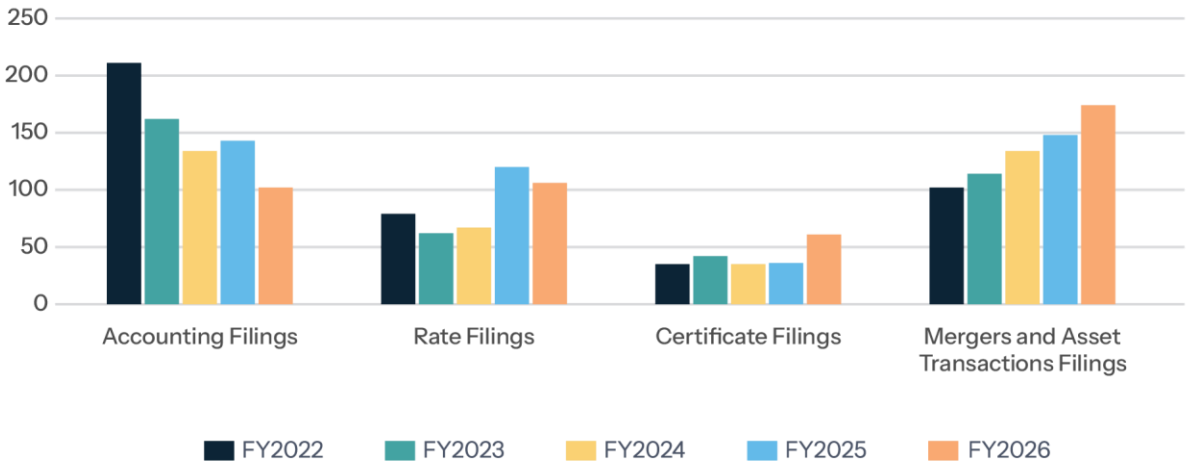
A substantial part of DAA's accounting workload involves coordination across various Commission program offices to provide regulatory accounting input and analysis on various types of filings made by jurisdictional entities. In addition, DAA assists in evaluating accounting and financial issues affecting jurisdictional entities. DAA also holds pre-filing meetings with jurisdictional entities seeking to make filings with the Commission to inform them of relevant accounting requirements. To better serve the Commission and other stakeholders in these capacities, DAA monitors and participates in projects initiated by the Financial Accounting Standards Board, Securities and Exchange Commission, Internal Revenue Service, and International Accounting Standards Board to address issues that may impact the Commission or its jurisdictional entities.

DAA also receives accounting inquiries and provides informal feedback on the Commission's accounting and financial reporting regulations. These inquiries come directly from jurisdictional entities, industry trade groups, legal and consulting firms, and other industry stakeholders, as well as through the Commission's Compliance Help Desk, Office of External Affairs, Enforcement Hotline, and other Commission program offices. DAA encourages jurisdictional entities to also seek formal guidance on accounting interpretation issues to ensure compliance with the Commission's accounting and financial reporting regulations. Finally, a critical part of DAA's workload includes educating regulated entities and promoting compliance with the Commission's regulations through participation in various formal speaking engagements and industry accounting meetings.

1. Overview of FY2026 Filings Reviewed by DAA

In FY2026, DAA advised and acted on 443 proceedings at the Commission covering various accounting matters with cost-of-service rate implications, such as accounting for mergers and divestitures, leases, asset transactions, early plant retirements, AFUDC, pensions and other postretirement benefits, AROs, regulatory assets and liabilities, and income tax matters, among others. These proceedings included requests for natural gas certificate applications, merger and acquisition applications, electric and natural gas rate filings, and requests for accounting approval, waiver, guidance, and interpretation. In many of these cases, DAA served in an advisory role to other program offices in analyzing and identifying accounting and rate implications of those requests. Also, DAA continued efforts in advising the industry on accounting implementation matters resulting from the issuance of Order No. 898, which related to the accounting and reporting treatment of certain renewable energy assets, environmental credits, and computer hardware, software, and communications equipment. Over the past five years, DAA has reviewed 2,068 Commission proceedings to ensure proper accounting is followed and to advise the Commission of potential rate impacts.

Figure 6: Filings to the Commission Reviewed by DAA



2. Requests for Approval by the Chief Accountant and Accounting Interpretations

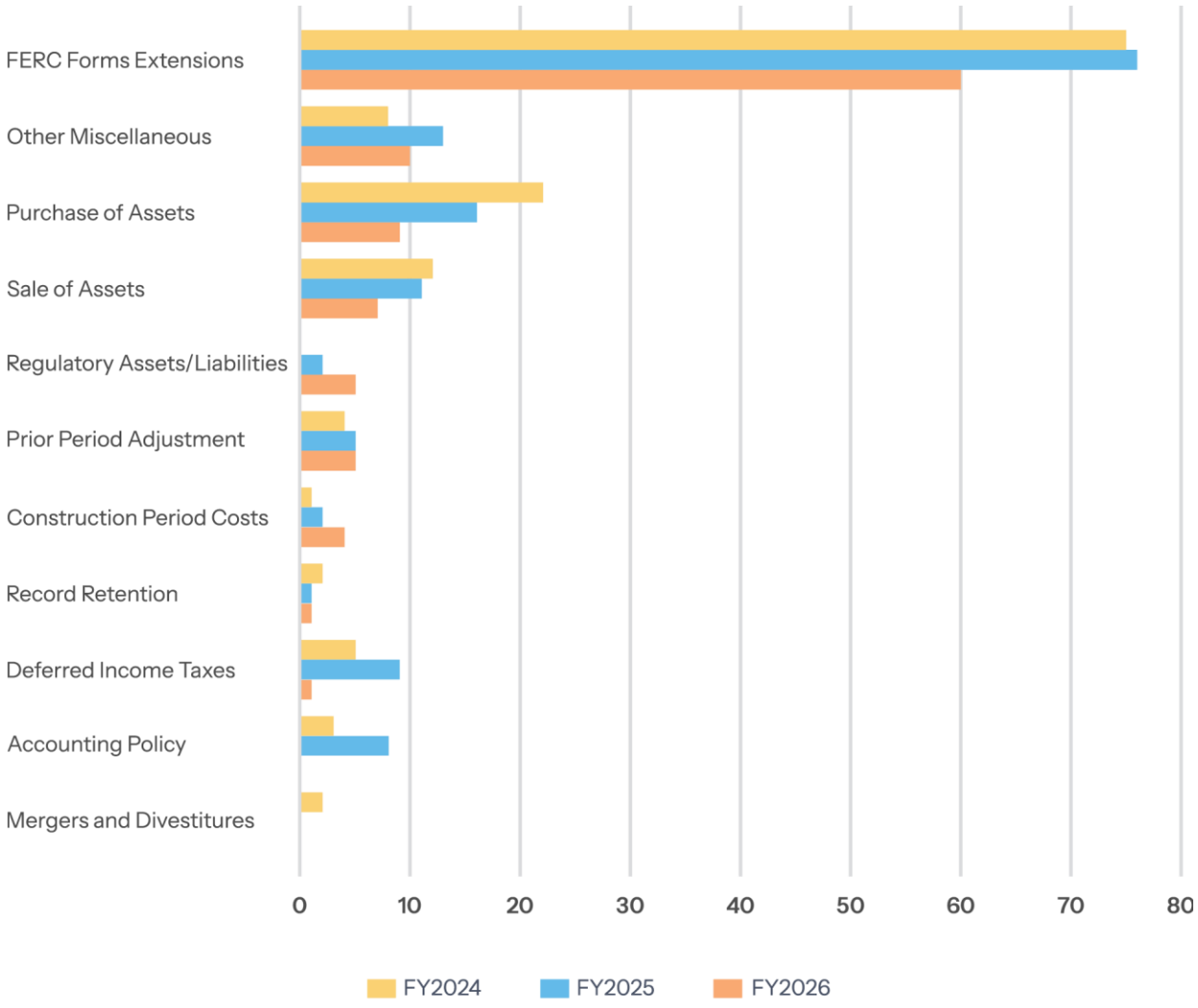
In FY2026, DAA acted through the Chief Accountant's delegated authority on 102 accounting or reporting filings requesting approval (or authorization, acceptance, acknowledgement, confirmation, or interpretation) of a proposed accounting treatment or financial reporting matter.[59] The topics covered in these filings addressed various issues within the

[59] The accounting filings are docketed in the Commission's eLibrary with the "AC" docket prefix (AC Dockets) and "AI" docket prefix (for issuances of accounting guidance).

Commission's accounting and financial reporting requirements for electric, natural gas, and oil pipeline entities. Of note in FY2026, there was a continued high volume of accounting filings related to asset sales and acquisitions, similar to the prior fiscal year. These accounting requests also related to adjustments of ADIT, acquisition of carrier assets, premature plant retirements, certain significant prior period adjustments, transfer of newly constructed facilities, premature destruction or loss of records, and notification of pre-commercial operation test periods.

On September 12, 2024, the Chief Accountant issued a Notice of Proposed Accounting Release in Docket No. AI24-1-000 proposing and seeking comments on guidance on the accounting for the transferability of income tax credits related to certain energy projects due to the Inflation Reduction Act of 2022, which allows entities to monetize such credits via transfers to third parties. This proceeding is pending.

Figure 7: Chief Accountant Approval Requests



3. Rate Proceedings

In FY2026, DAA participated in 106 rate proceedings that predominately consisted of electric formula rate proceedings but also included natural gas and oil rate proceedings. DAA worked with other Commission program offices to evaluate various accounting and financial issues and their effects on rates. Because many electric and natural gas rates are derived from accounting information in FERC Form Nos. 1 and 2, DAA sought to ensure that accounting information in the rate proceedings was considered consistently with the Commission's requirements. DAA also worked with other program offices to enhance the transparency of financial information affecting formula rates so that all stakeholders had an opportunity to review the costs included in rates. Recurring areas of emphasis in DAA's review of rate filings during FY2026 included stranded costs associated with early plant retirements; abandoned projects; CWIP; AFUDC; regulatory assets and related amortization; transmission incentives; AROs; pensions and postretirement benefits other than pensions; taxes and tax credits; depreciation; leases; prepayments; capitalization of costs; capital structure and cost of service considerations; allocation of costs to production, transmission, and distribution; A&G expenses; net operating loss carryforwards; ADIT; and Order No. 898[60] (e.g., for computer hardware, software, communication equipment, and renewable energy assets).

4. Certificate Proceedings

In FY2026, DAA reviewed 61 natural gas pipeline certificate applications seeking various Commission authorizations, including to: construct, own, and operate new pipeline facilities; acquire pipeline facilities; abandon pipeline facilities in place, by removal or by sale; and operate natural gas facilities. DAA continued to work with other Commission program offices to assist in the development of just and reasonable rates by reviewing construction costs and other items used to determine initial recourse rates, including O&M expenses, depreciation, taxes, and overall rate of return. In reviewing such information during FY2026, DAA continued to focus on whether applicants followed Commission accounting requirements related to asset abandonment, construction, AFUDC, contributions in aid of construction (CIAC), regulatory assets and liabilities, leases, and AROs.

5. Merger and Acquisition Proceedings

In FY2026, DAA reviewed 174 applications from public utilities under section 203 of the FPA consisting of a combination of merger and divestiture transactions, and asset acquisition and sales transactions. The accounting review for merger transactions entails examining proposed accounting for costs to execute the transaction, costs to achieve integration and synergies, purchase accounting adjustments to assets and liabilities, and goodwill. DAA examines whether the accounting is consistent with any hold-harmless or other rate requirements discussed in a merger order. DAA also reviews accounting entries to determine that they provide enough transparency

[60] *Acct. & Reporting Treatment of Certain Renewable Energy Assets*, Order No. 898, 183 FERC ¶ 61,205 (2023).

to the Commission and all interested parties for evaluating the impact on rates. For asset acquisition and sales transactions, staff conducts accounting reviews to examine whether applicants properly accounted for the purchase and sale of plant assets consistent with Commission regulations. The review focuses on whether jurisdictional entities maintain the appropriate original cost and historical accumulated depreciation of acquired utility plant and properly record acquisition premiums or discounts and gains or losses. DAA also consistently reminded jurisdictional entities to file accounting entries timely, within six months of a finalized merger or asset transaction, in accordance with Electric Plant Instruction No. 5 and the requirements of Account 102, Electric Plant Purchased or Sold.

6. Accounting Inquiries

In FY2026, DAA responded to 122 accounting inquiries from jurisdictional entities, industry trade associations, legal and consulting firms, other regulators, academia, other Commission program offices, and other stakeholders on various accounting and financial topics. Accounting inquiries are made through the Compliance Help Desk, the Accounting Inquiries phone line and email, or directly to DAA staff. Many accounting inquiries during FY2026 sought accounting and financial reporting direction on classification of certain costs, capital versus expense treatment of certain costs, retirement units and minor items, software, operating and capital leases, sale-leasebacks, capacity leases, CWIP, ADIT, CIAC, adjustments to retained earnings, regulatory assets, early plant retirements, depreciation, allocation of O&M costs, expenses recorded to below-the-line accounts, accounting for income taxes, cost of construction, AFUDC, Order No. 898[61] related questions (i.e., related to the accounting for renewable energy, environmental credits, storage, and computer hardware, software, and communications equipment), transfers of assets, affiliate transactions, and vegetation management, among other topics. DAA responded to these accounting inquiries by providing informal accounting and financial reporting guidance based on Commission precedent and regulations, in addition to providing guidance to individuals on how to find documents and regulations using the Commission's eLibrary system and Title 18 of the Code of Federal Regulations.[62] Such informal accounting and reporting guidance is not binding on the Commission and cannot grant waiver of a Commission regulation or order.

7. Accounting Questions and Answers

To provide industry and the public with an additional tool in the form of informal staff guidance to assist in understanding the existing requirements of the Commission's accounting regulations, DAA has included a section titled *Accounting Questions and Answers (Q&As)* under *Accounting Matters* on FERC.gov. The Q&As address various topics such as plant accounting, mergers, leases, taxes, accounts receivable, and affiliate transactions, and provide quick references

[61] Order No. 898, 183 FERC ¶ 61,205.

[62] The Commission's regulations in Title 18 of the Code of Federal Regulations can be found at www.ecfr.gov.

to sources including existing regulations and precedents. DAA intends to periodically update this section with new Q&As as topics warrant.

8. Continued Involvement with Industry on Accounting Implementation Matters Relating to the Issuance of Order No. 898

Order No. 898, issued on June 29, 2023, modified the Commission's Uniform System of Accounts (Public Utilities) in 18 C.F.R. Part 101, by creating new accounts for wind, solar, and other non-hydro renewable assets, establishing a new functional class for energy storage accounts, codifying the accounting treatment for renewable energy credits, and creating new accounts for computer hardware, software, and communication equipment.[63] DAA continued efforts in advising industry on numerous and nuanced matters that utilities should consider in implementing the changes in the Commission's accounting and reporting requirements.

E. Financial Forms Administration and Compliance

DAA staff administers and ensures compliance with the Commission's financial forms – FERC Form Nos. 1, 1-F, 2, 2-A, 3-Q (gas and electric), 6, 6-Q, and 60, and FERC-61. The Commission requires companies subject to its jurisdiction to submit financial statements, operational data, and annual and quarterly reports regarding jurisdictional sales. It uses these reports for various analyses, such as evaluations of whether existing rates continue to be just and reasonable. Other government agencies and industry participants also use them for a variety of business purposes. During FY2026, the Commission received an estimated 2,565 financial form submittals.

On June 18, 2026, the Commission issued a NOPR proposing to update FERC Annual Report Form Nos. 1, 1-F, 2, 2-A, 6, and 60 and FERC Quarterly Report Form Nos. 3-Q and 6-Q.[64] Specifically, the Commission proposed to update the general filing instructions and certain schedule instructions to reflect current reporting requirements and correct discrepancies. Additionally, the Commission proposed to eliminate certain schedules from FERC Form Nos. 3-Q and 6-Q. The Commission also proposed to revise the regulation for FERC Form No. 6-Q to clarify that oil pipelines with annual jurisdictional operating revenues below $500,000 are exempt from filing the quarterly form. The Commission received initial comments by the August 24, 2026 deadline and reply comments by the September 22, 2026 deadline. The NOPR proposals remain under Commission consideration.

[63] *See* Order No. 898, 183 FERC ¶ 61,205.

[64] *Revisions to Financial Forms Reporting and Filing Requirements*, 195 FERC ¶ 61,206 (2026).

DIVISION OF ANALYTICS AND SURVEILLANCE

A. Overview

The Division of Analytics and Surveillance (DAS) develops surveillance tools, conducts surveillance, and analyzes transactional and market data to detect potential manipulation, anticompetitive behavior, and other anomalous activities in the energy markets. DAS focuses on: (1) natural gas surveillance; (2) electric surveillance; and (3) analytics for reviewing market participant behavior. The analysts, data scientists, and economists in DAS identify market participants whose conduct may potentially call for investigation or further Commission action. They do this not only by conducting surveillance of and inquiries into the natural gas and electric markets, but also by reviewing market monitor referrals[65] and Hotline complaints against the non-public data available to the Commission. This internal review process reduces burden on the industry by resolving some matters without the need for investigation. When an investigation is opened, DAS staff participates in investigations with attorneys from DOI, providing detailed transactional analyses, market event analyses, and subject matter expertise.

To perform these functions, access to high quality, relevant, and timely data is essential. Since the creation of DAS in 2012, the Commission has been enhancing its data collection through orders, agreements, and subscription services in a manner designed to minimize burden on market participants. In Order No. 760, the Commission directed the ISOs/RTOs to provide, on an ongoing basis and in a format consistent with how the data is collected in each market, critical information on market bids, offers, and market outcomes.[66] On average, the Commission receives, on a non-public basis, approximately 39 gigabytes of data in more than 1,803 tables each day from the six organized markets combined. Each ISO/RTO database is different, and DAS is responsible for understanding the nuances of each database and preparing them for use in surveillance screens and analyses.

Similarly, pursuant to Order No. 771,[67] the Commission gained access to the electronic tags (eTags) used to schedule the transmission of electric power interchange transactions in jurisdictional wholesale markets by requiring that each covered eTag identify the Commission as a party authorized to review its contents. The Commission has access to approximately 22.5 million eTags and gains access to approximately 4,900 new eTags each day. The Commission also routinely receives non-public physical electric and natural gas market data from the Intercontinental Exchange (ICE) and a subset of the Large Trader Report from the Commodity Futures Trading Commission (CFTC) through a Memorandum of Understanding. DAS staff

[65] Specific examples of this review of Market Monitor referrals are included in DOI section F(2) of this report under "Illustrative Market Monitor Referrals Closed with No Action."

[66] *Enhancement of Elec. Mkt. Surveillance and Analysis through Ongoing Elec. Delivery of Data from Reg'l Transmission Org. and Indep. Sys. Operators*, Order No. 760, 139 FERC ¶ 61,053 (2012).

[67] *Availability of E-Tag Info. to Comm'n Staff*, Order No. 771, 141 FERC ¶ 61,235 (2012).

continue to extensively use these data sources and data from a variety of subscription-based services.

In FY2026, EQR administration transferred from DAA to DAS in order to achieve process and technological efficiencies. The transfer centralized EQR-related activities under a single management structure.

B. Surveillance

As part of its surveillance function, DAS develops, refines, and implements surveillance tools and algorithmic screens to perform continuous surveillance and analysis of market participant behavior, economic incentives, operations, and price formation, both in the natural gas and electricity markets. In the context of surveillance, DAS seeks to: (1) detect anomalous activities in the markets; and (2) identify potential investigative subjects. When a surveillance screen trips or staff identifies anomalous behavior in a dashboard, DAS staff conducts a series of analyses to gain information about the activity that caused it. First, DAS staff evaluates the activity using available market data and information to determine whether there is a fundamentals-based explanation for the activity. Most often, DAS staff finds such an explanation. However, when the follow-up analyses fail to explain the concerning behavior, DAS staff performs a more in-depth review of the conduct, which may involve contacting the market participant to request additional information and discuss the conduct at issue. DAS staff classifies this heightened review as the opening of a surveillance inquiry. If, after conducting a surveillance inquiry, DAS staff continues to be concerned that there is a potential violation, it will recommend that DOI open an investigation into the matter.

1. Enhanced Surveillance Matters

In addition to these ongoing surveillance efforts, DAS also closely follows market conditions so that when there are disruptive events, such as periods of unusually high prices in the wholesale natural gas or electricity markets or dramatic weather events that impact those markets, DAS is prepared to conduct enhanced surveillance surrounding the events. This enhanced surveillance may involve DAS: (1) seeking additional data from ICE and/or market participants to augment its normal data feeds; (2) conducting outreach to market participants, other federal agencies, or state regulators; and/or (3) developing new screening methods that utilize additional data or account for the changes in the markets caused by the ongoing event. Depending on the events under review, this enhanced surveillance may involve coordinated efforts by both the natural gas and electric surveillance teams. In FY2026, DAS did not open any new enhanced surveillance matters.

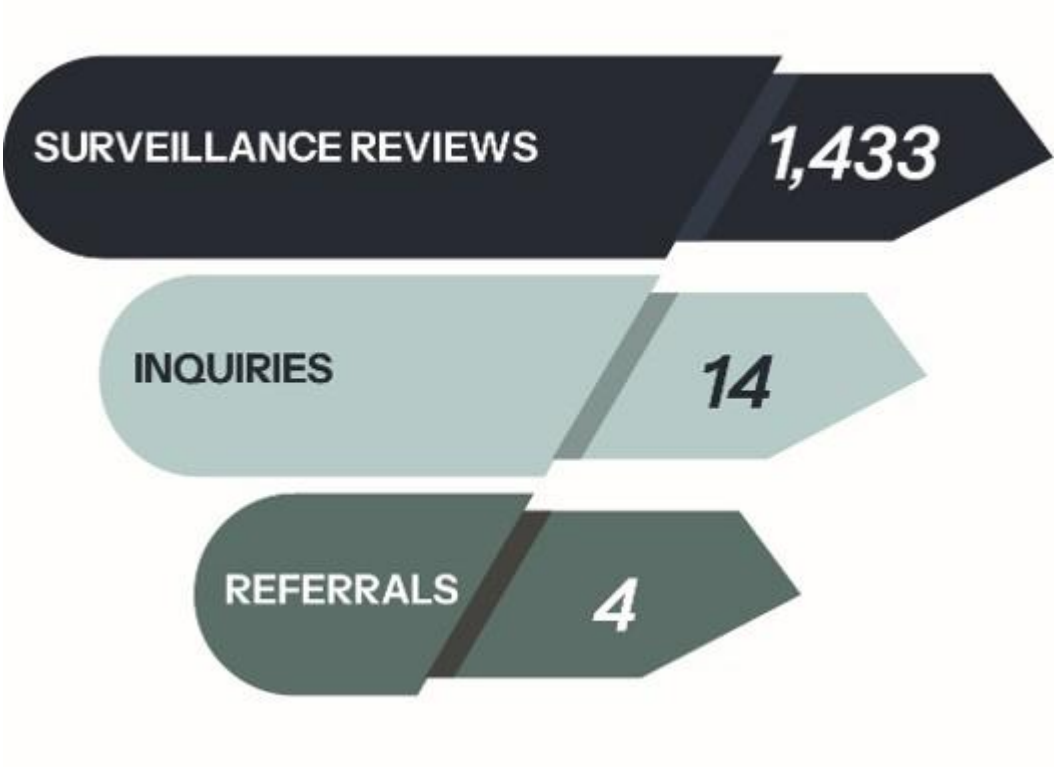
2. Natural Gas

DAS conducts surveillance and analysis of the physical natural gas markets to detect potential manipulation and anti-competitive behavior. Automated natural gas screens and dashboards cover the majority of physical and financial trading hubs in the United States,

monitoring daily and monthly markets. These screens, dashboards, and data feeds alert DAS staff to anomalous market conditions and market participant actions based on physical and financial trading, directing analyst review of supply, demand, pipeline utilization, and operational notices. Asset-based screens enable evaluation of natural gas trading around infrastructure, including natural gas storage, pipeline capacity, and electric generation. In addition, DAS uses Large Trader Report data from the CFTC to weigh potential financial incentives that might encourage a market participant to engage in a manipulative scheme. In FY2026, DAS added functionality to augment its advanced natural gas surveillance analytics, screens, and interactive dashboards accessing non-public and commercial data feeds. DAS also improved interactive applications and reports that enable staff to regularly perform analyses that previously required ad-hoc, bespoke analysis.

In FY2026, DAS staff ran automated screens and reviewed dashboards on a regular basis to examine market participant activity in the daily and monthly markets. DAS then considered the output and screen trips from natural gas surveillance screens and dashboards, compared the conduct that triggered the screen trips to conduct at other hubs, and evaluated whether a fundamentals or physical asset-based explanation existed for the activity. DAS also reviewed other observed anomalous market outcomes for potential concern. In FY2026, DAS staff reviewed and dismissed most screen trips as consistent with concurrent conditions. Where concerns remained, staff classified specific screen trips and market activity as "surveillance reviews." DAS staff documented 1,433 surveillance reviews that ranged in severity from low to high concern. When concerns persisted through more thorough review, DAS opened a surveillance inquiry, a more in-depth staff review of the specific trading behavior, which in some cases involves contacting market participants for additional information or to discuss the conduct at issue. In FY2026, DAS closed all four pending inquiries from FY2025 with three referrals to DOI for investigation. DAS opened and closed 14 new natural gas surveillance inquiries, referring one additional matter to DOI. No natural gas inquiries remain open as of the end of FY2026.

Figure 8: Natural Gas Surveillance



3. Electricity

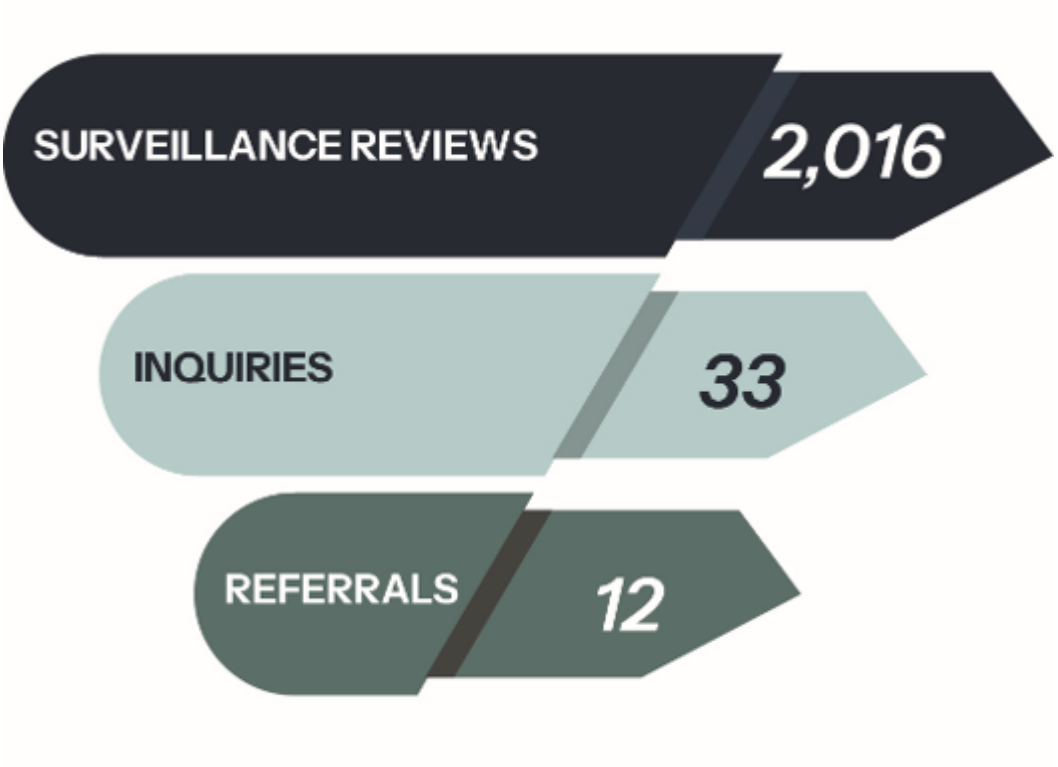
DAS accesses data from a variety of sources to screen for anomalies and potentially manipulative behavior in the ISO/RTO markets and bilateral wholesale electricity markets. DAS staff ran monthly and weekly screens to identify patterns by monitoring the interactions between bids and cleared physical and financially-settled electricity products. These tools identify financial transmission rights and swap-futures that settle against nodes that are affected by transmission constraints where market participants also trade virtuals, generate electricity, purchase electricity, or move power between Balancing Authorities.

During FY2026, DAS continued its effort to modernize and streamline its electric surveillance process using cutting-edge techniques. DAS continued to utilize more advanced dynamic dashboards that have user-defined parameters rather than static screen trip metrics to enhance its ability to detect potentially manipulative behavior. DAS continued to refine its processes for screening to detect: (1) uneconomic virtual transactions by node, zone, and constraint; (2) potential day-ahead and real-time market congestion manipulation that would benefit financial transmission rights in the ISO/RTO markets, synthetic real-time financial transmission rights, swap-futures positions for physical load, and generation portfolios; (3) anomalies in physical offer patterns, particularly in non-price based parameters; (4) abnormal out-of-market payments; (5) irregularities in capacity market sell offers; (6) loss making physical fixed-price offer strategies in bilateral electricity markets; and (7) anomalous behavior by energy storage and demand response resources. DAS also continued to bolster its tools to view patterns

of behavior on a portfolio basis, across Balancing Authority borders and jurisdictional commodities.

Each month during FY2026, DAS ran and reviewed 168 electric surveillance screens and dashboards; monthly, hourly, and intra-hour sub-screens; and reports for over 51,000 hub and pricing nodes within the six ISOs/RTOs. Additionally, DAS screened non-ISO/RTO markets and cross-ISO/RTO portfolio trades for potential manipulation. In reviewing market participant activities and screen trips and, in some cases, after communicating with the ISO/RTO Market Monitors, DAS conducted 2,016 individual electric surveillance reviews in FY2026. From those surveillance reviews, DAS identified 33 instances of market behavior that required further analysis through a surveillance inquiry. Of the 33 electric surveillance inquiries, twelve were referred to DOI for investigation, thirteen were closed with no referral, and eight remain open with DAS continuing its analytic work.

Figure 9: Electric Surveillance



4. Illustrative DAS Surveillance Inquiries Closed with No Referral

Market Manipulation (Natural Gas). DAS flagged a natural gas marketer's sales in a production basin hub over several months. The marketer regularly sold gas in the next day and bidweek markets with moderate market concentration at prices below other participants. Further, this marketer typically held short financial exposures in the production basin hubs. DAS reviewed interstate and intrastate pipeline data to determine whether the marketer had an ability to flow gas from the area. Upon learning that the marketer held limited takeaway capacity, DAS focused its analysis on the marketer's overall disposition of gas in the area, showing net sales at the hub on-exchange. DAS concluded that the marketer's potential speculative short exposure was greatly reduced when considering a portion of the short financial exposures as a hedge for an affiliate's production. While DAS analysis indicated the marketer had some interstate transport that provided the marketer with volume for resale at the hub, the reduced incentive from hedging resulted in DAS closing the inquiry.

Market Manipulation (Natural Gas). DAS screens flagged a producer for buying next-day gas at prices above other market participants at a downstream market hub where it had firm transportation from its production basin. The producer lifted offers on upticks, increasing the running weighted average price, and sold swing futures at the market hub. Upon further analysis, DAS determined that the purchases at increasing prices occurred as prices increased at other hubs in the region intraday. Despite DAS's concerns about benefitting positions from transport length and revenues from swing future sales at multiple market hubs in the region, the producer had moderate buy-side concentration. DAS did not find sufficient evidence of market manipulation, closing the inquiry.

Market Manipulation (Natural Gas). DAS screens flagged a marketer's sales in next day and bidweek markets over multiple months at a production basin hub, where the marketer built large, short basis futures positions shortly before bidweek and controlled significant pipeline capacity out of the basin. The marketer sold at extremely high concentrations in the bidweek market, unprofitably against the first-of-month index in some months, and had next-day sales with losses and moderate concentration. DAS extensively examined the marketer's transport portfolio, determining that the marketer had substantial supply asset management agreements, which provided the length it sold. Additional review of bidweek trading showed that the marketer sold with its offers lifted at prices largely in line with other market participants. Further, DAS reviewed third-party end-user asset management agreements that sourced at the production hub, and found that the agreements reduced the marketer's potential incentive to lower prices. DAS found insufficient evidence that the marketer was attempting to lower prices through uneconomic trading and closed the inquiry.

Market Manipulation (Natural Gas). DAS screens flagged a marketer's high-priced, high-concentration bidweek purchases at a market hub, where the marketer had long exposure to the first-of-month index from short index futures and long basis futures. The company purchased gas in bidweek above other market participants and financial gas prices. Additionally, the company's transport capacity to the hub and next-day fixed priced sales later in the flow month raised

questions about the business rationale of physical gas purchases during bidweek and the entity's market view. DAS contacted the company regarding the trading and learned about the company's off-exchange first-of-month gas delivery obligations and additional sales of over-the-counter index and basis swaps that DAS staff could not initially see in its data, indicating the company did not enter bidweek with long basis risk, but rather short basis risk. With the company's explanation of its needs to fulfill a physical short and its lack of incentive from basis risk due to off-exchange positions, DAS closed the inquiry.

Market Manipulation (Electric). DAS examined the offer behavior of a generator in PJM that had persistent negative offers for a period of time. DAS examined the unit's offers and a correlated FTR position that sourced at the facility and sunk at a hub. DAS contacted the generator to discuss the negative offers. Representatives from the generator explained that its negative offers were due to plant malfunctions that resulted in the plant not being able to cycle. They also explained that the FTR position was a market hedge. After confirming that the plant was under repair and evaluating the contract data associated with the hedge, DAS was satisfied that the behavior was benign. Due to these reasons, DAS closed the inquiry.

Market Manipulation (Electric). DAS routinely screens for market participants trading virtuals to benefit leveraged FTR portfolios. While conducting routine screening, DAS noted that one market participant was trading virtually at a particular node in MISO while having a larger benefiting FTR portfolio at the same node. DAS further noted that the market participant mainly bid during hours the constraint bound and that the constraint bound infrequently. Staff was initially concerned that the participant may have been trying to bind the constraint and raise LMPs in order to enhance the returns of its larger FTR portfolio. DAS spoke with the market participant's trading teams to better understand their behavior. Through these discussions and the information provided to staff, the company was able to demonstrate that the virtual trading was independent from the FTR positions. Thus, DAS closed the inquiry.

C. Analytics

During FY2026, DAS worked on approximately 65 investigations with DOI and five other matters involving inquiries or litigation. Some of these matters are discussed above in the DOI section. Many of the investigations in which DAS participated involved allegations of manipulation in the Commission-jurisdictional natural gas and electricity markets, or violations of tariff provisions that are intended to foster open, competitive markets. DAS staff's investigative activities generally include: (1) analyzing companies' portfolios, transactions, offer parameters, and other market actions; (2) identifying patterns of market activity that could indicate potential market manipulation or other violations and time periods in which they may have occurred; (3) assessing market conditions and other contextual information during periods of potential manipulation or other violations; (4) supporting DOI in taking investigative testimony; and (5) calculating the amount of unjust profits and market harm resulting from alleged violations to assist with determining appropriate disgorgement and a civil penalty recommendation under the Commission's Penalty Guidelines. Upon completion of the analytical process, DAS staff develops data-based explanations to inform the structure and substance of further investigation, settlement

discussions, and recommended Commission actions. DAS staff also coordinates internally to refine and develop new screens to detect improper behavior discovered in prior investigations.

D. Market-Based Rate *Ex Post* Analysis

DAS conducts analytical reviews of wholesale electric Market Based Rate transactions to detect the potential exercise of market power. To accomplish this function in FY2026, DAS staff continued to develop, refine, and implement tools and algorithmic indicators to conduct ongoing analysis of transactional and other market data to ensure that jurisdictional rates remain just and reasonable and not unduly discriminatory or preferential. This *ex post* analysis evaluated transactions against market fundamentals at the time of execution, with the primary goal of identifying outcomes that may be inconsistent with expectations of a competitive market, and thus an indication of a potential exercise of market power. DAS staff also analyzed transactions for compliance with market mitigation rules and coordinated with other Commission program offices to determine whether to recommend that the Commission take action to remedy market power or compliance concerns. DAS also used these tools to assist in analyzing applications and filings for Market Based Rates, and other docketed proceedings. During FY2026, DAS staff reviewed over 2.95 million market-based rate transactions filed through the Commission's EQRs by all market-based rate holders selling wholesale energy in the bilateral markets. DAS staff routinely analyzed the combined results of 35 statistical indicators to detect potential instances of the exercise of market power within 59 geographic regions or market hubs.

E. EQR Administration and Compliance

As noted above, in FY2026, EQR administration transferred from DAA to DAS in order to achieve process and technological efficiencies. The transfer centralized EQR-related activities under a single management structure. Section 205 of the FPA, 16 U.S.C. § 824d (2018), and Part 35 of the Commission's regulations, 18 C.F.R. Part 35, require, among other things, that all rates, terms, and conditions of jurisdictional service be filed with the Commission. In Order No. 2001, the Commission revised its public utility filing requirements to require public utilities, including power marketers, to file EQRs summarizing the contractual terms and conditions in their agreements for all jurisdictional services (including market-based power sales, cost-based power sales, and transmission service) and providing transaction information (including rates) for short-term and long-term power sales during the most recent calendar quarter.[68] The Commission

[68] *Revised Public Utility Filing Requirements,* Order No. 2001, 99 FERC ¶ 61,107, reh'g denied, Order No. 2001-A, 100 FERC ¶ 61,074, reh'g denied, Order No. 2001-B, 100 FERC ¶ 61,342, order directing filing, Order No. 2001-C, 101 FERC ¶ 61,314 (2002), order directing filing, Order No. 2001-D, 102 FERC ¶ 61,334, order refining filing requirements, Order No. 2001-E, 105 FERC ¶ 61,352 (2003), order on clarification, Order No. 2001-F, 106 FERC ¶ 61,060 (2004), order revising filing requirements, Order No. 2001-G, 120 FERC ¶ 61,270, order on reh'g and clarification, Order No. 2001-H, 121 FERC ¶ 61,289 (2007), order revising filing requirements, Order No. 2001-I, 125 FERC ¶ 61,103 (2008).

extended the EQR filing requirement to apply to certain non-public utilities in Order No. 768.[69]

In FY2026, the Commission received EQR submittals from more than 3,700 entities each quarter. DAS assessed whether sellers timely complied with the requirements set forth in the multiple orders regarding EQR filings and, through automated validations, whether the data was accurate. DAS also reviewed EQR issues that arose during audits and self-reports and reported jurisdictional entities that did not timely file their EQRs to OEMR for possible revocation of Market Based Rate authority. In FY2026, 207 companies sought and were granted an extension of time to file their EQRs. DAS staff also fielded nearly 540 unique EQR inquiries from multiple companies and data users and participated in one Hotline matter related to EQR. The Commission revoked Market Based Rate authority for three companies for failure to comply with EQR reporting requirements. Companies that identify errors or omissions in previously filed EQRs may elect to make a self-report to Enforcement. In FY2026, two companies made self-reports pertaining to previously filed EQRs.

On March 19, 2026, the Commission issued Order No. 917, a final rule on Revisions to the Filing Process and Data Collection for the Electric Quarterly Report in Docket No. RM23-9-000. The changes adopted in this final rule are designed to update the data collection, improve data quality, increase market transparency, decrease the costs, over time, of preparing the necessary data for submission, and streamline compliance with any future changes to the filing requirements. The Commission subsequently issued an order addressing arguments raised on rehearing.

During FY2026, staff also made updates to the EQR webpage, including a new site dedicated to Order 917 implementation and an additional FAQ. In addition to the webpage, DAS also provides guidance on issues related to the EQR via email (eqr@ferc.gov) and phone (202) 502-8076.

F. Data Management

During FY2026, DAS continued advancing its multi-year effort to migrate analytical processes into the Commission's cloud environment. This work supports the development of modern analytical tools and enables staff to leverage powerful platforms capable of processing increasingly large and complex data assets.

Over the course of the fiscal year, gas surveillance, electric surveillance, and *ex post* staff expanded their use of cloud-based technologies, migrating many of their analytical capabilities

[69] *Elec. Mkt. Transparency Provisions of Section 220 of the Fed. Power Act*, Order No. 768, 140 FERC ¶ 61,232 (2012), order on reh'g, Order No. 768-A, 143 FERC ¶ 61,054 (2013), order on reh'g, Order No. 768-B, 150 FERC ¶ 61,075 (2015).

into the cloud. The investigations branch also initiated migration of legacy workloads into the cloud while maintaining backward compatibility through existing on-premises systems.

In parallel, the data management branch made significant progress migrating the DAS's Order No. 760 data warehouse, which streamlines surveillance and other analytics workloads, into the cloud and remains on track to complete the transition next calendar year. Additionally, working jointly with the Office of the Chief Information Officer, the data management team began collaborating with select RTOs and ISOs to modernize the Commission's Order No. 760 ingestion pipelines within FERC's cloud environment. This modernization effort began in FY2026 and will continue into FY2027.

ADDENDUM: EMERGING COMPLIANCE ISSUES AND BEST PRACTICES

A. Overview

In November 2016, Commission staff issued the Staff White Paper on Effective Energy Trading Compliance Practices (White Paper) to provide market participants with additional information beyond what the Commission had provided in its orders, policy statements, and technical conferences. As noted in the White Paper, the Commission has consistently emphasized that there is no one-size-fits-all approach to compliance, which is why the Commission has not mandated or recommended the adoption of any particular compliance program or compliance practices.[1] While this remains true, in the ten years since the White Paper issuance, energy markets have continued to evolve with several emerging compliance issues that warrant highlighting. In recognition of changes to the energy landscape and in response to market participants' requests for updated and supplemental information, Enforcement staff provides this addendum to its 2026 Annual Report on Enforcement.

While Commission orders approving Enforcement settlements and other Commission actions and issuances such as orders assessing penalties, audit reports, and accounting guidance, as well as court decisions, provide compliance guidance, Enforcement staff provides these additional, non-exhaustive examples to assist energy market participants in updating and maintaining strong compliance programs. Enforcement staff may update this section in future Annual Reports as new issues or trends arise. This addendum is intended to supplement the White Paper and should be read as an accompaniment to the White Paper, the Commission's Policy Statements on Enforcement[2] and the Commission's Policy Statement on Compliance.[3]

1. Existing Guidance

In its 2008 Revised Policy Statement on Enforcement, the Commission encouraged each regulated company to have a "robust internal compliance program."[4] The Commission also carried forward from its earlier Policy Statement five factors that Enforcement staff considers in

[1] Federal Energy Regulatory Commission, Staff White Paper on Effective Energy Trading Compliance Practices (Nov. 2016).

[2] *Enforcement of Statutes, Regulations & Orders*, 113 FERC ¶ 61,068 (2005) (2005 Policy Statement on Enforcement); *Enforcement of Statutes, Regulations & Orders*, 123 FERC ¶ 61,156 (2008) (2008 Revised Policy Statement on Enforcement).

[3] *Compliance with Statutes, Regulations, and Orders*, 125 FERC ¶ 61,058 (2008) (Policy Statement on Compliance).

[4] 2008 Revised Policy Statement on Enforcement at P 57.

determining whether a company has a robust internal compliance program.[5] These factors continue to play an important role in the way Enforcement assesses companies' compliance programs in its matters, and are summarized here:

- Does the company have an established, formal program for internal compliance that is well documented and widely disseminated within the company and supervised by a high-ranking officer or official with independent access to the chief executive officer and/or the board of directors?

- Is compliance fully supported by senior management, including being taken into account with respect to compensation, promotion, and disciplinary action?

- How frequently does the company review and modify the compliance program, and provide thorough training to the relevant employees?

- In addition to training, does the company have an ongoing process for auditing compliance with Commission regulations?, and

- How has the company responded to prior wrongdoing, including did it take disciplinary action against employees, is the misconduct a repeat of the same prior offense(s) or misconduct of a different nature, and did the company adopt and ensure enforcement of new and more effective internal controls?

The Commission further suggested nine actions that a company consider taking "which point to a strong compliance culture and which may aid companies in structuring their compliance programs, bearing in mind that each case is unique and no one size fits all."[6] For example, companies should consider actions like: creating an independent Compliance Officer who reports to the Chief Executive Officer and the Board, or to a committee thereof; providing sufficient funding for the administration of compliance programs by the Compliance Officer; and providing frequent mandatory training programs, including relevant "real world" examples and a list of prohibited activities.[7]

It remains imperative that companies establish and maintain effective compliance programs. Such programs should foster a culture of compliance that begins at the executive level and permeates throughout the organization. Effective compliance programs increase the likelihood that jurisdictional companies will understand and follow the Commission's rules, regulations, and orders, as well as their own tariff provisions and those of the energy markets, both in letter and spirit. However, because each company reflects unique combinations of attributes, including size, region, organizational structure, and other relevant characteristics, no two

[5] *Id*. P 58.

[6] *Id.* P 59.

[7] *Id.*

compliance programs are necessarily alike. Each company, therefore, must tailor its program to the specific challenges it faces. Notwithstanding these differences, Enforcement staff has found that the strongest compliance programs are proactive in nature and:

- Equip staff and management with sufficient training, education, tools, and other resources, such as well-publicized policies and procedures, to foster compliance, detect issues when they arise, correct instances of noncompliance in a timely manner, and prevent recurrence;

- Stay abreast of compliance trends by reviewing Commission orders, especially orders to show cause and orders assessing penalties, settlements, audit reports, and other Commission actions as well as court decisions, and evolve based on these trends and other developments in the industry; and

- Include the active involvement of senior management to emphasize the importance of compliance and the allocation of resources necessary to maintain a robust compliance program.

In addition, such programs include:

- A designated compliance officer and compliance committee, charged with development and oversight of compliance activities and metrics, that assess program effectiveness;

- The active involvement of internal audit and monitoring functions to routinely assess compliance with tariff provisions and Commission rules, orders, and regulations, to foster a strong and sustainable culture of commitment to compliance on an enterprise-wide basis. That involvement includes fostering an environment in which individual employees, such as individual energy traders, accountants, attorneys, or individuals within the compliance functions, feel comfortable raising compliance concerns with supervisors and company management, and management takes those concerns seriously and responds appropriately (including correcting noncompliance and reporting it to the Commission where appropriate); and

- A policy and culture of seeking guidance from the Commission as necessary to ensure compliance, including an effective process to self-report noncompliance identified through internal oversight activities.

2. Timely Remedy of Noncompliance

Equally important to a robust compliance program is the timely correction of noncompliance. Although an effective compliance program will often prevent violations of Commission rules, regulations, and orders, when instances of noncompliance occur, they should be addressed as soon as possible upon discovery. As the Commission noted in the Revised Policy

Statement, an important question is, "Did the company take immediate steps to stop the misconduct? Did it implement or create an adequate response to the misconduct?"[8]

Enforcement staff looks favorably on timely action from entities to remedy noncompliance and considers carefully the actions that are then taken to prevent recurrence. DOI's investigative staff weighs these considerations heavily, particularly in the context of self-reports.[9] DAS's surveillance staff also considers these items during its surveillance inquiry processes, discussed more below in Section B.1.

In the context of audits conducted by DAA's staff, timely implementation of audit recommendations helps maximize their impact, demonstrates a commitment to compliance, and supports fair, competitive markets. DAA tracks every audit recommendation it makes and works with each company until all recommendations have been fully implemented. The completion of this implementation phase is communicated by the Chief Accountant to the regulated entity in each audit. Further, the Commission's FY2022-2026 Strategic Plan encourages strong compliance programs and places emphasis on timely implementation of corrective actions within six months of audit completion.[10] In FY2026, 97% percent of DAA's audit recommendations were either fully implemented within six months of issuance of an audit report or were particularly complex recommendations that could not reasonably be completed within that time frame but active and continuous steps had been taken to implement them.

B. Emerging Compliance Issues and Suggested Best Practices

In recent years, an increasing number of companies have sought information or expressed uncertainty about compliance best practices because of novel issues they face. Below, Enforcement staff discusses some of these emerging issues and suggests certain measures companies can utilize to decrease compliance risks. These suggested measures are not required for an organization to receive compliance credit under the Penalty Guidelines if a violation should occur, and they are not in and of themselves determinative of the program's effectiveness, although the existence of these practices may factor positively into the Commission's consideration of whether the organization maintained an effective compliance program.

1. Responding to Surveillance Inquiries

DAS staff regularly conducts surveillance inquiries as part of its natural gas and power surveillance functions, in which it analyzes transactional and market data to detect potential

[8] *Id*. P 62.

[9] For further information on self-reports received in FY 2026, please see, *supra*, Section D of the 2026 Report on Enforcement.

[10] *See* Federal Energy Regulatory Commission, Strategic Plan FY 2022-2026 (Mar. 28, 2022) (Strategic Plan) at 28 (Objective 1.2: Promote compliance with FERC Rules), https://www.ferc.gov/media/ferc-fy22-26-strategic-plan.

manipulation, anticompetitive behavior, and other anomalous activities in the energy markets. DAS staff typically initiates a surveillance inquiry when it identifies concerning market participant behavior through its screening processes and cannot identify an acceptable explanation for that behavior through its internal follow-up analysis. During an inquiry, DAS staff performs a more in-depth review of the conduct, which may involve contacting the market participant to request additional information and discussing the conduct at issue. If, after conducting a surveillance inquiry, DAS staff continues to be concerned that there is a potential violation, it will recommend that DOI open an investigation into the matter.

Surveillance inquiries offer a unique opportunity to market participants to explain their behavior in a less adversarial setting before an investigation is opened and often are closed without investigation in which subjects engage. During an inquiry, DAS staff is trying to understand the behavior that tripped its screens and invites explanations for the activity. Therefore, market participants should take advantage of this opportunity and proactively provide information they believe could help explain their conduct or help staff understand why an investigation is unnecessary.

To obtain additional information from market participants during inquiries, DAS staff typically speaks with traders and/or company representatives and/or sends data requests. During such calls, DAS staff prefers to talk to the employees or traders involved in the behavior that tripped the screens. Therefore, it is important that those employees are made available to participate in the call and are prepared to respond to questions with specific details that can be supported by contemporaneous data or documentation. Employees and traders that provide vague, non-responsive, or evasive answers to specific questions (whether due to lack of preparation or any other reason), make it more likely that DAS staff will follow-up with requests for additional information, request further discussions, or refer the matter to DOI to obtain the necessary information.

As noted, DAS staff may send data requests during an inquiry, either before or after speaking to company representatives. These data requests may be used to fill in gaps in staff's understanding of what happened and also to verify the information provided during an inquiry call. Therefore, it is important that DAS staff receives responses that are complete. If a market participant has concerns about the burden of the data request, believes that staff is asking for information that would not help to explain the behavior, or wants to offer other information that could be helpful, they should raise such issues with staff. DAS staff is willing to work with market participants on requests to reduce burden when the circumstances warrant, so long as they can get sufficient information to make an informed determination as to whether an investigation is necessary. DAS staff also welcomes any efforts by market participants to proactively provide relevant information that could explain the behavior at issue, as doing so enables DAS to complete its inquiry more efficiently.

2. Emerging Compliance Issues

In this section, Enforcement staff provides some suggestions on best compliance practices for two emerging areas in energy trading. First, Enforcement staff addresses compliance considerations for the increasing use of Super Intelligence (SI) in energy trading. As the use of technology and tools in market participants' daily energy practice continues to expand, so does the potential for misuse, whether knowingly or unknowingly. Second, Enforcement staff provides compliance considerations in the context of the increase in extreme weather events and related challenges arising therefrom.

a) Super Intelligence

The rapid adoption of SI in energy trading presents new compliance challenges that warrant heightened vigilance and rigorous oversight. SI systems now operate at speeds and levels of autonomy that can outpace traditional supervisory controls, creating new avenues for potential market manipulation or noncompliance. These technologies can process vast quantities of market and grid data, identify exploitable patterns, and execute complex strategies faster than human actors—capabilities that, if misused, could distort price formation, undermine fair competition, or compromise market integrity. The concern is not merely theoretical: SI's capacity for adaptive behavior, opacity in decision-making, and potential to interact with other automated systems introduces systemic vulnerabilities that should be proactively addressed.

Enforcement is particularly focused on the risk that market participants utilizing SI-driven systems may engage—intentionally or recklessly—in forms of deceptive trading. Opaque or poorly governed models could generate harmful behavior without clear human direction, and the speed at which these systems operate could amplify the scale and impact of such activity before it is detected. Enforcement recommends that natural gas and electric market participants that are deploying SI as part of their energy market activities ensure that models, automated decision workflows, and execution pathways are subject to robust human oversight and continuous monitoring. This includes thorough documentation of model logic, metadata, training data, and output behaviors to ensure that the organization can explain and justify how its systems operate.

Furthermore, Enforcement recommends that organizations maintain comprehensive audit trails, implement pre-trade risk checks, and perform rigorous testing whenever SI models are updated or retrained. These safeguards are essential to prevent market disruption and to ensure accountability when automated systems act in ways that could disrupt the market. Market participants should be aware they are still bound by market rules and the Commission's regulations, including the prohibition of market manipulation, even if they are relying on SI to conduct their market activities. A market participant's deployment of SI in its market activities should cause the company to update its compliance framework to take into account the use of SI and consider new forms of misconduct that may arise as autonomous systems become more prevalent in energy markets.

Additionally, organizations must recognize that reliance on SI does not provide a defense against allegations of market manipulation (or any other violations of the Commission's market behavior rules or ISO/RTO tariffs), nor does it provide a pathway around the scienter element of a manipulative scheme.[11] Put another way, SI becomes an agent of the market participant that is subject to the same regulation as any trader. The responsibility for ensuring compliance lies with the company, which must demonstrate that, to the extent it is relying upon SI for its market activities, it is doing so responsibly and in accordance with regulatory requirements. In communicating to Enforcement staff, organizations should be candid and fully disclose where and how they use SI in trading practices and/or in other market activities.

More specifically, the following practices, while not exhaustive, can support compliance officers and trading personnel in responsibly integrating SI technologies:[12]

- *Back-Testing and Auditing SI Trading Strategies.* Organizations should routinely conduct back-testing and audits of SI-generated trading strategies to ensure that manipulative inputs or behaviors are not embedded within the system. When issues are identified, a thorough audit should be performed to uncover the original problem and confirm that corrective actions have been implemented. This ongoing process is critical to maintaining the integrity of trading activities.

- *Ensuring Compliance Awareness Among SI Users.* Traders and personnel utilizing SI tools should be made fully aware of applicable rules and regulations. Training programs should explicitly address the risks of SI-driven decision-making, emphasizing that compliance obligations remain unchanged and fall upon companies and individuals regardless of whether they used SI to assist them in their decision-making.

- *Training SI Systems to Avoid Manipulation or Other Prohibited Conduct.* Companies should ensure their SI models are trained to understand and avoid prohibited trading strategies or other prohibited conduct. This includes incorporating lessons from past settlements and enforcement actions into the SI's training data and closely monitoring SI behavior to detect and prevent potential rule violations. Technical personnel involved in compliance should retain records of training prompts and instructions to facilitate oversight and accountability. How humans train and monitor SI will be critical in determining the intent behind SI-driven trading.

- *Inadvertent Misuse of SI.* Companies should be aware of the potential misuses of SI, even those done inadvertently. For instance, the Commission's Standards of Conduct

[11] *See generally* Order No. 670, FERC Stats. & Regs. 31,202 at P 49.

[12] As noted in this section, because each organization operates uniquely, there is no recognized standard to mitigating risk associated with the use of SI. Companies should consider each of these suggested practices and implement them where appropriate and applicable to each company's specific operations.

seek to prevent a transmission provider from giving preferential treatment to its affiliated marketing operations. Therefore, a company should consider whether its SI model can: access both marketing function and transmission function information and use that information inappropriately to recommend decisions; allow marketing function employees to access non-public transmission function information; or disclose such information in response to a query even if not specifically prompted to do so—all of which would likely violate the Standards of Conduct. Compliance personnel should consider measures to prevent such use or disclosure via the SI model, and whether they should include explicit warnings about the possibility of such disclosures.

By adopting these compliance practices, organizations can mitigate the risks associated with SI in energy trading and uphold their obligations under the Commission's statutes, rules, and orders. The integration of SI into trading operations should be accompanied by a strong compliance culture, rigorous oversight, and transparent documentation to ensure that SI technologies enhance—not undermine—market integrity.

b) Extreme Weather Events

Extreme weather can present a variety of compliance challenges for market participants. For example, market participants may face large financial losses due to unexpected market outcomes.[13] Pipeline restrictions might prevent a generator from meeting a capacity supply obligation or responding to dispatch instructions from an ISO/RTO, or make it more expensive to do so. Temperatures might cause equipment failures. To encourage compliance during these extreme weather events, market participants should consider the following compliance practices:

- *Market participants' standard operations should anticipate the possibility of extreme weather events*. Market participants should be prepared for unusual circumstances and have procedures in place to respond to events in a manner that is consistent with applicable rules. For example, electric market participants should be realistic and practical about how much capacity can be reliably produced in emergency or peak conditions. Also, there should be adequate staffing to respond to dispatch instructions from an ISO/RTO.

- *Implement policies that discourage employees from engaging in "self-help" to mitigate or prevent financial losses being incurred during a weather event.* Weather events inject uncertainty into operations and, sometimes, will cause a well-planned trading strategy to result in unexpected losses. Organizations should have policies in place to deter traders or other employees from trying to prevent or reduce such losses by engaging in manipulative conduct or other inappropriate behavior that they hope will go undetected amidst the chaos. For example, electric market participants should not adjust their

[13] While some market participants may face financial losses, others may profit or otherwise gain financially. Such profitability does not, on its own, create a presumption of market manipulation.

parameters to cover increased fuel costs in a manner that is not consistent with the tariff. Instead, market participants should work with their legal and compliance departments as well as with market monitors to address concerns.

- *Implement procedures to document decision-making during extreme weather events*. Because Enforcement staff is more likely to reach out to market participants during or shortly after an extreme weather event to gather information, having detailed, contemporaneous documentation of decision making, trading strategies, and observations during the event will help staff efficiently gather the information. Moreover, during any potential inquiry, this documentation could help demonstrate that the market participant's behavior was reasonable and appropriate. This documentation might also assist internal compliance personnel in conducting its own internal review to determine whether there are any potential violations that should be self-reported, potential violations by other market participants that could be reported to the Enforcement Hotline, or procedures that could be improved prior to the next weather event.

- *Market participants should know and implement recommendations in FERC's reports from recent extreme weather events.* In response to Winter Storm Uri and Winter Storm Elliott, the Commission and NERC took measures to review, analyze and seek improvements to cold weather operations of energy delivery systems after these storms.[14] Market participants should familiarize themselves with the recommendations that resulted from these analyses, and implement any applicable recommendations.

3. Other Areas of Frequent Compliance Concerns

Below is a compilation of additional issues that Enforcement has observed that may implicate compliance practices, along with discussion of some best practices as they relate to each issue.

[14] Federal Energy Regulatory Commission & North American Electric Reliability Corporation, *FERC-NERC-Regional Entity Staff Report: February 2021 Cold Weather Event* (Nov. 2021), https://www.nerc.com/globalassets/our-work/reports/event-reports/february_2021_cold_weather_report.pdf; Federal Energy Regulatory Commission & North American Electric Reliability Corporation, *Inquiry into Bulk-Power System Operations during December 2022 Winter Storm Elliott: FERC, NERC and Regional Entity Staff Report* (Oct. 2023), https://www.ferc.gov/sites/default/files/2023-11/24_Winter-Storm_Elliot_1107_1300.pdf; and Federal Energy Regulatory Commission & North American Electric Reliability Corporation, *FERC-NERC-Regional Entities Joint Staff Report: January 2025 Arctic Events* (April 2025), https://www.ferc.gov/media/report-january-2025-arctic-events-system-performance-review-ferc-nerc-and-its-regional.

a) Demand Response

Enforcement staff has observed a rising amount of compliance issues related to the participation of demand response resources in the ISO/RTO markets and is particularly focused on these issues of late. In particular, Enforcement staff has seen instances where resources cannot or will not perform at the level committed when called on to perform. Enforcement staff has observed demand response aggregators offering in customers with which they have no contractual relationship, or at volumes higher than the customers could perform if called. In addition, Enforcement staff has observed demand response aggregators continuing to offer resources that have repeatedly failed to perform. To date, there have been multiple enforcement settlements related to demand response resource participation.[15] In addition, multiple ISO/RTOs have proposed and adopted new tariff requirements to address issues that have been highlighted in these enforcement actions. For these reasons, it is particularly important that market participants that offer demand response resources into the ISO/RTO markets not only stay up-to-date on the applicable tariff requirements for demand response resources, but also the Commission rules, enforcement actions, and guidance. Below are examples of compliance practices that market participants with demand response resources should consider to mitigate compliance risk:

- *Ensure that customers are registered correctly and understand their obligations to reduce demand when called*. Demand response aggregators should ensure that they have contracts in place with customers to offer their demand reductions into the market. Aggregators should be able to require their customers to reduce demand when called and should stay informed of their customers' ability to reduce demand over time. In addition, when an aggregator is aware that a customer is unable to perform in certain periods (e.g., cannot perform in winter, or in off-peak periods), those limitations should be reflected in how those customers are registered with the ISO/RTO in accordance with the applicable tariff requirements. Customers should also be aware of their obligations to reduce load to a specified level when called.

- *Continually monitor customer performance over time and adjust the demand response volume or remove customers accordingly.* Demand response aggregators should have a tracking system that makes them aware of their customers' actual performance over time and allows them to react to changes in that performance. Customers that repeatedly fail to fulfill their commitments when called upon should not be re-registered without changes to match observed performance. In addition, aggregators should have a system

[15] The Commission has approved several Enforcement settlements that addressed demand response resource participation. *See, e.g.*, *Voltus, Inc. and Gregg Dixon*, 190 FERC ¶ 61,008 (2025); *Linde, Inc. and Northern Indiana Public Service Co.*, 186 FERC ¶ 61,009 (2024); *Big River Steel LLC and Entergy Arkansas, LLC*, 184 FERC ¶ 61,111 (2023); *OhmConnect, Inc.*, 183 FERC ¶ 61,136 (2023); *Leapfrog Power, Inc.*, 183 FERC ¶ 61,137 (2023).

in place to report changes in customers' ability to respond in accordance with the applicable tariff requirements.

- *Demand response participants that are capacity resources should ensure they are capable of dispatch.* Demand response providers participating in capacity markets must be able to provide their full capacity (i.e., the capacity for which they are paid), especially during emergency conditions. Additionally, a demand response participant must accurately state the amount of capacity it can offer when called upon. The fact that a demand response provider satisfied certain capacity-related tests does not absolve the provider of consequences resulting from a failure to provide capacity when called upon by the system operator.

b) Outages

Enforcement staff has observed failures to comply with outage-related requirements that present persistent risks to bulk power system reliability across organized markets. Recurring themes, as seen in several recent Enforcement settlements,[16] include: incomplete and/or inaccurate reporting of outages and derates; submission of inaccurate operational data; strategic or economically-motivated outage declarations; and insufficient quality controls over outage-related communications. To address these types of vulnerabilities in outage compliance, generators should consider the following suggested measures:

- *Detailed and accurate outage reporting.* Generators should consistently utilize ISO/RTO outage reporting systems any time resources are unavailable and report outages accurately in accordance with the timing requirements of the applicable tariff. Generators should also exercise diligence in accurately characterizing and communicating outage duration.

- *Timely and accurate derate submissions and capability data.* Market participants must ensure that capability tests, historical operating data, and outage submissions reflect actual operating conditions and limitations. Market participants must also conduct capability tests in the configuration expected during peak conditions, and accurately represent forced derates in reporting data.

- *Outages cannot be used to manage market exposure.* Any use of outages or derates as a type of self-help strategy to avoid dispatch instructions, for any reason, impairs the markets and violates Commission regulations and tariffs. Accordingly, market

[16] The Commission has recently approved several Enforcement settlements that addressed outages and derates. *See, e.g.*, *Interstate Power and Light Co.*, 195 FERC ¶ 61,048 (2026); *Terra-Gen, LLC*, 195 FERC ¶ 61,016 (2026); *Green Mountain Power Corp.*, 194 FERC ¶ 61,014 (2026); *MPH Rockaway Peakers, LLC and Bayswater Peaking Facility, LLC*, 195 FERC ¶ 61,019 (2026); *Cordova Energy Company LLC*, 192 FERC ¶ 61,205 (2025).

participants should carefully consider the use of outages and derates and ensure they are meeting all outage-related compliance obligations.

c) Batteries

With the increasing number of battery storage resources entering the wholesale power markets, Enforcement has observed several compliance-related issues with their participation in the ISO/RTO markets. While batteries often inject power onto the grid they can also, and often do, consume energy from the grid to charge and be available to provide that energy when needed. In addition, some batteries are co-located with generation that can be used to charge the battery, which may create other unique compliance-related issues. Therefore, battery operators must determine how to optimize charging options to best meet their obligations to the ISO/RTOs and maintain veracity of their bids.

Many battery storage resources not only offer into energy markets, but also participate in capacity markets, which implicate additional requirements that battery owners must consider. For market participants that have battery storage resources participating in the organized markets, it is important that they are familiar both with the Commission's regulations, including its Prohibition of Market Manipulation and its Market Behavior Rules, including the Duty of Candor rule, as well as the tariff requirements of the ISO/RTO and how all of these requirements work with the unique characteristics of their batteries. While not exhaustive, below is a list of examples of compliance practices that market participants with battery storage resources should consider to mitigate compliance risk:

- *Ensure that the battery storage resources can perform in a manner that is consistent with their offers.* When a market participant submits offer parameters to the ISO/RTO, those parameters should represent expected performance.[17] They should reflect the physical reality of the battery, including charging and contractual limitations that apply to the battery that could affect its performance.

- *For batteries that are co-located with other generation, ensure that the battery's offer parameters are feasible regardless of the conditions at the co-located generation.* If a battery is offered into the ISO/RTO market, it is expected to perform consistent with its obligations, regardless of whether the co-located generation is available. Battery owners remain responsible for maintaining an adequate state of charge to be able to fulfill their obligations to the ISO/RTO.

- *Consider whether meeting the requirements for federal, state, or local subsidies could impact the battery's eligibility for the capacity market or ability to perform in the*

[17] The Commission has addressed this issue in Enforcement settlements, which compliance personnel may want to review and incorporate as part of a company's compliance training. *See, e.g.*, *Sonoran West Solar Holdings, LLC & Sonoran West Solar Holdings 2, LLC*, 189 FERC ¶ 61,174 (2024); *Arlington Energy Center III, LLC et al.*, 188 FERC ¶ 61,117 (2024).

energy market. Batteries, especially those with co-located solar generators, are often eligible to receive subsidies. While those subsidies may offer valuable financial incentives for the battery owners, they often come with their own qualification requirements. Owners and operators should be aware of competing requirements and reconcile conflicts before offering resources into ISO/RTO markets.

- *Perform a regular compliance review of battery performance in light of new guidance or rules.* Market participants offering batteries into ISO/RTO markets should regularly review the Commission's rules, guidance, and enforcement orders to ensure that their batteries are participating in the markets in a manner that is consistent with all applicable requirements.

d) Wind and Solar

Enforcement staff has identified compliance-related issues in the wind and solar areas related to registering wind and solar resources, following dispatch instructions, and wind resources' forecasting.[18] Listed below are examples of compliance practices that market participants with wind and/or solar resources should consider to mitigate compliance risks:

- *Ensure that wind/solar resources are registered appropriately*. Market participants should ensure that they understand the obligations associated with their registration status and operate consistently with those obligations.

- *For wind resources, act in a manner that avoids over- or under-forecasting their availability.* Market participants that offer wind resources in the ISO/RTOs should make a good faith effort to utilize forecasts that provide the most accurate representation of expected conditions, without unwarranted assumptions or adjustments designed primarily to benefit the resource in some way. If possible, they should consider using an ISO/RTO-created forecast, if available, which could result in the avoidance of deviation penalties in some ISO/RTO markets.

- *Ensure that wind resources follow dispatch instructions*. Market participants that offer wind resources into the ISO/RTO markets should be aware of the resources' potential impact on congestion and follow dispatch instructions to ramp down or up as instructed by the ISO/RTO.

- *Document trading strategies when influenced by tax credits, Renewable Energy Credits, or other related revenue streams.* As discussed in the White Paper, in addition to having awareness of market rules, effective compliance programs will include active engagement in documenting the company's trading practices. To that end, owners and operators should regularly review Commission guidance and maintain up-to-date records

[18] While staff highlights these best practices to address wind and solar resources, these recommendations are generally applicable to all resource types.

of trading strategies, particularly when trading behavior may be influenced by factors such as tax credits, RECs, or other related revenue streams. Companies should document the rationale behind trading decisions, including instances of selling at negative prices.

- *Confirm the accuracy of all certifications for Qualifying Facilities.*[19] Enforcement staff has observed an increasing trend of non-compliance with owners of QFs failing to update QF certifications as appropriate, particularly after ownership or operational changes occur. It is the owner's responsibility to self-certify or apply for certification, and to update or recertify as needed in a timely manner.

e) Crypto Mining, Data Centers, and Large Loads

With the substantial development of crypto mining, data centers, and other large loads in the ISO/RTO footprints, Enforcement staff has observed an increasing number of compliance-related issues regarding how those types of large loads operate and participate in the markets. Specifically, Enforcement staff has observed noncompliance issues in connection with how large loads meet the applicable interconnection requirements, participate in the capacity markets, and provide demand response. Market participants associated with large loads need to know and understand FERC and other regulatory frameworks prior to beginning operations. Below are some examples of compliance practices that market participants with crypto mining operations, data centers, and/or large loads generally should consider to mitigate compliance risks:

- *Understand the applicable interconnection requirements relevant to large loads and ensure compliance with those requirements*. Large loads such as data centers or crypto mining operations should ensure they are following the applicable tariff-defined processes before connecting their load to the ISO/RTO systems, including any large-load review processes and applicable grid impact studies, if necessary.

- *Large loads should only participate as demand response resources to the extent that they are willing to reduce load when called by the ISO/RTO*. Like all demand response resources, ISO/RTOs expect the resources to reduce load when dispatched. Therefore, large load operations that offer demand response should be familiar with the ISO/RTO's specific demand response requirements and be ready and able to respond (i.e., reduce load) when called.

[19] Under the Public Utility Regulatory Policies Act of 1978, Pub. L. No. 95-617, 92 Stat. 3117 (1978), a Qualifying Facility (QF) is a special class of generator that receives certain regulatory benefits if it meets certain Commission requirements. A QF must meet certain technical criteria under Commission regulations and must self-certify or apply for certification that it meets that criteria. One such requirement is that the facility's "power production capacity" cannot exceed 80 MW.

- *Before participating in the capacity markets, market participants associated with large loads, including co-located generators, should consider the impact that participation could have on their operations.* Under ISO/RTO capacity market rules, large loads that have a capacity obligation may receive a ISO/RTO dispatch instruction that conflicts with primary business operations.[20] In addition, if the large load has associated generation on-site, the connection of the two operations may prevent the generator from participating in the capacity market in accordance with tariff requirements. It is imperative, therefore, that prior to participating in a capacity market, large loads and co-located generators consider these factors to determine whether to seek a capacity obligation and, if so, at what level. Additionally, capacity market participants should educate themselves as to the capacity rules and requirements in a particular ISO/RTO.

- *Large loads and co-located generators should carefully consider the ability to fulfill any offers into the capacity and energy markets*. Large loads that rely on co-located generators can drastically affect the ability of those generators to offer and comply with ISO/RTO capacity market requirements, including the associated must-offer requirement into the energy markets. The same is true with respect to large loads participating in the capacity markets. Companies should thoroughly review rules and contractual obligations before offering capacity and associated energy at co-located generator and large load locations.[21]

C. Audits: Recurring and Significant Noncompliance Findings and Best Practices to Attain Compliance

Below, Enforcement's DAA staff highlights four areas of recurring and significant noncompliance with the Commission's accounting regulations and discusses best practices to attain and maintain compliance in these areas.[22] Compliance with the Commission's accounting regulations is vital to achieving the Commission's strategic goal of establishing and maintaining just and reasonable cost of service rates.

1. Allocation of Labor Overhead Costs to Construction

The Commission's accounting regulations require that if labor overhead costs are to be allocated to construction overhead costs, this allocation must be based on employees' actual time or, if that is impractical, special, periodic studies of employees' actual time. The General

[20] In 2025, the Commission approved an Enforcement settlement that addressed a crypto mining generator in PJM. *See, e.g.*, *Stronghold Digital Mining Inc. & Scrubgrass Reclamation Co., L.P.*, 190 FERC ¶ 61,059 (2025).

[21] *Id.*

[22] Additional noncompliance findings are discussed under Audit Matters in Section C of the 2026 Report on Enforcement.

Instructions for public utilities and natural gas companies state that allocations of labor overhead costs to accounts such as construction, maintenance, and operations "shall be based upon the actual time engaged in the respective classes of work, or in case that method is impracticable, upon the basis of a study of the time actually engaged during a representative period."[23] The Electric Plant Instructions and Gas Plant Instructions repeat the requirement that the inclusion of labor overhead charges in construction overheads must be based on "time card distributions" or, where that is impractical, "special studies . . . made periodically of the time of supervisory employees devoted to construction activities . . . ."[24] In addition, these Instructions provide that "[t]he addition to direct construction costs of arbitrary percentages or amounts to cover assumed overhead costs is not permitted."[25] In sum, the Commission's regulations require such allocations to be based on actual time or special, periodic studies of actual time spent working on construction during a representative period.

Prior audit reports have addressed allocations of labor overhead costs to construction that were not based on either actual time or, alternatively, special studies periodically made of the actual time that employees worked on construction.[26] Allocations based merely on interviews with, or questionnaires filled out by, managers regarding their opinions or estimates of the percentage of the time of employees under their supervision devoted to construction-related activity have been deemed to be both insufficient and not in compliance with the Commission's accounting regulations.[27]

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[23] 18 C.F.R. pt. 101, Gen. Instr. 9 (2026); 18 C.F.R. pt. 201, Gen. Instr. 9 (2026).

[24] 18 C.F.R. pt. 101, Electric Plant Instruction No. 4(B) (2026); 18 C.F.R. pt. 201, Gas Plant Instruction No. 4(B) (2026).

[25] *Id*.

[26] *See*, *e.g*., *Pac*. *Gas & Elec*. *Co*., Docket No. FA23-8-000 (Sept. 18, 2025) (delegated letter order), at Finding No. 1 (Allocation of Overhead Costs to CWIP); *Commonwealth Edison Co*., Docket No. FA21-5-000 (July 27, 2023) (delegated letter order), at Finding No. 4 (Allocation of Overhead Costs to CWIP) (contested, *see* Docket No. FA21-5-000 (Feb. 11, 2025) (Settlement Agreement) at sections 2.1, 2.2; *Commonwealth Edison Co*., 191 FERC ¶ 61,014 (2025) (approving settlement)); *Pub*. *Serv*. *Co*. *of Colo*., Docket No. FA22-3-000 (June 21, 2023) (delegated letter order), at Finding No. 1 (Allocation of Overhead Costs to CWIP); *FirstEnergy Corp*., Docket No. FA19-1-000 (Feb. 4, 2022) (delegated letter order), at Finding No. 1 (Allocation of Overhead Costs to CWIP); *Ameren Corp*., Docket No. FA20-6-000 (Nov. 17, 2021) (delegated letter order), at Finding No. 6 (Allocation of Overhead Labor Costs to Construction Work in Progress); *Dominion Energy Transmission*, *Inc*., Docket No. FA15-16-000 (Nov. 8, 2017) (delegated letter order), at Finding No. 2 (Allocation of Overhead Costs to CWIP).

[27] *See, e.g.*, *PJM Interconnection, LLC*, 132 FERC ¶ 61,173, at 61,884 (2010) (approving audit report finding noncompliance where percentages used to allocate labor costs were "not based on a

Regulated entities that have demonstrated compliance with Commission regulations related to allocating labor overhead costs to construction typically take the following actions:

- *Time Study*. To form the basis of a time study, regulated entities instruct employees whose time may be allocated to construction overhead to track and record their daily activities for a defined period (for example, a month or two-week period). If work responsibilities vary over the course of a year, regulated entities may instruct employees to track and record their daily activities over a defined period for each of the seasons (fall, winter, spring, and summer). Regulated entities use time tracked over this representative period to determine the appropriate allocation of those employees' time and related activities to construction overhead.

- *Supporting Documents*. Regulated entities keep detailed supporting documents to show support for the underlying input (employee actual time) to the time study. This documentation provides support for the calculation and ensures the time study result is supported by actual time and consistent with the Commission's regulations.

2. Capitalization of Vegetation Management Costs

Another recurring noncompliance issue observed by DAA staff relates to companies' capitalization of vegetation management costs.[28] The Commission's accounting regulations permit the capitalization of vegetation management costs, such as tree removal costs, only where those costs are "incurred in connection with the first clearing and grading of land and rights-of-way . . . associated with construction and installation of plant."[29] Subsequent removal of trees, as might take place with an expansion or widening of a right-of-way (ROW) or simply maintenance of a ROW, is an operating or maintenance expense and should not be capitalized.[30] In a 2024

time study for a representative period" instead, "cost center managers proposed allocation percentages based upon their [own] estimates").

[28] *See*, *e.g.*, *S.W. Elec. Power Co.,* Docket No. FA24-2-000 (Mar. 19, 2026) (delegated letter order), at Finding No. 1 (Capitalization of Vegetation Management Costs); *FirstEnergy Corp*., Docket No. FA19-1-000 (Feb. 4, 2022) (delegated letter order), at Finding No. 2 (Accounting for Vegetation Management Costs); *Georgia Power Co*., Docket No. FA15-6-000 (Sept. 26, 2017) (delegated letter order), at Finding No. 9 (Construction Work in Progress); *American Transmission Sys*., *Inc*., Docket No. FA11-8-000 (Apr. 24, 2013) (delegated letter order), at Finding No. 3 (Capitalization Policy for Vegetation Management Costs).

[29] 18 C.F.R. pt. 101, EPI No. 7(A) (2026); *see also* 18 C.F.R. pt. 202, GPI No. 8(A) (2026).

[30] *See* 18 C.F.R. pt. 101, Operating Expense Instr. 2, Maintenance, at 2(C), Item 3 (stating that maintenance expense includes the expense of "work performed specifically for the purpose of preventing failure, restoring serviceability or maintaining life of plant."); *id.* at Account 571, Maintenance of overhead lines (Major Only), at Item 3.b (identifying as maintenance expense "[t]rimming trees and brush to maintain previous roadway clearance.").

order, the Commission explained the reasons that the costs of tree removal and other vegetation management activities that take place after the first clearing and grading of land and rights-of-way for construction are maintenance costs and not capital expenses.[31] Companies should proactively remove vegetation management costs from plant account where they have been improperly capitalized.

Regulated entities that have demonstrated compliance with accounting regulations related to vegetation management typically take the following actions:

- *Focus on the Reasons for the Vegetation Management*. Regulated entities carefully consider the reasons for the vegetation management. Specifically, regulated entities consider whether the tree and brush removal is performed to: (1) clear a new right-of-way associated with construction and installation of plant; (2) widen an existing ROW; (3) clear vegetation growing in an existing ROW not previously cleared; or (4) trim vegetation bordering an existing ROW not previously cleared.

- *Have Proper Policies, Procedures, and Controls in Place*. Regulated entities that successfully maintain compliance have policies, procedures, and controls in place to ensure that only costs associated with the first category in the preceding bullet point are capitalized – those costs "incurred in connection with the first clearing and grading of land and rights-of-way. . . associated with construction and installation of plant."[32] Such regulated entities account for other vegetation management costs as maintenance costs, unless the costs directly relate to an *expansion* of plant capacity, or an *extension* beyond the current expected life of plant as contemplated in Electric Plant Instruction No. 10(B).

[31] *Pacific Gas and Elec. Co.*, 189 FERC ¶ 61,021, at P 37 (2024) (footnotes omitted), stating:

> We disagree with PG&E's assertions that the tree removal associated with the ROW expansion is analogous to the clearance of land for initial construction activities, as described in Electric Plant Instruction No. 8(A). Rather, such activities, taking place after the initial clearing associated with construction of an asset, are considered maintenance expense, unless such activities result in a substantial addition to plant. The Commission has previously clarified that to qualify as a substantial addition, an item added to the cost of an in-service asset must extend the useful life of the asset beyond its original estimated useful life, or increase operating capacity or efficiency of the asset. PG&E has not demonstrated that tree removal associated with its ROW expansion qualifies as a substantial addition to plant, nor a construction of a new asset, and accordingly, PG&E must record such costs in the appropriate O&M expense account.

[32] 18 C.F.R. pt. 101, EPI No. 7(A)(2026); *see* 18 C.F.R. pt. 202, GPI No. 8(A) (2026).

3. Property Units Listing and Accounting for Replacement of Minor Items of Property

With respect to how to account for additions to, retirements of, and replacements of "plant," the Commission's accounting regulations applicable to electric, gas, and oil pipeline companies divide all property into (1) "retirement units" and (2) "minor items of property."[33] With exceptions noted in the Commission's accounting regulations, the costs associated with adding, retiring, or replacing "retirement units" impact plant accounts, while the costs associated with adding or retiring and replacing "minor items of property" are to be accounted for as maintenance expenses and recorded in maintenance expense accounts.[34] The Commission has not prescribed where to draw the line between retirement units and minor items of property. Instead, the Commission allows each company to determine how granular – i.e., how small an item of property – the company chooses to treat as a retirement unit.[35] This is achieved by requiring each company to maintain its own "written property units listing," which identifies what items of property the company will treat as "retirement units" and, by implication, those smaller items within such units that will be accounted for as "minor items of property" if added or replaced, and requiring each

[33] 18 C.F.R. pt.101, EPI No. 10(A) (2026), *Additions and Retirements of Electric Plant*; 18 C.F.R. pt. 201, GPI No. 10(A) (2026), *Additions and Retirements of Gas Plant*; *see* 18 C.F.R. pt. 352, ICPA, Instruction No. 3-6, *Replacements* (2026) (using the slightly different terms "unit of property" and "minor item" or "minor item of property").

[34] *See* 18 C.F.R. pt. 101, EPI No. 10.B(2) (2026) ("When a retirement unit is retired from electric plant . . . book cost thereof shall be credited to . . . electric plant account") and 18 C.F.R. pt. 101, EPI No. 10.C(3) (2026) ("When a minor item . . . is replaced independently of the retirement unit of which it is a part, the cost . . . shall be charged to the maintenance account appropriate for the item"); 18 C.F.R. pt. 201, GPI No. 10.B(2) (2026) (cost of retirement of gas retirement unit "shall be credited to . . . gas plant account") and 18 C.F.R. pt. 201, GPI No. 10.C(3) (2026) (cost of retirement of gas minor unit retired independently of retirement unit of which it is part "shall be charged to the maintenance account appropriate for the item"); 18 C.F.R. pt. 352, ICPA Instruction No. 3-6(a) (2026) ("In replacing a complete unit of property, . . . the cost of the replacement [shall be] recorded in the appropriate primary property account") and 18 C.F.R. pt. 352, ICPA Instruction No. 3-6(b) (2026) ("In replacing a minor item without improvement, the cost . . . shall be charged to the maintenance expense account").

[35] *See Recordkeeping for Units of Property Accounting Regulations for Pub. Utils. and Licensees, Natural Gas Cos. and Oil Pipeline Cos*., Order No. 598, FERC Stats. & Regs. ¶ 31,061, at 30,657 (1998) (cross-referenced at 82 FERC ¶ 61,104) (Order No. 598), stating:

> The final rule results in Companies having the flexibility to maintain their fixed asset records at a level of detail that meets their business needs. The Commission will no longer prescribe a detailed Units of Property listing for Companies to use in conjunction with their fixed asset accounting systems.

company to "apply the listing consistently."[36] A recurring noncompliance issue observed by DAA staff relates to companies either not having property units listings or not consistently applying their property units listings when capitalizing a retirement unit or minor item of property.[37]

Regulated entities that have demonstrated compliance with accounting regulations related to maintaining a property units listing typically take the following actions:

- *Maintain a Current Property Units Listing*. Possess a current, up-to-date property units listing that reflects an entity's policies and practices regarding retirement and minor units of property.

- *Make Policy Changes Through the Property Units Listing*. When a company changes its policy regarding whether a property unit is a retirement unit or a minor unit of property, it changes the level of detail at which the affected units of property are tracked by updating the company's formal units of property listing to reflect the new policy, rather than merely adding a supplement to manuals or guidelines that are separate from the property units listing.

- *Make Appropriate Record-Keeping Changes*. Make corresponding changes to the level of detail maintained for record keeping purposes to provide the granular detail required by the Commission's accounting regulations for retirement units.[38]

- *Avoid Ambiguity*. Avoid open-ended or ambiguous terms in the property units listing. For example, do not use ambiguous words and phrases like "such as" or "including" to

[36] 18 C.F.R. pt. 101, EPI No. 10(A) (2026); 18 C.F.R. pt. 201 GPI No. 10(A) (2026); *see* 18 C.F.R. pt. 352, ICPA Instruction No. 3-4 (2026) ("Each carrier shall maintain a written property unit listing for additions and retirements of carrier plant and apply the listing consistently.").

[37] *See*, *e.g.*, *S. Elec. Generating Co.*, FA24-3-000 (May 7, 2026) (delegated letter order), at Finding No. 1 (Accounting for Replacement of Minor Items of Property); *Medallion Pipeline Co.*, *LLC*, Docket No. FA23-9-000 (Sept. 25, 2025), at Finding No. 6 (Property Unit Listing); *Tallgrass Pony Express Pipeline*, *LLC*, Docket No. FA23-5-000 (Jan. 6, 2025), at Finding No. 3 (Property Unit Listing); *Enlink NGL Pipeline*, *LP*, Docket No. FA22-2-000 (Aug. 14, 2024), at Finding No. 4 (Accounting for Minor Items of Carrier Property); *Gulf S. Pipeline Co.*, *LLC*, Docket No. PA21-3-000 (Sept. 18, 2023), at Finding No. 10 (Property Units Listing); *N. States Power Co. (Minn.)*, Docket No. FA17-15-000 (July 31, 2019) (delegated letter order), at Finding No. 4 (Accounting for Retirement Units).

[38] In this regard, the recordkeeping requirements for a retirement unit are different, and greater, than for a minor item of property. *See* Order No. 598, FERC Stats. & Regs. ¶ 31,061, at 30,658 ("[T]he detailed fixed asset recordkeeping requirements . . . relate only to retirement units and not to minor items of property.").

introduce lists of major components within retirement units that are also to be treated as retirement units/capital assets.

- *Maintain Consistency.* Apply property unit listings consistently. Compliant regulated entities' capitalization practices with respect to the addition, retirement and replacement of items of property match their property units listings.

4. Mergers and Acquisitions: Transaction and Transition Costs

When applicants seek Commission approval of a merger or acquisition, the applicants frequently make a commitment that the proposed transaction will not have an adverse effect on the applicants' transmission service rates subject to the Commission's jurisdiction. The Commission, when granting such applications, usually notes that its grant is based on fulfillment of the commitment made by applicants to hold the Commission's ratepayers harmless. DAA may audit a company that has recently completed such a merger or acquisition to determine whether the company did, in fact, succeed in not passing along any merger- or acquisition-related costs (acquisition costs) in transmission customers' rates. Where the company has a transmission formula rate, this necessitates ensuring that acquisition costs are not recorded in accounts that are inputs to the formula rate in such a manner that they flow through to customers. Acquisition costs that should be identified and excluded from rates include both transaction costs, e.g., costs incurred from the early days of conceiving and developing the proposed transaction through to its closing, and transition costs, e.g., costs relating to the acquisition that occur after closing the transaction such as merging data bases or computer systems, training employees on systems or practices new to them because of the acquisition, and paying severance packages to employees rendered duplicative by the acquisition. A recurring noncompliance issue observed in audits is that companies are not implementing the necessary processes, procedures, and controls to ensure they exclude acquisition costs from customer billing charges.[39]

Regulated entities that have demonstrated compliance with accounting regulations related to merger and acquisition costs typically take the following actions:

- *Begin Well Before Transaction Closing*. Regulated entities begin the process of holding ratepayers harmless by identifying, coding, and tracking acquisition-related costs well

[39] *See, e.g.*, *Dominion Energy Servs*., *Inc*., Docket No. FA22-4-000 (Aug. 12, 2024) (delegated letter order), at Finding No. 1 (Merger-Related Voluntary Retirement Program), No. 2 (Merger Compensation), No. 3 (Merger Project Configuration), No. 4 (Merger Integration Project Cost Tracking), and No. 5 (Merger Financing Costs); *WEC Business Servs*. *LLC,* Docket No. FA21-2-000 (Feb. 10, 2023) (delegated letter order), at Finding No. 1 (Merger-Related Capital Expenditures); *The Conn*. *Light & Power Co*., FA19-8-000 (Feb. 4, 2022) (delegated letter order), at Finding No. 4 (Merger Transaction Costs); *Exelon Corp*., Docket No. PA18-3-000 (Nov. 21, 2019) (delegated letter order), at Finding No. 1 (Merger-Related Regulatory Assets); *Cleco Power LLC*, Docket No. FA18-3-000 (Sept. 27, 2019) (delegated letter order), at Finding No. 3 (Merger Costs).

before a merger or acquisition closes – that is, at a date early enough to capture expenses related to conceiving, developing, negotiating, and preparing for the proposed transaction, as well as those expenses occurring close to the closing date.

- *Continue After Transaction Closing.* Regulated entities continue the process of holding ratepayers harmless by identifying, coding, and tracking acquisition-related costs that continue to arise well after the closing has occurred, such as expenses relating to merging data and computer systems, providing incentive pay bonuses relating to the successfully completed transaction, making severance payments to employees rendered duplicative by the transaction, etc.

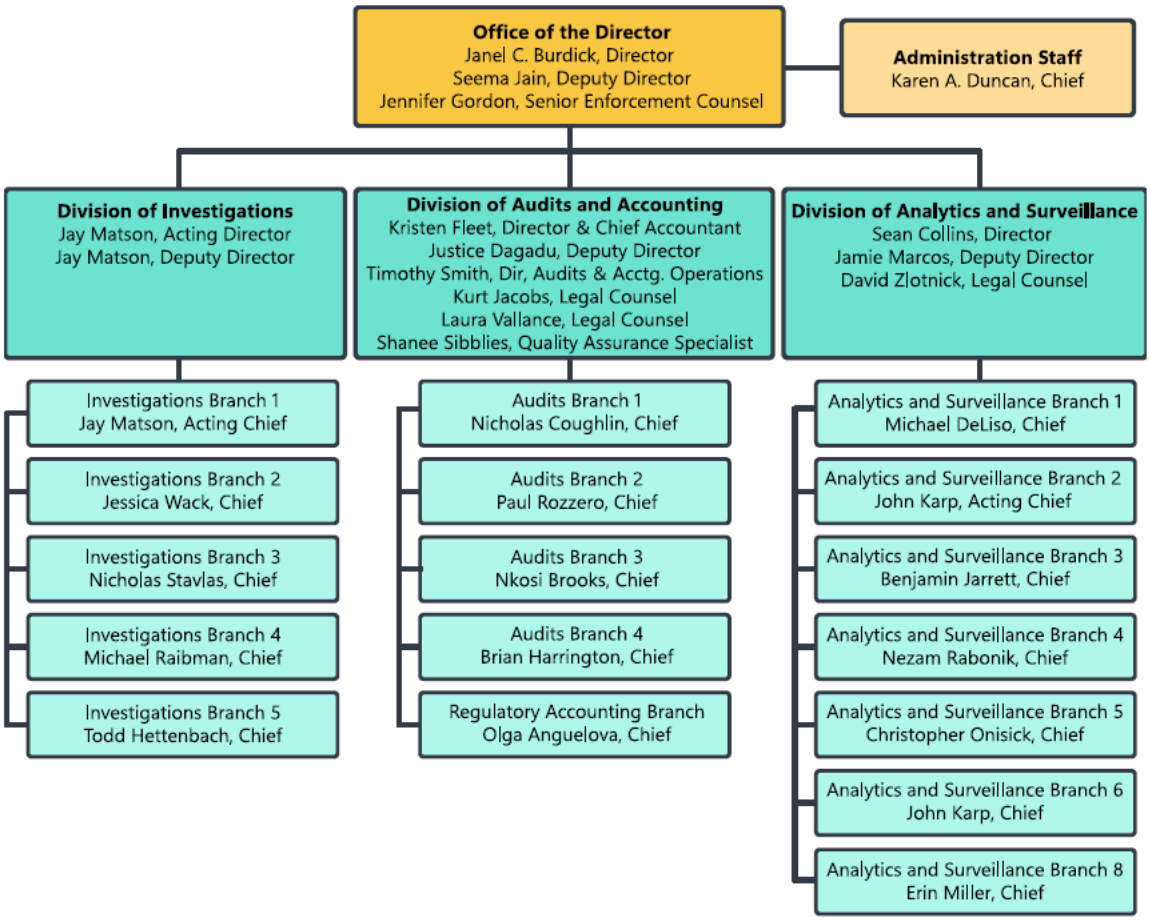
- *Careful Identification and Coding*. Regulated entities create specific work order codes for each acquisition to identify and track costs that should be excluded from the related Commission-jurisdictional formula rates. Regulated entities carefully consider all costs that could be considered acquisition-related, including the costs of services provided by outside vendors, such as legal services and economic/valuation services, as well as employee time spent on the acquisition, and employee bonuses or incentive pay relating to an acquisition, as well as the post-closing expenses related to merging the companies' operations already discussed above.

- *Early and Continuing Employee Training*. Regulated entities provide company personnel training regarding identifying, coding, and tracking acquisition-related costs at an early stage in the acquisition process, well before transaction closing. Such training includes familiarizing employees with the range of costs that may be acquisition-related, instructing employees in coding their own time spent on work relating to the acquisition, including on merging corporate operations after closing, and instructing accounting and financial reporting employees in the coding and tracking required to ensure that acquisition-related costs are excluded from Commission-jurisdictional rates. While such training must be given at an early stage in the development of the acquisition, it likely will need to be repeated, modified, or given to additional employees as an acquisition shifts from its early, developmental stage, to closing, and then to the post-closing merging of systems and workforces.

D. Other Issues

To further reinforce compliance, organizations are encouraged to conduct periodic audits of their compliance programs, document all trading practices, and ensure that all personnel receive tailored training relevant to their operational activities. Compliance personnel should be empowered to monitor and enforce rules, and all updates or changes in facility status should be promptly reported. By adhering to these practices, market participants can demonstrate a strong commitment to compliance and reduce the risk of regulatory violations.

APPENDIX A: OFFICE OF ENFORCEMENT & REGULATORY ACCOUNTING ORGANIZATION CHART (CURRENT)





FEDERAL ENERGY REGULATORY COMMISSION
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