FEDERAL ENERGY REGULATORY COMMISSION

PERFORMANCE & ACCOUNTABILITY REPORT
FISCAL YEAR 2012

Chairman Jon Wellinghoff

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

OFFICE OF THE CHAIRMAN

Letter from Chairman Wellinghoff

I am pleased to present the Federal Energy Regulatory Commission (Commission) Performance and Accountability Report for fiscal year 2012. This report was prepared in accordance with the guidelines set forth in Office of Management and Budget Circular A-136 and Part 6 of Circular A-11.

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

The Commission has completed evaluations of its management controls and financial management systems and, based on these evaluations, I am providing a statement of assurance that the Commission meets the objectives required by the Federal Managers' Financial Integrity Act and that our financial systems conform with government-wide standards. In addition, I can provide assurance that the performance information contained in this report is complete and reliable and describes the results achieved towards our goals.

Sincerely,

Jon Wellinghoff
Chairman
Federal Energy Regulatory Commission

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The Federal Energy Regulatory Commission's Mission

Reliable, Efficient, and Sustainable Energy for Consumers

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

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

Objective 1.1: Regulatory and Market Means.
Ensure implementation of appropriate regulatory and market means for establishing rates.

Objective 1.2: Oversight and Enforcement.
Increase compliance with the Commission's rules and deter market manipulation.

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

Objective 2.1: Infrastructure Development and Siting.
Increase efficient infrastructure consistent with demand.

Objective 2.2: Safety.
Minimize risk to the public.

Objective 2.3: Reliability.
Provide for the reliable operation of the bulk power system through oversight of the development and implementation of mandatory and enforceable standards.

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Management's Discussion and Analysis (Unaudited)

INTRODUCTION

In accordance with the guidelines set forth in the Office of Management and Budget (OMB) Circular No. A-136 and Section 230 of Circular No. A-11, this report presents the Federal Energy Regulatory Commission's (the Commission, FERC) fiscal years (FY) 2012 and 2011 audited annual financial statements and program performance report. The financial section includes the Commission's audited balance sheets, statements of net cost, changes in net position, budgetary resources, custodial activity, and notes to the financial statements. The performance report section includes performance measurement data for fiscal years 2007 through 2012. Additionally, this report includes an overview of the Commission, including its mission and organizational structure.

This Performance and Accountability Report serves as a guide to the Commission's key initiatives and activities during FY 2012. Approximately 1,468 full time equivalents (FTEs) carried out the Commission's mission in FY 2012 using a budget of $304.6 million.

ORGANIZATIONAL STRUCTURE

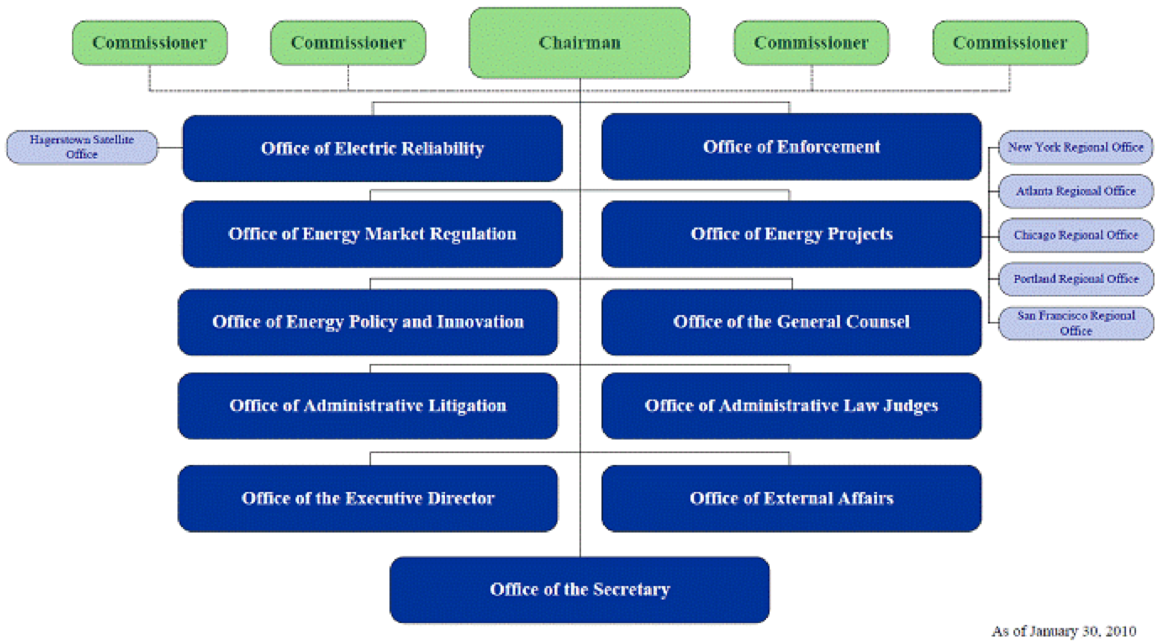
The Federal Energy Regulatory Commission is an independent regulatory agency within the U.S. Department of Energy (DOE). The Commission's statutory authority centers on major aspects of the Nation's wholesale electric, natural gas, hydroelectric, and oil pipeline industries.

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

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

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

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



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

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

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

Office of Energy Market Regulation (OEMR)
Focuses on ensuring that market, tariffs and rates relating to electric, natural gas and oil pipeline facilities and services are just, reasonable and not unduly discriminatory or preferential.

Office of Energy Policy and Innovation (OEPI)
Issues, coordinates, and develops proposed policy reforms to address emerging issues affecting wholesale and interstate energy markets, including such areas as climate change, the integration of renewable resources, and the deployment of demand response.

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

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

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

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

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

Office of the Secretary (OSEC)
Serves as the official focal point through which all filings are made for proceedings before the Commission.

STRATEGIC PLAN OVERVIEW

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

On September 30, 2009, the Commission submitted to Congress its updated Strategic Plan which will serve as a guide through fiscal year 2014. The Commission issued a revised plan in February 2012 as allowed by the GPRA Modernization Act of 2010. The Commission found during its review that the Strategic Plan continues to reflect appropriately the direction of the Commission. As such, only three minor changes were made. These changes are footnoted in this report and the full Strategic Plan can be found at www.ferc.gov.

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

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

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

Goal 2. Infrastructure: Promote the development of safe, reliable and efficient energy infrastructure that serves the public interest.

The Commission plays an important role in the development of a strong energy infrastructure that operates efficiently, safely and reliably. The Commission has siting authority that includes licensing non-federal hydropower projects, certificating interstate natural gas pipelines and storage projects, authorizing LNG facilities, and, in certain circumstances, permitting electric transmission lines. The Commission relies primarily on physical inspections of facilities to ensure the safety of LNG and non-federal hydropower facilities throughout the entire life cycle of a project: design review, construction and operation. Further, the Commission promotes efficient operation of energy infrastructure by encouraging, for example, the use of new technologies, and other procedures that may enhance economic efficiency.

Lastly, the Commission has an important role in providing for the reliable operation of the bulk power system. Under section 215 of the Federal Power Act, the Commission certified, and now oversees, the Electric Reliability Organization (ERO). The ERO develops and enforces mandatory reliability standards, subject to the review and approval by the Commission. Section 215 defines a "reliability standard" as including "requirements for the operation of existing bulk-power system facilities, including cybersecurity protection, and the design of planned additions or modifications...." These standards, if approved by the Commission, apply to utilities that own or operate the bulk-power system. The Commission also monitors system disturbances to identify near- and long-term issues affecting generation and transmission.

As the Commission works to achieve its mission, its focus remains on five guiding principles: organizational excellence, due process and transparency, regulatory certainty, stakeholder involvement, and timeliness. Whether the Commission is adjudicating a rate filing, ruling on a permit application, or developing a new policy, it strives to meet these criteria as a means of ensuring that each of its actions is consistent with the public interest.

STRATEGIES FOR CARRYING OUT THE COMMISSION'S RESPONSIBILITIES

The Commission's two core functions are to ensure that wholesale electric and natural gas rates are just and reasonable and not unduly discriminatory or preferential and that energy infrastructure is developed in the public interest. To achieve these goals, the Commission will employ several strategies which are summarized below.

The organized wholesale electric markets represent one area in which the Commission relies on regulatory and market means to ensure that rates are just and reasonable and not unduly discriminatory or preferential. The Commission will establish rules that enhance competition by allowing non-discriminatory market access to all supply-side and demand-side energy resources. Improving the competitiveness of these markets is important because it encourages new entry among supply-side and demand-side resources, spurs innovation and deployment of new technologies, improves operating performance, and exerts downward pressure on cost. Notable benefits also stem from more broadly diversifying the fuels used to generate electricity. In executing its authority, the Commission will take steps to ensure a level playing field in jurisdictional markets for all types of resources.

In an effort to increase compliance with rules and to deter market manipulation, the Commission will promote internal compliance programs and self-reporting of violations by regulated entities. The Commission has provided guidance on elements of an effective compliance program and will review compliance programs as part of routine compliance audits. In addition, the Commission will further this strategy by giving companies credit against settlements if a robust compliance program was in effect when the violation occurred. In cases where a company is given a reduced civil penalty, the settlement agreement should be made known to the industry in order to encourage others to adopt and implement robust and thorough compliance programs.

In addition to the regulation and oversight of energy markets, the Commission aims to increase efficient infrastructure consistent with demand. The Commission is employing the use of incentive rates, the adoption of smart grid standards and other transmission-related activities to try to increase the number of electric transmission projects that incorporate advanced technologies. The Commission also supports an open and transparent electric transmission planning process in order to increase infrastructure efficiency.

A significant portion of the Commission's role in energy infrastructure development stems from siting authority that includes licensing non-federal hydropower projects, certificating interstate natural gas pipelines and storage projects, authorizing LNG facilities, and, in certain circumstances, permitting electric transmission lines. Throughout all of these processes, the Commission's goal is to expedite application processing without compromising environmental responsibilities or public participation. Reconciling these interests, however, remains a significant challenge. The Commission believes that issues are best addressed openly and early in the application process. The Commission encourages, and sometimes requires, project proponents to engage in early involvement of state and Federal agencies, Indian tribes, affected landowners and the public.

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

This transition could have several positive impacts on the Commission's dam safety program including, among others, a better understanding of potential failure modes, a better understanding of the consequences of potential failure modes on life, health and property, and an improved ability to evaluate risk reduction alternatives.

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

BUSINESS PLAN

The Commission's annual Business Plan details the activities and resources allocated to meet the Strategic Plan's goals and objectives. This increases internal accountability by enabling management to link individual office responsibility and budget resources to Commission activities. The Business Plan is an iterative process that helps to identify which activities are leading the Commission towards achieving particular goals and objectives. During FY 2012, the Commission reported actual FTE usage at a detailed activity level in its Business Plan, which improved offices' ability to organize and allocate resources effectively.

FULL COST RECOVERY

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

PROGRAM PERFORMANCE OVERVIEW

The performance measurement data and other achievements included below constitute several of the Commission's key achievements during FY 2012. The performance measures and targets were taken from the Commission's FYs 2009 – 2014 Strategic Plan. A complete list of the Commission's performance measurement data for fiscal years 2007 through 2012 is included in the Performance Report section of this report.

GOAL 1: JUST AND REASONABLE RATES, TERMS AND CONDITIONS

OBJECTIVE 1.1: REGULATORY AND MARKET MEANS
Ensure implementation of appropriate regulatory and market means for establishing rates

STRATEGY 1
Establish rules that enhance competition by allowing non-discriminatory market access to all supply side and demand-side energy resources

Performance Measure 1		
Further barriers to participation by demand resources in organized wholesale electric markets will be identified and eliminated.		
Year	**Target**	**Result**
FY 2012	As appropriate, issue Final Rule on further steps to eliminate barriers to demand resources	Target Met. On December 15, 2011, the Commission issued Order 745-A, Demand Response Compensation in Organized Wholesale Energy Markets order on rehearing.

Performance Measure 2		
Best practices for demand response products and procedures will be explored and, as appropriate, implemented in organized wholesale electric markets.		
Year	**Target**	**Result**
FY 2012	Implement Final Rule as appropriate	Target Met. The Commission has reviewed the filings made by six RTOs and ISOs to comply with Order No. 745, Demand Response Compensation in Organized Wholesale Energy Markets. The Commission determined that implementation of the Final Rule as proposed by five of the six RTOs and ISOs is appropriate, subject to additional compliance requirements in some instances, and issued orders on these five compliance filings. The Commission is determining whether implementation of the Final Rule as proposed in the sixth compliance filing is appropriate. Further, the Commission addressed other best practices by issuing a notice of proposed rulemaking on Standards for Business Practice and Communication Protocols for Public Utilities - Wholesale Electric Quadrant Demand Response Standards on April 19, 2012.

Performance Measure 3		
All resources that are technically capable of providing needed ancillary services have the opportunity to provide those services.		
Year	**Target**	**Result**
FY 2012	Implement Final Rule as appropriate	Target Met. The Commission issued Order Nos. 755 and 755-A, Frequency Regulation Compensation in Organized Wholesale Power Markets on October 20, 2011 and February 16, 2012, respectively. The Commission has reviewed the filings made by five RTOs and ISOs to comply with the Final Rule. The Commission determined that implementation of the Final Rule as proposed by three of the RTOs and ISOs is appropriate, subject to additional compliance requirements in some instances, and issued orders on these three compliance filings. The Commission is determining whether implementation of the Final Rule as proposed in the two remaining compliance filing is appropriate. Further supporting this measure, the Commission issued a notice of proposed rulemaking on Third-Party Provision of Ancillary Services; Accounting and Financial Reporting for New Electric Storage Technologies on June 21, 2012.

Performance Measure 4		
Market reforms which will allow renewable resources to compete fairly will be explored and, as appropriate, implemented in Commission-jurisdictional markets.		
Year	**Target**	**Result**
FY 2012	Issue Final Rule on market reforms, if appropriate	Target Met. On June 21, 2012, the Commission issued Order No. 764, Integration of Variable Energy Resources. The Commission also issued a notice of inquiry on Open Access and Priority Rights on Interconnection Facilities on April 19, 2012.

STRATEGY 2

Promote operational efficiency in wholesale markets through the exploration and encouragement of the use of software and hardware that will optimize market operations

Performance Measure 5		
By FY 2014, efficiency in market operations will be enhanced through deployment of new software and optimization of hardware.		
Year	**Target**	**Result**
FY 2012	Follow-up workshops on best practices implementation; issue Final Rule, if relevant	Target Met. On March 20, 2012, a workshop on best practices in software planning modeling was held. A Final Rule is not relevant for this performance measure. In FY 2011, it was determined that a technical conference would be more effective in furthering implementation of best practices than initiating a rulemaking proceeding. Without a rulemaking proceeding in FY 2011, pursuance of a Final Rule in FY 2012 was no longer relevant. Rather, staff held a follow-up workshop to identify best practices in the specific area of software planning modeling.

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STRATEGY 3
Develop and implement a common set of performance metrics for markets within and outside of Independent System Operators (ISOs)/ Regional Transmission Organizations (RTOs)

Performance Measure 6 [1]		
By FY 2014, the performance of markets within and outside of ISOs/RTOs will be measured using a common set of metrics.		
Year	**Target**	**Result**
FY 2012	Explore and develop appropriate operational and financial metrics for non-ISOs/RTO regions	Target Not Met. Beginning in FY 2011, Commission staff has been engaged in a voluntary and collaborative process with a diverse group of non-RTO utilities to develop proposed operational and financial performance metrics. It has taken longer than anticipated for this group to organize and reach consensus on a list of proposed metrics. In February 2012, the draft metrics were issued for public comment with an extended comment period of 75 days, 45 days longer than the typical 30 day comment period. Commission staff expects to issue in FY 2013 a report that will recommend a final list of performance metrics. This will not have a negative impact on program performance.

STRATEGY 4
Promote broad participation, including the use of alternative dispute resolution services, in the Commission's processes and procedures

Performance Measure 7 [2]		
By FY 2014, appropriate filings and issues will employ alternative dispute resolution and collaborative processes first.		
Year	**Target**	**Result**
FY 2012	Implement rules setting forth guidelines/tariff provisions and initiate pilot programs	Target Not Met. No additional measures for consensual resolution were identified as feasible; therefore, this measure is no longer applicable. This will not have a negative impact on program performance.

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

OTHER NOTEWORTHY ACCOMPLISHMENTS IN OBJECTIVE 1.1: REGULATORY AND MARKET MEANS

- In September 2012, to facilitate the review of oil pipeline rates, the Commission proposed to modify the reporting requirements of the FERC Form No. 6, Annual Report of Oil Pipeline Companies. The proposed modification will require additional information regarding rate base, rate of return, and income taxes and will facilitate the calculation of a pipeline's actual rate of return on equity.

- In April 2012, the Commission conditionally accepted proposals to reform ISO New England's (ISO-NE) markets by adding real-time external transaction bidding and scheduling rules for use at specifically designated proxy generator buses between New York Independent System Operator (NYISO) and ISO-NE.

- The Commission continued to engage in a stakeholder process to reform ISO-NE's Forward Capacity Market and address issues such as buyer-side mitigation and modeling capacity zones. In March 2012, the Commission accepted incremental revisions to extend the price floor to a lower level.

- The Commission conditionally approved Midwest Independent Transmission System Operator's (MISO) proposed revisions to its resource adequacy requirements and to establish local resource zones and zonal resource requirements. The local resource zones and associated locational capacity prices are intended to send economic signals indicating that capacity may have additional value if it is located in one location rather than another and reflects the limitations of MISO's transmission system.

- In September 2012, the Commission conditionally accepted a revised joint operating agreement between NYISO and PJM Interconnection (PJM) that addresses the cause of the Lake Erie loop flows that occurred in 2008 and certain interregional transactions in and around the Lake Erie region.

- In September 2012, the Commission granted, in part, and denied, in part, Astoria Generating Company's complaint that NYISO improperly implemented its buyer-side mitigation rules in the New York City Industrial and Commercial Abatement Program market with respect to new facilities.

- In May 2012, the Commission provided guidance on NYISO and PJM's recovery of costs associated with Phase Angle Regulator transmission facilities assessed to NYISO and PJM by MISO. NYISO's cost recovery proposal was accepted in August 2012, and PJM's cost recovery proposal was conditionally accepted in July 2012.

- In December 2011, the Commission accepted revisions to PJM's Open Access Transmission Tariff to support the development of price responsive demand, a state-level initiative under which end-use customers can vary load in response to wholesale electricity prices. This program will enhance the efficiency of the energy market and increase reliability.

- In May 2012, the Commission issued an order addressing transmission cost allocation in the PJM market. The order requires the use of the postage-stamp methodology in allocating costs of new 500 kV and above transmission projects. The Commission found that PJM's existing methodology for cost allocation of transmission enhancements for high-voltage facilities was unjust and unreasonable.

- The Commission conditionally approved MISO's proposal for the allocation of the costs of network transmission upgrades and transmission planning in order to establish a transition for the potential integration of Entergy Corporation and its operating companies into MISO as transmission-owning members.

- In December 2011, the Commission accepted a transition agreement that sets forth the terms and conditions under which

Valley Electric will make the transition from the Nevada Power Company balancing authority area to the California Independent System Operator (CAISO) balancing authority area. This is noteworthy because it involves the expansion of CAISO's footprint into Nevada, thus making CAISO a multi-state ISO.

- In FY 2012, staff achieved settlements in various electric utility, natural gas and oil pipeline cases resulting in annual savings of approximately $352 million and one time savings of approximately $108 million for American energy consumers.

OBJECTIVE 1.2: OVERSIGHT AND ENFORCEMENT
Increase compliance with the Commission's rules and deter market manipulation.

STRATEGY 1
Promote internal compliance programs and self-reporting of violations

Performance Measure 8		
By FY 2014, 70 percent of company compliance programs reviewed on Commission audits for the audit focus areas are found to be adequate to demonstrate a culture of compliance.		
Year	**Target**	**Result**
FY 2012	40%	Target Met. The Commission found that 67% (8 of 12) compliance programs were adequate to demonstrate a culture of compliance.

In FY 2012, the Commission completed the review of 12 jurisdictional companies' (companies) compliance programs as they related to the focus of the audits. In reviewing these compliance programs, the Commission found that 67 percent (8 out of 12) were found to be adequate to demonstrate a culture of compliance. The Commission is encouraged that jurisdictional companies have proactively taken steps to enhance their existing compliance programs based on the Commission's publicly issued audit reports and outreach efforts encouraging stronger compliance. Staff has also noticed an increased awareness of compliance related issues and an appreciation of suggested improvements to compliance programs.

Performance Measure 9		
By FY 2014, 70 percent of compliance programs reviewed through investigations that involve a penalty are found to be sufficiently robust to merit credit to reduce the penalty.		
Year	**Target**	**Result**
FY 2012	40%	Target Met. In 43% of the relevant cases, the Commission found compliance programs in place at the time of the violation to be sufficiently robust as to merit credit to reduce or eliminate penalties.

During FY 2012 the Commission completed 100 matters involving violations subject to penalties, including review of company compliance programs as they relate to the violations examined. In 43 percent of these cases (43 out of 100) the Commission found compliance programs in place at the time of the violation to be sufficiently robust as to merit credit to reduce or eliminate penalties.

STRATEGY 2
Use a risk-based approach to plan and prioritize audits of jurisdictional companies

Performance Measure 10		
By FY 2014, 80 percent of the Commission's audit program will be planned using a risk-based approach.		
Year	**Target**	**Result**
FY 2012	80%	Target Met. 88% (43 of 49) of the audits were planned by the Commission staff using a risk-based approach.

Of the 49 planned audits included in the Commission's annual audit plan, the Commission used a risk-based methodology to plan 88 percent of the audits (43 out of 49). In FY 2012, the Commission completed 44 audits which resulted in the issuance of 399 recommendations for corrective actions to public utilities and natural gas pipeline companies. Specifically, these audits resulted in $7 million in refunds and savings to utility ratepayers. A risk-based audit approach is key to using the Commission's resources efficiently and selecting audit candidates that pose the greatest risk of not complying with the Commission's statutes, orders, policies, rules and regulations.

OTHER NOTEWORTHY ACCOMPLISHMENTS IN OBJECTIVE 1.2: OVERSIGHT AND ENFORCEMENT

- In FY 2012, the Commission finalized nine settlements of investigations on a range of violations within the Commission's jurisdiction.
- In November 2011, the Commission held a Penalty Guidelines Technical Conference to discuss the effect of the Penalty Guidelines on certain compliance and enforcement matters.
- In September 2012, the Commission issued an order to show cause in the Deutsche Bank matter, involving alleged violations of the FPA and the Commission's anti-manipulation rule and accuracy requirements.
- In July 2012, the Commission issued four orders to show cause in the Day-Ahead Load Response Program matter, involving alleged violations of the FPA and the Commission's anti-manipulation rule.
- In September 2012, the Commission issued an order to show cause why JP Morgan Ventures Energy should not be found to have violated section 35.41(b) of the Commission's regulations and why it should not have its market-based rate authority suspended due to misrepresentations to the Commission in a docketed proceeding.
- In July 2012, staff filed a subpoena enforcement action in Federal court to challenge the assertion of attorney-client privilege on documents that did not include communications to or from an attorney. The assertion of privilege was made in connection with an investigation of JP Morgan Ventures Energy.
- In FY 2012, the Commission received 91 self-reports of violations. Staff reviewed every self-report and determined whether it warrants opening an investigation.
- In FY 2012, the Commission's Enforcement Hotline received 172 calls, each of which received prompt attention, and most of which resulted in informal resolution. Two hotline calls in FY 2012 resulted in the Commission opening investigations.
- Commission enforcement staff opened 16 new investigations (resulting from a variety

of leads and sources, including Hotline calls) and continues to conduct investigations in numerous cases involving possible market manipulation and tariff violations.

- In FY 2012, the Commission issued two key orders, which will ultimately provide trading and market data critical to the surveillance of jurisdictional markets as well as the identification, investigation, and prosecution of market manipulation.

- In September 2011, FERC conditionally authorized the proposed merger of Progress Energy and Duke Energy, and required the companies to propose measures to address market share screen failures and to mitigate their market power. The companies filed a proposal in October 2011, but the Commission determined that the proposed measures would not sufficiently remedy the harmful effects of the merger. After the companies filed a proposal that includes a significant investment in new transmission lines and infrastructure to increase competition, the Commission conditionally approved the merger in June 2012.

- In March 2012, the Commission approved the merger of Exelon Corporation and Constellation Energy Group, Inc. under the condition that the post-merger entity divest certain generation assets in order reduce their ability to exercise market power in the PJM markets.

- In November 2011, the Commission launched investigations into the rates charged by three interstate natural gas pipeline companies to determine whether the companies' revenues are substantially over-recovering costs, resulting in unjust and unreasonable rates charged to customers. The Commission's investigations stem from reviews of Annual Form 2 cost of service and revenue information submitted by interstate natural gas pipeline companies for 2009 and 2010. Two of these investigations resulted in uncontested settlements resolving all issues and providing for reduced rates to the customers. The third investigation was terminated after Commission Trial Staff determined that the pipeline is not over-recovering its cost of service or earning an unreasonable return on equity, and likely will not in the future.

GOAL 2: INFRASTRUCTURE

OBJECTIVE 2.1: INFRASTRUCTURE DEVELOPMENT AND SITING

Increase efficient infrastructure consistent with demand

STRATEGY 1

Encourage new electric transmission facilities that advance efficient transmission system operation

Performance Measure 11		
By FY 2014, 50 percent of all new transmission projects will incorporate advanced technologies.		
Year	**Target**	**Result**
FY 2012	20%	Target met. Of the projects that met the criteria 68% (17 projects) incorporated advanced technologies.

STRATEGY 2
Support electric transmission planning through the use of open and transparent processes that include analysis and consideration on a comparable basis of proposed solutions involving any of generation, transmission, and demand resources

Performance Measure 12		
By FY 2014, all public utilities will implement open and transparent transmission planning processes that include analysis and consideration on a comparable basis of proposed solutions involving any of generation, transmission, and demand resources.		
Year	**Target**	**Result**
FY 2012	Implement Final Rule as appropriate	Target Met. The Commission in Order No. 1000 (issued on July 21, 2011) encouraged public utility transmission providers to engage in frequent dialogue with Commission staff to explore issues that are specific to each transmission planning region in preparing their compliance filings (which were due in October 2012). To facilitate that dialog, Commission staff identified regional meetings where public utilities intended to discuss compliance with Order No. 1000, and participated, by phone and in-person, at 173 of those meetings. Staff's participation was both to monitor the progress of each region and to act as a resource for public utility transmission providers and stakeholders about issues related to Order No. 1000. In addition, staff was available to answer questions and meet with public utility transmission providers and stakeholders that had specific questions about Order No. 1000 compliance. In addition, Order 1000-A, Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities (Order on Rehearing & Clarification was issued on May 17, 2012.

STRATEGY 3
Promote efficient design and operation of natural gas facilities

Performance Measure 13		
By FY 2014, 100 percent of jurisdictional natural gas companies will be examined for feasibility of installing waste heat recovery systems.		
Year	**Target**	**Result**
FY 2012	60%	Target Met. In FY 2012, Commission staff examined a total of 62% of the Commission's jurisdictional natural gas companies (98 of 159) for feasibility of installing waste heat recovery systems. In FY 2012 specifically, Commission staff examined 33 companies.

OTHER NOTEWORTHY ACCOMPLISHMENTS IN OBJECTIVE 2.1: INFRASTRUCTURE DEVELOPMENT AND SITING

- The Commission completed 322 environmental documents supporting the authorization of more than 4,200 million cubic feet per day (MMcf/d) of natural gas pipeline capacity and nearly 3,000 MMcf of new natural gas storage capacity.

- The Commission successfully negotiated a Letter of Agreement with the Alaska State Pipeline Coordinator's Office enabling that agency's cooperation on the Environmental Impact Statement for the Alaska Pipeline Project. The Commission also conducted public scoping meetings in Alaska to support the development of an Environmental Impact Statement for the Alaska Pipeline Project, completed government-to-government consultation meetings with native Alaskan tribes and completed project-specific Native American consultation with 147 tribes.

- The Commission issued 33 environmental documents, 23 of which were on projects that propose new hydroelectric capacity totaling 1,390 megawatts, and took final action on 31 licensing cases representing 326 megawatts.

- The Commission processed 11 applications for increased hydroelectric capacity totaling 198 megawatts; 13 conduit applications totaling 10 megawatts; and 15 requests for production tax credit, totaling over 193,465 megawatt hours of incremental generation due to efficiency improvements.

- The Commission continued to implement the Small Hydropower Action Plan. Activities included: 1) six webinars and outreach sessions to explain contents of the website and clarify conduit and 5 megawatt exemption requirements; 2) web-based guidance to assist staff in processing exemption applications; and 3) memorandum of understanding (MOU) with the Jamaican government to provide guidance to improve Jamaica's hydropower licensing program.

- The Commission fostered the orderly and environmentally sound development of marine and hydrokinetic technologies. Measures included: 1) the first pilot licenses for tidal projects; 2) a major revision to the Bureau of Ocean Energy Management/FERC staff guidelines for siting projects, which provides a streamlined process to accelerate marine and hydrokinetic technologies projects on the Outer Continental Shelf; and 3) an MOU with the Coast Guard, which clarifies roles and coordinates schedules.

- The Commission conditionally approved MISO's third round of generation interconnection queue reform. This proceeding extended the concept of "first-ready, first-served" in the queuing process that had been accepted in MISO's earlier queue reforms by increasing the financial commitments required of an interconnection customer to maintain its position in the queue. As part of this third round, MISO also proposed Net Zero Interconnection Service (Net Zero). Under Net Zero, an existing generator and a new generator negotiate a means of regulating the combined output of both units such that the units' net output, as seen by the transmission system, is unchanged from the output which was previously approved for the existing unit alone. The Commission issued an order conditionally accepting MISO's proposal to implement Net Zero in 2012, noting that the proposal will promote more efficient utilization of existing interconnection capacity.

- In FY 2012, the Commission approved rate incentives for seven projects, totaling 2,726 miles of new transmission and a $7.6 billion investment in infrastructure.

- The Commission ruled on several abandonment and certificate applications that reorganized the corporate ownership of over 3,000 miles of natural gas pipelines located in the Gulf of Mexico. The Commission approved the abandonment by four natural gas pipelines of all or most of their offshore pipeline facilities. The Commission also conditionally approved the filings of the three pipelines acquiring the offshore assets.

- On February 28, 2012, a workshop was held to obtain input on potential reforms to the Commission's policies governing the allocation of capacity on new merchant transmission projects and new cost-based, participant-funded electric transmission projects, followed by issuance of a proposed policy statement on July 19, 2012.

- Five regional technical conferences on better coordination between natural gas and electricity markets were held to explore gas-electric interdependence as well as ways to improve coordination and communication between the two industries.

- In FY 2012, alternative dispute resolution (ADR) was used to resolve natural gas pipeline facility infrastructure conflicts between private property owners and energy companies. The use of ADR to resolve infrastructure disputes has increased by 38 percent compared to the previous fiscal year.

OBJECTIVE 2.2: SAFETY
Minimize risk to the public.

STRATEGY 1
Incorporate risk-informed decision making (RIDM) into the dam safety program

Performance Measure 14		
By FY 2014, risk-informed decision making will be incorporated into the FERC dam safety program.		
Year	**Target**	**Result**
FY 2012	Determine RIDM is consistent with regulatory process	Target Met. As a result of the Screening Level Portfolio Risk assessment of the Commission's dams conducted in FY 2012, it was determined that RIDM could be incorporated into the Commission's dam safety program.

OTHER NOTEWORTHY ACCOMPLISHMENTS IN OBJECTIVE 2.2: SAFETY

- Licensees, under Commission direction, remediated 44 dams at a cost to the licensees of $123 million, and the Commission detected possible dam safety deficiencies at an additional 145 dams that are now currently under investigation or remediation.
- The Commission collaborated with the Bureau of Reclamation, U.S. Army Corps of Engineers, and the Tennessee Valley Authority (Joint Federal Risk Management Task Group) to establish similar risk methodologies and procedures, and led a subcommittee of the task group developing a white paper on tolerability of risk.

OBJECTIVE 2.3: RELIABILITY
Provide for the reliable operation of the bulk power system through oversight of the development and implementation of mandatory and enforceable standards.[3]

STRATEGY 1
Process reliability standards in a timely manner

Performance Measure 15		
By FY 2014, proposed Reliability Standards will be processed in a timely manner at least 80 percent of the time.		
Year	**Target**	**Result**
FY 2012	75%	Target Met. 100% of filed reliability standards (including regional and CIP standards) have been processed with orders issued within 18 months.

STRATEGY 2
Monitor, audit, and enforce Reliability Standards

Performance Measure 16		
By FY 2014, Reliability Standards will be enforced effectively, resulting in a reduction of the frequency of repeat violations by at least 10 percent.		
Year	**Target**	**Result**
FY 2012	Track violations per entity	Target Met. The annual report analyzing FY 2011 data was completed on December 2, 2011 and an additional mid-year report was completed on July 30, 2012.

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

STRATEGY 3

Identify reliability parameters that affect goals of reducing carbon and increasing the penetration of renewable energy resources on the electric transmission grid

Performance Measure 17		
By FY 2014, reliability parameters that could affect goals of reducing carbon and increasing the penetration of renewable energy resources on the electric transmission grid will be finalized.		
Year	**Target**	**Result**
FY 2012	Track studies and identify or propose reliability parameters. Perform expanded analysis to assess if they are feasible for the bulk power system	Target Met. Commission staff tracked three studies identifying several reliability parameters and performed two expanded analyses to assess their feasibility. Specifically, staff 1) performed detailed technical analysis related to the Arizona-Southern California outages showing system operating limits, interconnection reliability operating limits, voltage collapse and special protection scheme reliability parameters were not appropriately considered; 2) tracked and conducted an expanded detailed analysis of the EPA regulations on the Bulk Power System and participated in the Commission-led technical conference; and 3) analyzed documentation and conducted a technical workshop on voltage coordination on high voltage grids to assess the feasibility of adjusting voltage reliability parameters.

OTHER NOTEWORTHY ACCOMPLISHMENTS IN OBJECTIVE 2.3: RELIABILITY

In FY 2012, the Commission participated, or is currently participating in, the development and interpretation of Reliability and Critical Infrastructure Protection (CIP) Standards. In FY 2012, the Commission issued the following:

- Order on regional Reliability Standard PRC-002-NPCC-01 – the Commission approved PRC-002-NPCC-01, Disturbance Monitoring, which requires Transmission Owners, Generator Owners, and Reliability Coordinators to ensure that Disturbance Monitoring Equipment be available and adequate to monitor system response to disturbances.

- Order on FAC-013-2 – the Commission approved Reliability Standard FAC-013-2—Assessment of Transfer Capability for the Near-term Transmission Planning Horizon, which requires Planning Coordinators to have a transparent methodology for, and to annually perform, an assessment of transmission Transfer Capability over the near-term planning horizon.

- Order on FAC-008-1 – the Commission approved Reliability Standard FAC-008-3 (Facility Ratings), which requires Transmission Owners and Generator Owners to document underlying assumptions and methods used to determine normal and emergency facility ratings. The Order also approved the associated Violation Risk Factors and

Violation Severity Levels, and retirement of Reliability Standards FAC-008-1 (Facility Ratings Methodology) and FAC-009-1 (Establish and Communicate Facility Ratings).

- Order on Reliability Standards PRC-006-1 and EOP-003-2 – the Commission approved Reliability Standards PRC-006-1 (Automatic Underfrequency Load Shedding) and EOP-003-2 (Load Shedding Plans), which establishes common performance characteristics that must be met by all Under Frequency Load Shedding programs. The Commission directed the North American Electric Reliability Corporation (NERC) to make the schedule for implementation of corrections needed in response to deficiencies identified in event assessment explicit in future versions of the Reliability Standard, and also to make modifications to one Violation Risk Factor and one Violation Severity Level.

- Order on CIP-002-4 through CIP-009-2 – the Commission approved eight modified Critical Infrastructure Protection Reliability Standards (CIP-002-4 through CIP-009-4), the related Violation Risk Factors, Violation Severity Levels with modifications, implementation plan and effective dates. The final rule included providing NERC with guidance regarding achieving full compliance with the directives contained in Order No. 706, as well as imposing a deadline of March 31, 2013 by which time NERC must submit the next version of the CIP Reliability Standards.

- In FY 2012, the ERO filed 53 notices of penalty addressing 1,450 violations of Reliability Standards. The notices of penalty included 35 filings identifying 736 violations of Reliability Standards Critical Infrastructure Protection and cyber security for the bulk power grid. Each of the notices of penalty requires review and analysis by Commission staff.

- Commission staff concluded technical analyses on two Part 1b investigations: (1) Grand River Dam Authority, Docket No. IN11-7-000, the result of which was a settlement with the Grand River Dam Authority including a $350,000 penalty plus mitigation measures and compliance improvements; and (2) Western Electricity Coordinating Council, Docket No. IN11-1-000, which resulted in a settlement with the Western Electricity Coordinating Council including a $350,000 penalty plus mitigation and reliability enhancement measures.

- On March 15, 2012, the Commission approved with conditions a proposal by the ERO to further streamline its violation processing by referring certain minor potential violations to a “find, fix and track” procedure. This approach foregoes all violations, penalties and related procedures, focusing instead on remediation and prospective compliance.

The Commission conducted two inquiries into bulk power system events during FY 2012, and conducted follow-up work on a third inquiry which was initiated in FY 2011.

- *Arizona-Southern California.* The Commission conducted a joint inquiry with the ERO into a September 8, 2011 power outage that left more than 2.7 million customers in Southern California, Arizona, and northern Baja California without electricity. The nearly eight-month inquiry was initiated to determine how the blackout occurred and to make recommendations to avoid similar situations in the future. ERO and Commission staff used on-site interviews, sophisticated computer modeling, event simulations and system analysis to make the determination that entities responsible for planning, operating and monitoring the bulk power system were not prepared to protect reliable operation or prevent cascading outages in the event of a single contingency: the loss of Arizona Public Service’s Hassayampa-North Gila 500 kV transmission line. A final report was issued on May 1, 2012 that included 27 findings and associated recommendations. The report found that the blackout stemmed from operating in an unsecured state due to inadequate planning and a lack of awareness of system operating conditions on the day of the event. Overall, it recommended that transmission operators and balancing authorities improve how they plan for operations to account for the status of facilities outside their individual systems, the effect of external operation on their own systems and how operation of transmission facilities under 100 kV can affect the reliability of the Bulk Power System.

- *Northeast Snow Storm.* The Commission also conducted a joint inquiry with the ERO into the October 29-30, 2011 unprecedented fall snow storm-related power outages in the Northeast. A final report was issued on May 31, 2012. The report found that the outages were primarily caused by healthy, off-right-of-way trees falling onto distribution lines. In sum, 95 percent of the customer outages were related to facilities that were either distribution facilities not subject to the Commission's jurisdiction or were transmission facilities operated at voltages less than 200 kV and not designated as critical to reliability by the Regional Entity. As such, the report found that while there is a Reliability Standard which addresses vegetation management, Reliability Standard FAC-003-1, this standard applies only to transmission facilities operated at voltages of 200 kV and above and, therefore, did not apply to the affected facilities.

- *Texas, New Mexico, and Arizona.* In FY 2011, the Commission completed an inquiry into the February 2011 generating facility outages and disruptions of both electric service and natural gas deliveries experienced in Texas, New Mexico, and Arizona as a result of unusually cold weather across the Southwest. On August 16, 2011, the task force released its report, finding a majority of the electric outages and gas shortages were due to weather-related causes. Although generators and gas producers reported having winterization procedures and practices in place, responses were generally reactive in their approach to winterization and preparedness. The task force attributed most of the electric outages and natural gas shortages to prolonged freezing weather that resulted in dramatically reduced supply and unprecedented high demand. On November 9, 2011, the Commission issued a follow-up data request to the Texas Reliability Entity, the Western Electricity Coordinating Council, and SPP Regional Entity for an update on the implementation of the task force recommendations. The Commission also conducted follow-up technical conferences in Texas and New Mexico in September 2012.

FINANCIAL PERFORMANCE OVERVIEW

As of September 30, 2012, the financial condition of the Commission was sound with sufficient funds to meet program needs and adequate controls were in place to ensure Commission obligations did not exceed budget authority. The Commission prepared its financial statements in accordance with the accounting standards codified in the Statements of Federal Financial Accounting Standards and with OMB Circular No. A-136, Financial Reporting Requirements.

Sources of Funds. The Commission receives an appropriation from Congress to fund its operations that is available until expended. The Commission's FY 2012 new budget authority was $304.6 million. Additional funds available to obligate in FY 2012 were $20.0 million from prior-year unobligated appropriations and $1.2 million of prior-year obligations that were subsequently de-obligated in the current year. The sum of all operating funds available to obligate in FY 2012 was $325.8 million. Separately, the Commission receives an appropriation from Congress to pay states the fees it collected for the occupancy and use of public lands. The payments to states appropriation in FY 2012 was $3.1 million.

Consistent with the requirements of the Omnibus Budget Reconciliation Act of 1986, as amended, the Commission collected fees to offset 100% of its budget authority in FY 2012.

Costs by Function. The Commission incurred costs of $310.4 million in FY 2012, which was a decrease of $5.5 million from FY 2011. Approximately 73 percent of costs were used for salaries and benefits. The remaining 27 percent was used to obtain technical assistance for the Commission's principal regulatory programs, to cover operating expenses, staff travel, and reimbursable work. Salaries and benefits decreased to $226.8 million since 2011 while the net effect on the other cost categories was a decrease of $3.2 million.

Costs by Function (millions)

Costs	**FY 2012**	**FY 2011**
Salaries and Benefits	$226.8	$229.1
Travel/Transportation	3.8	3.8
Rent/Comm/Utilities	25.8	22.7
Contract Support	43.4	45.7
Printing/Supplies/Other	10.6	14.6
Total Costs	**$310.4**	**$315.9**

Audit Results. The Commission received an unqualified audit opinion on its FY 2012 financial statements. This was the nineteenth consecutive year the Commission has received an unqualified opinion. For FY 2012, no material weaknesses or significant deficiencies were identified by the audit.

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

Analysis of the Balance Sheet

The Commission's assets were approximately $184.3 million as of September 30, 2012. This is an increase of $113.4 million from September 30, 2011. The assets reported in the Commission's Balance Sheet are summarized in the Asset Summary table.

Assets Summary (millions)

Assets	FY 2012	FY 2011
Fund Balance with Treasury	$163.6	$54.6
Accounts Receivable, net	11.3	9.0
Property and Equipment, net	9.4	7.3
Total Assets	**$184.3**	**$70.9**

The Fund Balance with Treasury represents the Commission's largest asset of $163.6 million as of September 30, 2012, an increase of $109.0 million from the FY 2011 balance. The increase is primarily collections of disgorged funds due to a large settlement of $104.0 million over market manipulation. Revenue collected under protest was also higher due to hydropower licensees protesting a portion of the Commission's FY 2012 annual charges. This balance represents appropriated funds, collected penalties and other funds maintained at the Treasury until final disposition is determined.

The Accounts Receivable, net has a balance of $11.3 million as of September 30, 2012. This balance represents the outstanding amounts due from either annual charges, civil penalties or other penalties issued by the Commission to entities under its regulation. The $2.3 million net increase in FY 2012 compared to FY 2011 is primarily due to a higher outstanding balance for Dams and Hydropower administration receivables.

The Property and Equipment, net was $9.4 million as of September 30, 2012, an increase of $2.1 million from FY 2011. The balance is comprised of the net value of the Commission's equipment, furniture, leasehold improvements, and computer hardware and software. The $2.1 million net increase is primarily due to the on-going development of the internal software and related capital items.

The Commission's liabilities were $165.9 million as of September 30, 2012. The Liabilities Summary table shows an increase in total liabilities of $115.4 million from FY 2011. The increase is primarily due to the settlement of $104.0 million in the disgorged funds yet to be disbursed, an increase in revenues collected under protest outlined above and a refund due to others from annual charges overbillings. The $165.9 million balance consists primarily of accrued expenditures for payroll, benefits, operating expenses, and collected disgorged funds.

Liabilities Summary (millions)

Liabilities	FY 2012	FY 2011
Accounts Payable	$15.0	$18.7
Federal Employee Benefits	4.7	3.8
Resources Transferable to Treasury and Other Federal Entities	3.3	1.2
Other Liabilities	142.9	26.8
Total Liabilities	**$165.9**	**$50.5**

The difference between total assets and total liabilities is the net position. The Commission's net position was approximately $18.4 million as of September 30, 2012. The decrease in net position in FY 2012 compared to FY 2011 is the net result of fewer resources expended by the Commission in FY 2012 compared to FY 2011 and the adjustment for the annual charges overbillings.

Net Position Summary (millions)

Position	FY 2012	FY 2011
Unexpended Appropriations	$37.6	$30.1
Cumulative Results of Operations	(19.2)	(9.7)
Total Net Position	**$18.4**	**$20.4**

Analysis of the Statement of Net Cost

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

Net Cost of Operations

Operation	FY 2012	FY 2011
Just and Reasonable Rates, Terms, and Conditions	$0	$0
Infrastructure	0	0
Net Cost of Operations	**$0**	**$0**

The Commission's net cost of operations for FY 2012 was $0. The Commission is a full cost recovery agency and recovers all of its cost through the allocated annual charges to the entities that it regulates.

Analysis of Statement of Changes in Net Position

The Statement of Changes in Net Position reports the change in net position during the reporting period. Net position is affected by changes in its two components: Cumulative Results of Operations and Unexpended Appropriations. The decrease in net position in FY 2012 compared to FY 2011 is the result of fewer resources expended by the Commission in FY 2012 compared to FY 2011 and the adjustment for the annual charges overbillings.

Analysis of the Statement of Budgetary Resources

The Statement of Budgetary Resources shows the sources of budgetary resources available and the status at the end of the period. It represents the relationship between budget authority and budget outlays, and reconciles obligations to total outlays. For FY 2012, the Commission had budgetary resources available of $329.0 million, the majority of which was derived from new spending authority. This represents an increase of $10.9 million over FY 2011 budgetary resources available of $318.1 million. The unobligated budget authority available at September 30, 2012 was $20.9 million, which is an increase of $0.9 million from the FY 2011 amount of $20.0 million.

The status of budgetary resources includes obligations incurred of $308.1 million, or 93.7% percent of funds available. Similarly, FY 2011 obligations incurred were $298.2 million or 93.7% percent of funds available. Total net outlays for FY 2012 were $(179.1) million, which represents a $147.6 million increase from FY 2011 net outlays of $(31.5) million. The increase from last year is a result of approximately $2.0 million in lower gross outlays and a $139.0 million increase in distributed offsetting receipts in FY 2012 compared to FY 2011. The increase in offsetting receipts was largely due to a $142.9 million increase in civil penalty collections in FY 2012.

Analysis of the Statement of Custodial Activity

The Statement of Custodial Activity displays the total Custodial Revenue and the Disposition of Collections related to that revenue activity. This statement ensures that revenue billed and collected by the Commission on behalf of other federal agencies will not be reported twice as revenue on the consolidated government's Statement of Net Cost. In FY 2012, the Commission reported $179.2 million in custodial revenue as of September 30, 2012 compared to $27.9 million in FY 2011. The majority of the increase over FY 2011 is due to the collection of civil penalties in the amount of $142.9 million charged to entities under the Commission's regulation for FY 2012 and subsequently transferred to the US Treasury.

CONTROLS, SYSTEMS, AND LEGAL COMPLIANCE

This section provides information on the Commission's compliance with the:

- Federal Managers' Financial Integrity Act of 1982;
- Revised Circular No. OMB A-123;
- Federal Financial Management Improvement Act of 1996;
- Prompt Payment Act;
- Debt Collection Improvement Act of 1996; and
- Improper Payments Information Act (IPIA)

Integrity Act Statement

During Fiscal Year 2012, the Commission focused its efforts on assisting consumers in obtaining reliable, efficient, and sustainable energy services at a reasonable cost through appropriate regulatory and market means. In fulfilling this mission, the commission has pursued two primary goals. We have worked diligently to ensure that rates, terms and conditions for wholesale sales and transmission of electric energy and natural gas are just, reasonable and not unduly discriminatory or preferential. Moreover, we continue to promote the development of safe, reliable, and efficient energy infrastructure that serves the public interest. We are progressing in each of these areas while we continue to improve our capabilities to meet the challenges of the energy issues confronting our nation.

To accomplish our goals, we must manage our resources efficiently and integrate our budget, performance measures, and management controls to improve performance and accountability. Our OMB Circular No. A-123 internal control program is helping us accomplish this by monitoring our financial, human capital and information resources to safeguard our assets, improve the integrity of our reporting, and use our resources more effectively in reaching our goals. Problems that impede our progress continue to be brought to the attention of management and resolved within the Commission at the appropriate level. The auditors' FY 2012 report on the Commission's internal control structure disclosed no material weaknesses and no instances of noncompliance with laws and regulations. We will continue to maintain a strong management control system.

The Commission's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). In accordance with OMB Circular No. A-123, Management's Responsibility for Internal Controls, we evaluated the effectiveness and efficiency of our internal controls over operations and our compliance with applicable laws and regulations as of September 30, 2012. Based on the results of this evaluation, the Commission can provide reasonable assurance that its internal controls are operating effectively and that no material weaknesses were found in the design or operation of our internal controls.

In addition, the Commission assessed the effectiveness of internal controls over financial reporting, which includes the safeguarding of assets and our compliance with applicable laws and regulations in accordance with the requirements of OMB Circular No. A-123, Appendix A. The results of this assessment found no material weaknesses in the design or operation of our controls over financial reporting. The Commission can provide reasonable assurance that its internal controls over financial reporting as of September 30, 2012, are operating effectively.

Jon Wellinghoff
Chairman
Federal Energy Regulatory Commission
September 2012

Federal Managers' Financial Integrity Act of 1982

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

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

- Management knowledge gained from the daily operation of agency programs and reviews;
- Management reviews;
- Annual performance plans; and,
- Inspector General and Government Accountability Office reports.

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

FY 2012 Integrity Act Results.
The Commission evaluated its management control systems for the fiscal year ending September 30, 2012. This evaluation provided reasonable assurance that the Commission's management controls achieved their intended objectives. As a result, management concluded that the Commission did not have any material weaknesses in its programmatic or administrative activities.

FY 2012 OMB Circular No. A-123

The Commission evaluated its internal controls over financial reporting for the fiscal year ending September 30, 2012. Based on the results of this evaluation, the Commission can provide reasonable assurance that its internal controls are operating effectively and that no material weaknesses were found in the design or operation of our internal controls.

Federal Financial Management Improvement Act of 1996

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires each agency to implement and maintain systems that comply substantially with: (i) Federal financial management system requirements, (ii) applicable Federal accounting standards, and (iii) the U.S. Government standard general ledger at the transaction level. The FFMIA requires the Chairman to determine whether the agency's financial management systems comply with the FFMIA and to develop remediation plans for systems that do not comply. Our review of the Commission's financial management system in FY 2012 demonstrated that we fully comply with this act.

FY 2012 FFMIA Results.
As of September 30, 2012, the Commission evaluated its financial management system to determine if it complied with applicable Federal requirements and accounting standards required by the Improvement Act. We found that the Commission's financial management system was in substantial compliance with the Federal financial management system requirements, applicable Federal accounting standards and the U.S. standard general ledger at the transaction level. In making this determination, we undertook financial reporting tests of the system and reviewed entries at the transaction level, and determined compliance with Federal requirements and accounting standards required by FFMIA.

Prompt Payment Act

The Prompt Payment Act requires Federal agencies to make timely payments to vendors for supplies and services, to pay interest penalties when payments are made after the due date, and to take cash discounts when they are economically justified. As of September 30, 2012, the Commission made 100% of its payments, that were subject to the Prompt Payment Act, on-time. The Commission incurred $0.00 in interest penalties in FY 2012 and FY 2011. The agency made 100% of its vendor payments electronically in FY 2012.

Debt Collection Improvement Act of 1996

The Debt Collection Improvement Act of 1996 was enacted to enhance the ability of the Federal Government to service and collect debts. The agency goal is to maintain the delinquent debt owed to the Commission at year-end at less than two percent of its current annual billings. As of September 30, 2012, delinquent debt was approximately $386,000, which is approximately three one hundredths of a percent of its current annual billings. The Commission continues to aggressively pursue the collection of delinquent debt and continues to meet the requirement that all eligible delinquent debt over 180 days is referred to the U.S. Treasury for collection.

Improper Payments Information Act (IPIA) Reporting

The Commission has performed a review of its payments through September 30, 2012 and it has processed 99% of its payments without error. The Commission found only 75 erroneous payments out of 7,064 total payments. The value of those erroneous payments totaled $274,951 out of total payments of $63,513,895 for FY 2012.

POSSIBLE FUTURE EFFECTS OF EXISTING EVENTS AND CONDITIONS

Certain hydroelectric licensees have filed appeals claiming the Commission erroneously accepted certain “other agency costs” (costs incurred by Other Federal agencies in administering Part I of the FPA component of the licensees’ annual charges) in its calculation of FY annual charges. The combined liability of these appeals total $2.2 million as of September 30, 2012 and is included herein as revenue collected under protest. This liability is fully funded and therefore poses no adverse or material future effect on the Commission’s financial position.

In addition, the Commission has an Equal Employment Opportunity case pending where the probability of success for the claimant is reasonably possible. The amount of monetary relief, if awarded, could be $100,000 to $125,000 as of September 30, 2012.

LIMITATIONS OF THE FINANCIAL STATEMENTS

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

Financial Section

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

Office of the
Executive Director

Message from the Chief Financial Officer

I am pleased to present the Federal Energy Regulatory Commission's (Commission) comparative financial results for fiscal years 2012 and 2011. The accompanying financial statements and related notes fairly present the Commission's financial position and were prepared in conformity with accounting principles generally accepted in the United States of America, and requirements set forth in Office of Management and Budget (OMB) Circular No. A-136, Financial Reporting Requirements.

During FY 2012, the Commission continued to focus on its statutory responsibilities. Through strict adherence to its primary mission, the Commission assisted consumers in obtaining reliable, efficient, and sustainable energy services at a reasonable cost through appropriate regulatory and market means. In fulfilling this mission, the Commission continued to establish policies and processes designed to ensure that rates, terms and conditions for wholesale sales and transmission of electric energy and natural gas are just, reasonable and not unduly discriminatory or preferential. Additionally, the agency took action to continually promote the development of safe, reliable, and efficient energy infrastructure that serves the public interest.

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

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

- The Commission obtained an unqualified opinion on its financial statements for the 19th consecutive year. In addition, it strengthened its internal control program by continuing on-going self-assessment efforts as required by OMB Circular No. A-123, Management's Responsibility for Internal Control. The Commission has reasonable assurance that its internal controls over financial reporting were operating effectively during FY 2012.

- The Commission collected over $337 million in offsetting receipts during the fiscal year. Financial management staff issued 100% of the related regulatory assessments electronically to jurisdictional entities and hydropower licensees. As a result of these efforts, the Commission exceeded its statutory collection requirements to offset its annual appropriation by more than $32 million.

- The Commission awarded over 35% of its total contract dollars to small, women-owned and minority businesses. This level of performance met the target established for the fiscal year. Additionally, in responding to accountability initiatives established by the President, the Commission has reduced its combined share of dollars obligated on high risk contracts by 11%. This exceeded the administration's established target for FY 2012 of 10%.

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

Anton C. Porter
Chief Financial Officer
Federal Energy Regulatory Commission
November 6, 2012

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

Independent Auditors' Report

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

We have audited the accompanying balance sheets of the Federal Energy Regulatory Commission (the Commission) as of September 30, 2012 and 2011, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity (hereinafter referred to as "financial statements") for the years then ended. The objective of our audits was to express an opinion on the fair presentation of these financial statements. In connection with our fiscal year 2012 audit, we also considered the Commission's internal control over financial reporting and tested the Commission's compliance with certain provisions of applicable laws, regulations, and contracts that could have a direct and material effect on these financial statements.

Summary

As stated in our opinion on the financial statements, we concluded that the Commission's financial statements as of and for the years ended September 30, 2012 and 2011, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

As discussed in our Opinion on the Financial Statements, the Commission changed its presentation for reporting the statement of budgetary resources in fiscal year 2012.

Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined in the Internal Control Over Financial Reporting section of this report.

The results of our tests of compliance with certain provisions of laws, regulations, and contracts disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

The following sections discuss our opinion on the Commission's financial statements; our consideration of the Commission's internal control over financial reporting; our tests of the Commission's compliance with certain provisions of applicable laws, regulations, and contracts; and management's and our responsibilities.

Opinion on the Financial Statements

We have audited the accompanying balance sheets of the Federal Energy Regulatory Commission as of September 30, 2012 and 2011, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Federal Energy Regulatory Commission as of September 30, 2012 and 2011, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the financial statements, the Commission changed its presentation for reporting the Statement of Budgetary Resources in fiscal year 2012, based on new reporting requirements under OMB Circular No. A-136, *Financial Reporting Requirements*. As a result, the Federal Energy Regulatory Commission's statement of budgetary resources for fiscal year 2011 has been adjusted to conform to the current year presentation.

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

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

Internal Control Over Financial Reporting

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the Responsibilities section of this report and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. In our fiscal year 2012 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain additional matters that we will report to management of the Commission in a separate letter.

Compliance and Other Matters

The results of our tests of compliance as described in the Responsibilities section of this report, exclusive of those referred to in the *Federal Financial Management Improvement Act of 1996* (FFMIA), disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04.

The results of our tests of FFMIA disclosed no instances in which the Commission's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

* * * * * * *

Responsibilities

Management's Responsibilities. Management is responsible for the financial statements; establishing and maintaining effective internal control over financial reporting; and complying with laws, regulations, and contracts applicable to the Commission.

Auditors' Responsibilities. Our responsibility is to express an opinion on the fiscal year 2012 and 2011 financial statements of the Commission based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin No. 07-04. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.

In planning and performing our fiscal year 2012 audit, we considered the Commission's internal control over financial reporting by obtaining an understanding of the Commission's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

As part of obtaining reasonable assurance about whether the Commission's fiscal year 2012 financial statements are free of material misstatement, we performed tests of the Commission's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, including the provisions referred to in Section 803(a) of FFMIA. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, and contracts applicable to the Commission. However, providing an opinion on compliance with laws, regulations, and contracts was not an objective of our audit and, accordingly, we do not express such an opinion.

This report is intended solely for the information and use of the Commission's management, the Department of Energy's Office of Inspector General, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 6, 2012

FEDERAL ENERGY REGULATORY COMMISSION

Balance Sheets

As of September 30, 2012 and 2011

(in dollars)

	2012	2011
Assets (note 3):		
Intragovernmental:		
Fund balance with Treasury (note 4)	$ 163,574,245	$ 54,600,682
Accounts receivable (note 5)	78,903	1,941
Total intragovernmental	163,653,148	54,602,623
Accounts receivable, net (note 5)	11,208,573	9,076,833
Property and equipment, net (note 6)	9,401,019	7,265,682
Total assets	$ 184,262,740	$ 70,945,138
Liabilities:		
Intragovernmental:		
Accounts payable	$ 1,928,095	$ 3,281,152
Other (note 7):		
Accrued payroll and benefits	845,903	606,598
Resources transferable to Treasury and other Federal entities	3,278,395	1,179,285
Workers' compensation payable (note 9)	698,925	583,653
Total intragovernmental	6,751,318	5,650,688
Accounts payable	13,052,291	15,467,725
Other (note 7):		
Accrued payroll and benefits	3,831,843	3,190,631
Collections due to states	-	1,566,870
Revenue collected under protest	2,249,253	187,575
Refunds and other amounts due	10,811,140	89,089
Accrued leave (note 9)	14,308,471	14,053,693
FECA Actuarial Liability (note 9)	3,042,357	2,466,002
Resources transferable to other entities from disgorged funds	111,847,489	7,847,489
Total liabilities	165,894,162	50,519,762
Net Position:		
Unexpended appropriations - other funds	37,566,059	30,147,320
Cumulative results of operations - other funds	(19,197,481)	(9,721,944)
Total net position	18,368,578	20,425,376
Total liabilities and net position	$ 184,262,740	$ 70,945,138

The accompanying notes are an integral part of these statements.

FEDERAL ENERGY REGULATORY COMMISSION
Statements of Net Cost
For Years Ending September 30, 2012 and 2011
(in dollars)

		2012		2011
Program costs:				
Regulation:				
Just and Reasonable Rates, Terms, & Conditions (note 14):				
Gross costs	$	167,946,133	$	176,895,475
Less: earned revenue		167,946,133		176,895,475
Net program costs	$	-	$	-
Infrastructure (note 14):				
Gross costs	$	142,423,246	$	139,024,817
Less: earned revenue		142,423,246		139,024,817
Net program costs	$	-	$	-
Total (note 14):				
Gross costs	$	310,369,379	$	315,920,292
Less: earned revenue		310,369,379		315,920,292
Net Cost of Operations	$	-	$	-

The accompanying notes are an integral part of these statements.

FEDERAL ENERGY REGULATORY COMMISSION
Statements of Changes in Net Position
For Years Ending September 30, 2012 and 2011
(in dollars)

	2012	2011
Cumulative Results of Operations:		
Beginning balances	$ (9,721,944)	$ (9,129,213)
Budgetary Financing Sources:		
Appropriations used	297,181,261	299,750,466
Other Financing Sources (Non-Exchange):		
Transfers – out to Treasury without reimbursement	(320,976,897)	(315,885,244)
Imputed financing from costs absorbed by others (note 10)	14,320,099	15,542,047
Total Financing Sources	(9,475,537)	(592,731)
Net Cost of Operations	-	-
Net Change	(9,475,537)	(592,731)
Cumulative Results of Operations	$ (19,197,481)	$ (9,721,944)
Unexpended Appropriations:		
Beginning balances	$ 30,147,320	$ 31,897,786
Budgetary Financing Sources:		
Appropriations received	304,600,000	298,000,000
Appropriations used	(297,181,261)	(299,750,466)
Total Budgetary Financing Sources	7,418,739	(1,750,466)
Total Unexpended Appropriations	$ 37,566,059	$ 30,147,320
Net Position	$ 18,368,578	$ 20,425,376

The accompanying notes are an integral part of these statements.

FEDERAL ENERGY REGULATORY COMMISSION
Statements of Budgetary Resources
For Years Ending September 30, 2012 and 2011
(in dollars)

		2012		2011
Budgetary Resources:				
Unobligated balance, brought forward, October 1	$	19,972,915	$	11,791,937
Recoveries of prior year unpaid obligations		1,218,246		2,530,760
Unobligated balance from prior year budget activity, net		21,191,161		14,322,697
Appropriation		3,127,757		5,790,138
Spending authority from offsetting collections earned		304,686,540		298,035,515
Total budgetary resources	$	329,005,458	$	318,148,350
Status of Budgetary Resources:				
Obligations incurred (note 15)	$	308,107,570	$	298,175,435
Unobligated balances, end of year:				
Apportioned		18,367,126		19,972,915
Unapportioned		2,530,762		-
Total unobligated balance, end of year		20,897,888		19,972,915
Total status of budgetary resources	$	329,005,458	$	318,148,350
Change in Obligated Balance:				
Unpaid obligations, brought forward, October 1	$	34,337,808	$	45,548,555
Less: Uncollected customer payments from Federal sources, brought forward, October 1		(40,947)		(39,935)
Obligated balance, net, start of year		34,296,861		45,508,620
Obligations incurred, net		308,107,570		298,175,435
Less: Gross outlays		(304,811,931)		(306,855,420)
Change in uncollected customer payments from Federal sources		(76,962)		(1,012)
Less: Recoveries of prior year unpaid obligations, actual		(1,218,246)		(2,530,760)
Obligated balance, end of year				
Unpaid obligations, end of year		36,415,201		34,337,808
Less: Uncollected customer payments from from Federal sources		(117,909)		(40,947)
Obligated balance, end of year	$	36,297,292	$	34,296,861

Budget Authority and Outlays, Net:				
Budget authority, gross		307,814,297		303,825,651
Less: Offsetting collections		(304,609,578)		(298,034,503)
Change in uncollected customer payments from Federal sources		(76,962)		(1,012)
Budget authority, net	$	3,127,757	$	5,790,136
Outlays, gross	$	304,811,931	$	306,855,420
Less: Offsetting collections		(304,609,578)		(298,034,503)
Outlays, net		202,353		8,820,917
Less: Distributed offsetting receipts		(179,321,698)		(40,279,404)
Agency outlays, net	$	(179,119,345)	$	(31,458,487)

The accompanying notes are an integral part of these statements.

FEDERAL ENERGY REGULATORY COMMISSION

Statements of Custodial Activity

For Years Ending September 30, 2012 and 2011

(in dollars)

	2012	2011
Revenue Activity:		
Sources of Collections:		
Cash collections – annual charges	$ 178,283,446	$ 47,566,629
Accrual adjustment	960,241	(19,648,365)
Total custodial revenue (note 12)	179,243,687	27,918,264
Disposition of Collections:		
Transferred to others:		
United States Army – Corps of Engineers	(7,872,888)	(9,288,982)
Department of Interior	(7,074,799)	(12,949,513)
United States Treasury	(159,748,981)	(19,456,212)
Various states	(3,086,244)	(5,831,575)
Decrease (increase) in Amounts Yet to be transferred	(1,460,775)	19,608,018
Total Disposition of Collections	(179,243,687)	(27,918,264)
Net Custodial Activity	$ -	$ -

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

September 30, 2012 and 2011

(1) Description of Reporting Entity

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

The Commission was created through the Department of Energy's (DOE) Organization Act on October 1, 1977. The Commission's predecessor, the Federal Power Commission (FPC), established in 1920, was abolished, and the Commission inherited a significant portion of FPC's energy agenda.

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

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

On September 30, 2009, the Commission submitted to Congress its updated Strategic Plan which will serve as a guide through FY 2014. As part of the update process, the Commission realigned its resources and activities with its key statutory authorities. This resulted in an updated mission statement and two strategic goals.

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

Just and Reasonable Rates, Terms and Conditions. One of the Commission's fundamental statutory responsibilities is to ensure that rates, terms and conditions for wholesale sales and transmission of electric energy and natural gas are just and reasonable and not unduly discriminatory or preferential. The Commission uses a combination of regulatory and market means to achieve this goal, including reviewing tariffs and making rate determinations. Oversight of the energy markets and enforcement of the associated laws, rules and regulations are essential complements to the regulatory and market means. The Commission uses a balanced approach in its oversight and enforcement efforts, including: educating affected entities about market rules and other regulations; promoting internal compliance programs; employing robust audit and investigation programs; and, where appropriate, exercising the Commission's civil penalty authority as a deterrent to violations.

Infrastructure. The Commission plays an important role in the development of a strong energy infrastructure that operates efficiently, safely and reliably. The Commission has siting authority that includes licensing non-federal hydropower projects, certificating interstate natural gas pipelines and storage projects, authorizing liquefied natural gas (LNG) facilities, and, in certain circumstances, permitting electric transmission lines. The Commission relies primarily on physical inspections of facilities to ensure the safety of LNG and non-federal hydropower facilities throughout the entire life cycle of a project: design review, construction and operation. Further, the Commission promotes efficient operation of energy infrastructure by encouraging, for example, the use of new technologies, and other procedures that may enhance economic efficiency.

Lastly, the Commission has an important role in maintaining the reliability of the electric transmission grid. The Commission established, and now oversees, the Electric Reliability Organization (ERO). The ERO develops and enforces mandatory reliability and cyber security standards, subject to the review and approval by the Commission. The Commission also monitors system disturbances to identify near and long-term issues affecting generation and transmission.

Cost Recovery

As described below, the Commission recovers 100% of its annual appropriation from the U.S. Department of the Treasury (the Treasury) through annual charges and filing fees authorized by the Omnibus Budget Reconciliation Act of 1986 and other laws.

Annual Charges

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

Hydropower

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

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

Gas, Electric, and Oil

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

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

Filing Fees

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

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

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

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

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

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

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

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

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

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

(b) Budgets and Budgetary Accounting

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

(c) Basis of Accounting

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

(d) Revenue and Financing Sources

As described above, the Commission receives funds for its operating and capital expenditures through an appropriation allotment from DOE. For financial statement purposes, the appropriation allotment is recognized as a financing source when operating expenses (primarily salaries and benefits), other than depreciation, are incurred and when capital assets are purchased.

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

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

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

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

(e) Fund Balance with Treasury

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

(f) Allowance for Doubtful Accounts

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

(g) Property and Equipment

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

(h) Liabilities

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

(i) Workers' Compensation Payable

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

(j) Collections Due to States

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

(k) Revenue Collected Under Protest

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

(l) Accrued Leave

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

(m) Disgorged Funds

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

(n) Net Position Accounts

Net position account balances consist of the following components:

Unexpended appropriations – Represents amounts of spending authority that are unobligated and available to the Commission, or obligated but not expended.

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

(o) Tax Status

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

(p) Use of Estimates

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

(q) Comparative Data

In FY 2012, changes to the presentation of the Statements of Budgetary Resources were made in accordance with guidance provided in OMB Circular No. A-136, and as such, FY 2011 activity and balances reported on the Statement of Budgetary Resources have been reclassified to conform to the presentation in the current year. Certain FY 2011 amounts have been reclassified to conform to the FY 2012 presentation.

(3) Non-Entity Assets

Non-entity assets at September 30, 2012 and 2011 consisted of:

	2012	2011
Intragovernmental:		
Fund balance with Treasury:		
Collections due to states	$ -	$ 1,566,070
Revenue collected under protest	2,249,253	187,575
Disgorged funds	104,012,730	12,730
Miscellaneous receipts held in suspense	117,083	89,089
Total intragovernmental assets	106,379,066	1,855,464
Accounts receivable, net	8,898,545	9,078,774
Total non-entity assets	115,277,611	10,934,238
Total entity assets	68,985,129	60,010,900
Total assets	$ 184,262,740	$ 70,945,138

(4) Fund Balance with Treasury

Fund balance with Treasury at September 30, 2012 and 2011 consisted of:

	2012	2011
Fund Balances:		
General:		
Appropriated funds	$ 57,195,179	$ 52,745,218
Other:		
Collections due to states	-	1,566,070
Revenue collected under protest	2,249,253	187,575
Disgorged funds	104,012,730	12,730
Miscellaneous receipts held in suspense	117,083	89,089
Total	$ 163,574,245	$ 54,600,682
Status of Fund Balance with Treasury:		
Unobligated balance:		
Available	$ 20,779,978	$ 19,973,480
Obligated balance not yet disbursed	36,415,201	34,337,808
Non-budgetary fund balance with Treasury	106,379,066	289,394
Total	$ 163,574,245	$ 54,600,682

(5) Accounts Receivable, net

Entity and non-entity accounts receivable at September 30, 2012 and 2011 consisted of:

	2012		
	Annual Charges	Other	Total
Entity			
Uncollected billings	$ 2,214,609	$ 101,360	$ 2,315,969
Unbilled billings	-	-	-
Uncollected intragovernmental billings	-	78,903	78,903
Allowance for doubtful accounts	-	(5,941)	(5,941)
Total entity accounts receivable, net	2,214,609	174,322	2,388,931
Non-entity			
Uncollected billings	479,279	70,948,032	71,427,311
Allowance for doubtful accounts	-	(62,528,766)	(62,528,766)
Total non-entity accounts receivable, net	479,279	8,419,266	8,898,545
Total accounts receivable, net	$ 2,693,888	$ 8,593,588	$ 11,287,476

	2011		
	Annual Charges	Other	Total
Entity			
Uncollected billings	$ 522,253	$ 85,294	$ 607,547
Unbilled billings	49,776	-	49,776
Uncollected intragovernmental billings	-	1,941	1,941
Allowance for doubtful accounts	-	(23,304)	(23,304)
Total entity accounts receivable, net	572,029	63,931	635,960
Non-entity			
Uncollected billings	36,069	70,935,511	70,971,580
Allowance for doubtful accounts	-	(62,528,766)	(62,528,766)
Total non-entity accounts receivable, net	36,069	8,406,745	8,442,814
Total accounts receivable, net	$ 608,098	$ 8,470,676	$ 9,078,774

(6) Property and Equipment, net

Property and equipment and related accumulated depreciation at September 30, 2012 and 2011 consisted of:

	2012		
	Acquisition Amount	Accumulated Depreciation	Net
Equipment	$ 5,809,819	$ 3,675,552	$ 2,134,267
Furniture	11,500,547	9,489,000	2,011,547
Leasehold improvements	11,713,238	8,503,757	3,209,481
ADP software	16,238,259	16,238,259	-
Construction in process	2,045,724	-	2,045,724
Capital assets	29,000	29,000	-
Total property and equipment, net	$ 47,336,587	$ 37,935,568	$ 9,401,019

	2011		
	Acquisition Amount	Accumulated Depreciation	Net
Equipment	$ 5,173,374	$ 3,255,278	$ 1,918,096
Furniture	10,636,907	9,257,214	1,379,693
Leasehold improvements	11,713,238	7,807,004	3,906,234
ADP software	16,418,335	16,418,335	-
Construction in process	61,659	-	61,659
Capital assets	29,000	29,000	-
Total property and equipment, net	$ 44,032,513	$ 36,766,831	$ 7,265,682

(7) Other Liabilities

Other liabilities at September 30, 2012 and 2011 consisted of:

	2012		
	Current	Non-Current	Total
Intragovernmental			
Accrued payroll and benefits	$ 845,903	$ -	$ 845,903
Resources transferable to Treasury and other Federal entities	3,278,395	-	3,278,395
Workers' compensation payable	115,272	583,653	698,925
Total other intragovernmental liabilities	4,239,570	583,653	4,823,223
Accrued payroll and benefits	3,831,843	-	3,831,843
Collections due to states	-	-	-
Revenue collected under protest	2,249,253	-	2,249,253
Refunds and other amounts due	10,811,140	-	10,811,140
Accrued leave	14,308,471	-	14,308,471
FECA Actuarial Liability	-	3,042,357	3,042,357
Resources transferable to other entities from disgorged funds	111,847,489	-	111,847,489
Total other liabilities	$ 147,287,766	$ 3,626,010	$ 150,913,776

	2011		
	Current	Non-Current	Total
Intragovernmental			
Accrued payroll and benefits	$ 606,598	$ -	$ 606,598
Resources transferable to Treasury and other Federal entities	1,179,285	-	1,179,285
Workers' compensation payable	288,134	295,519	583,653
Total other intragovernmental liabilities	2,074,017	295,519	2,369,535
Accrued payroll and benefits	3,190,631	-	3,190,631
Collections due to states	1,566,870	-	1,566,870
Revenue collected under protest	187,575	-	187,575
Refunds and other amounts due	89,089		89,089
Accrued leave	14,053,693	-	14,053,693
FECA Actuarial Liability	-	2,466,002	2,466,002
Resources transferable to other entities from disgorged funds	7,847,489	-	7,847,489
Total other liabilities	$ 29,009,364	$ 2,761,521	$ 31,770,885

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

Revenue collected under protest represents monies that may be forwarded to the Commission or protesting entities once the protest is resolved.

Refunds and other amounts due represent monies that ultimately will be returned to entities due to overpayments of prior billings and other amounts due for miscellaneous activities, such as parking.

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

(8) Leases

The General Services Administration (GSA) enters into lease agreements for government buildings and maintains those lease agreements. The Commission pays GSA a standard level users charge for the annual rental of building space, of which Commission Headquarters is in Washington, DC and several other regional offices are located in various parts of the country. The standard level users charge approximates the commercial rental rates for similar properties. The Commission generally executes an occupancy agreement with GSA, which normally includes a requirement to give 30-120 days notice to vacate. Expenses incurred for building leases amounted to $23.2 million and $20.7 million for periods ended September 30, 2012 and 2011, respectively.

Real Property Operating Leases – Future Payments

Fiscal Year		GSA		Non-GSA		Total
FY 2013	$	13,835,921	$	36,807	$	13,872,728
FY 2014		13,910,762		12,269		13,923,031
FY 2015		13,946,453		-		13,946,453
FY 2016		17,259,593		-		17,259,593
FY 2017		17,260,237		-		17,260,237
Beyond FY 2017		127,283,020		-		127,283,020
Total future minimum lease payments	$	203,495,986	$	49,076	$	203,545,062

(9) Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources at September 30, 2012 and 2011 consisted of:

		2012		2011
Intragovernmental				
Workers' compensation payable	$	698,925	$	583,653
Total intragovernmental		698,925		583,653
Accrued leave		14,308,471		14,053,693
FECA Actuarial Liability		3,042,357		2,466,002
Total liabilities not covered by budgetary resources	$	18,049,753	$	17,103,348

(10) Pension Expense

Commission employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). Employees participating in CSRS contribute 7% of their basic pay to the plan, and the Commission makes a matching contribution. For employees participating in the FERS program, the Commission makes a contribution of 11.9% of basic pay.

On January 1, 1987, FERS went into effect pursuant to Public Law 99 335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, could elect either to join FERS and Social Security or remain in CSRS. FERS offers a savings plan in which the Commission automatically contributes 1% of employees' basic pay and matches any employee contribution up to an additional 4% of basic pay. For most employees hired since December 31, 1983, the Commission also contributes the employer's matching share for Social Security.

The actuarial present value of accumulated benefits, assets available for benefits, and unfunded pension liability of CSRS and FERS is not allocated to individual departments and agencies and is, therefore, not disclosed by the Commission. Total pension expense paid by the Commission for both plans for FYs 2012 and 2011 was approximately $17.9 million and $17.3 million, respectively, as of September 30th. During FYs 2012 and 2011 as of September 30th, an additional $14.3 million and $15.5 million, respectively, of pension and life and health insurance expense was recognized by the Commission for amounts that will ultimately be funded through the U.S. Office of Personnel Management. This amount is also recorded as an imputed financing source.

(11) Commitments and Contingencies

Certain hydroelectric licensees have filed appeals claiming the Commission erroneously accepted certain "other agency costs" (costs incurred by Other Federal agencies in administering Part I of the FPA component of the licensees' annual charges) in their calculation of FY annual charges. The combined liabilities of these appeals total $2.2 million as of September 30, 2012 and are included herein as revenue collected under protest. This liability is fully funded and therefore poses no adverse or material future effect on the Commission's financial position.

In addition, the Commission has an Equal Employment Opportunity case pending where the probability of success for the claimant is reasonably possible. The amount of monetary relief, if awarded, could be between $100,000 and $125,000 as of September 30, 2012.

(12) Custodial Activity

The Commission currently bills regulated companies annual charges as a custodian for certain Federal agencies. These agencies include the United States Army Corps of Engineers, the Department of Interior's Bureau of Reclamation, and the Treasury. Accrual accounting is used to account for the Commission's custodial activities. The receivables are maintained by the Commission, and the collections are processed to each Federal agency on a monthly basis. In addition to the annual charges, penalty and administrative costs are assessed on past-due bills and remitted to the Treasury when received. For FY 2012 and FY 2011, these custodial collections totaled approximately $178.3 million and $47.6 million, respectively as of September 30th. For FY 2012 and FY 2011, custodial revenue totaled approximately $179.2 million and $27.9 million, respectively as of September 30th.

(13) Earmarked Funds

In accordance with the Federal Accounting Standards Advisory Board's Statement on Federal Financial Accounting Standards (SFFAS) No. 27, Identifying and Reporting Earmarked Funds, the Commission is required to report separately on the Balance Sheets and Statements of Changes in Net Position, the non-exchange revenue, other financing sources, net cost of operations and net position attributable to earmarked funds. In addition, the Commission must disclose the earmarked fund for which it has program management responsibility. The Commission's Collections Due to States fund meets the criteria for earmarked funds. The balances as of September 30, 2012 and 2011 were $0 and $1.6 million respectively.

Fund 89X5105 and 895105 pertains to the Use of Government lands. "Reasonable annual charges for recompensing the United States for the use, occupancy, and enjoyment of its lands or its other property will be fixed by the Commission." 18 CFR CH 1, part 11.2(a).

The Commission disposes of the charges arising from licenses in accordance with USC, Title 16, CH 12, Part I, Sec 810 "All other charges arising from licenses hereunder, except charges fixed by the Commission for the purpose of reimbursing the United States for the costs of administration of this subchapter, shall be paid into the Treasury of the United States and credited to Miscellaneous Receipts. 37.5 per centum of the charges arising from licenses hereunder for the occupancy and use of national forests and public lands from development within the boundaries of any State shall be paid by the Secretary of the Treasury to such state."

The Commission bills out of the receipt account 895105, requests a warrant for the amount of the collections, which is used to transfer the collections into the expenditure account, 89X5105. The actual payments to the states are made from account 89X5105.

Since the earmarked funds managed by the Commission are custodial in nature, there are no equity balances to report on the financial statements as of September 30, 2012 and 2011.

(14) Intragovernmental Costs and Exchange Revenue

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

Intragovernmental costs and exchange revenue at September 30, 2012 and 2011 consisted of:

	2012	2011
Just and Reasonable Rates, Terms, & Conditions		
Intragovernmental costs	$ 35,620,037	$ 34,953,335
Public costs	132,326,096	141,942,140
Total Just and Reasonable Rates, Terms, and Conditions costs	167,946,133	176,895,475
Intragovernmental earned revenue	65,474	20,168
Public earned revenue	167,880,659	176,875,307
Total Just and Reasonable Rates, Terms, and Conditions earned revenues	167,946,133	176,895,475
Infrastructure		
Intragovernmental costs	30,206,836	27,468,754
Public costs	112,216,410	111,556,063
Total Infrastructure costs	142,423,246	139,024,817
Intragovernmental earned revenue	55,524	51,362
Public earned revenue	142,367,722	138,973,455
Total Infrastructure earned revenues	142,423,246	139,024,817
Costs		
Intragovernmental costs	65,826,873	62,422,089
Public costs	244,542,506	253,498,203
Total costs	310,369,379	315,920,292
Revenue		
Earned intragovernmental revenue	120,998	71,530
Earned public revenue	310,248,381	315,848,762
Total earned revenue	$ 310,369,379	$ 315,920,292

(15) Apportionment Categories of Obligations Incurred

Apportionment categories of obligations incurred as of September 30, 2012 and 2011 consisted of:

	2012	2011
Category A:		
Direct	$ 308,021,030	$ 298,139,919
Reimbursable	86,540	35,516
Total obligations incurred	$ 308,107,570	$ 298,175,435

Category A apportionments distribute budgetary resources by fiscal quarters.

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

The Commission had no differences between the Statement of Budgetary Resources and the Budget of the United States as of September 30, 2011. The statement can be reconciled to the President's budget by combining both of the budgets for Federal Energy Regulatory Commission (89-0212-0-1-176) and Payments to States under Federal Power Act (89-5105-0-2-806). The reconciliation as of September 30, 2012 is not presented, because the submission of the FY 2013 budget occurs after publication of these financial statements. The Commission's Budget Appendix can be found under the Department of Energy on the OMB website (http://www.whitehouse.gov/omb/budget) and will be available in early February 2013.

(17) Undelivered Orders at the End of the Period

Undelivered orders are obligations made by the Commission for services and purchases that have not been received and accepted as of the balance sheet date. The amount of Commission budgetary resources reported as undelivered orders as of September 30, 2012 and 2011 were $16.8 million and $10.3 million, respectively.

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(18) Reconciliation of Net Cost of Operations to Budget

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

	2012	2011
Resources used to finance activities:		
Budgetary resources obligated:		
Obligations incurred	$ 308,107,570	$ 298,175,435
Less: spending authority from offsetting collections	(305,904,786)	(300,566,275)
Obligations, net of offsetting collections	2,202,784	(2,390,840)
Less: Distributed offsetting receipts	(179,321,698)	(40,279,404)
Net obligations	(177,118,914)	(42,670,244)
Other resources:		
Transfers-out, net of appropriations received	(4,561,167)	(17,908,008)
Imputed financing from costs absorbed by others	14,320,099	15,542,047
Net other resources used to finance activities	9,758,932	(2,365,961)
Total resources used to finance activities	(167,359,982)	(45,036,205)
Resources (used to) or generating finance items not part of the net cost of operations		
Change in budgetary resources obligated for goods/ services/benefits ordered but not yet provided (+/-)	(6,493,767)	9,931,444
Budgetary distributed offsetting receipts that do not affect the net cost of operations	179,321,698	40,279,404
Resources that finance the acquisition of assets	(3,803,906)	(732,895)
Payments to States	(3,127,757)	(5,790,062)
Total resources (used to) or generating finance items not part of the net cost of operations	165,896,268	43,687,891
Total resources used to finance the net cost of operations	(1,463,714)	(1,348,314)
Costs that do not require resources:		
Components requiring or (generating) resources in future periods:		
Increase in unfunded liabilities	946,405	(51,499)
Increase in exchange revenue receivable from the public	(1,187,846)	22,764
Total components of net cost of operations that will require or (generate) resources in future periods	(241,441)	(28,735)
Components not requiring or generating resources:		
Depreciation and amortization	1,668,570	1,632,015
Other	36,585	(254,966)
Total components of net cost of operations that will not require or (generate) resources	1,705,155	1,377,049
Total net cost of operations that do not require or (generate) resources in the current period	1,463,714	1,348,314
Net Cost of Operations	$ -	$ -

Performance Report
(Unaudited)

INTRODUCTION

In accordance with Government Performance and Results Act of 1993, the Commission developed its Strategic and Business Plans, as well as its performance measures, to ensure it is fulfilling its mission. When comparing the planned and actual performance according to the guidelines set forth in Part 6 of OMB Circular A-11, the Commission:

- determined that its performance results are complete and reliable based on the fact that results are listed for every performance measure and target, that decision-makers use the information contained in the results "on an ongoing basis in the normal course of their duties," and that the information contained in the results are derived via internal tracking mechanisms; and

- identified no "significant or material" performance shortfalls based on the fact that none of the Commission's unmet performance measures or targets had an adverse effect on overall program performance.

The tables on the following pages include the Commission's complete performance measurement data for fiscal years 2007 through 2012.

As a result of the Commission's updated FY 2009 – 2014 Strategic Plan, which went into effect on September 30, 2009, the performance measures for fiscal years 2010 through 2012 are aligned with the Commission's current Strategic Plan. The Performance Measures for fiscal years 2007 – 2009 are aligned with previous versions of the Commission's Strategic Plan.

The Commission did not engage in an independent program evaluation during FY 2012.

PERFORMANCE DATA FOR ENERGY INFRASTRUCTURE: FY 2007 - 2009

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Resolve Regulatory and Other Challenges to Needed Development		
Issue Alaska Gas Pipeline Reports to Congress	Issue Reports in February and August 2007	Target Met. Reports were issued on January 31 and August 15, 2007.
Percentage of pipeline certificate cases with no precedential issues completed	➢ 90% of unprotested cases within 159 days of filing ➢ 90% of protested cases within 304 days of filing	Targets Met. ➢ 98% of unprotested cases were completed within 159 days of filing. ➢ 100% of protested cases were completed within 304 days of filing.
Percentage of pipeline certificate cases of first impression or containing larger policy implications completed	90% within 365 days of filing	Target Met. 100% of cases of first impression or larger policy implications were completed within 365 days of filing.
Percentage of pipeline certificate cases requiring a major environmental assessment or environmental impact statement completed	90% within 480 days of filing	Target Met. 94% of cases requiring a major environmental assessment or environmental impact statement were completed within 480 days of filing.
Percentage of qualifying LNG plants inspected during ongoing construction activity	100% of plants inspected every 8 weeks	Target Met. 100% of qualifying LNG plants (6 of 6) where construction was occurring were inspected at least every 8 weeks.
Percentage of ILP pre-filing study plan determinations completed	85% within 150 days of applicant's filing of the proposed study plan	Target Met. 90% (9 out 10) ILP pre-filing study plan determinations were completed within 150 days of applicant's filing of the proposed study plan.
Percentage of infrastructure studies completed	➢ 100% for regional and issue-based infrastructure conferences ➢ 100% for Commission- and Congressional-directed studies	Targets Met. ➢ 100% of infrastructure studies completed for regional and issue-based conference. ➢ 100% of infrastructure studies completed for Commission- and Congressional-directed studies.
Percentage of NEPA documents completed for projects utilizing the pre-filing processes	85% within 8 months of determining a pipeline or LNG facility application complete	Target Met. Of the 18 projects that utilized the pre-filing process, 100% had final NEPA documents within 8 months of filing a complete application.
Timeliness of filings processed containing amendments to non-independent electric transmission provider OATTs	Within 60 days of filing date or applicants' requested date, whichever is later	Target Met. All 126 amendments to non-RTO/ISO OATTs completed within 60-day statutory timeframe.
Encourage Investment and Effect Timely Cost Recovery		
Timeliness of applications processed for incentive rates under section 205 of the FPA	Processed by the statutory deadline for rate filings or the applicants' requested date, whichever is later	Target Met. 100% of the 11 statutory incentive rates cases were processed within statutory timeframes.

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

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

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

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

FY 2008		
Strategy		
Performance Measurement	**Performance Target**	**Results**
Resolve Regulatory and Other Challenges to Needed Development		
Timeliness of processing complete filings containing amendments to non-independent electric transmission provider OATTs	100% processed by statutory due date or applicant's requested date, whichever is later	Target Met. 100% (125 out of 125) amendments to non-RTO/ISO OATTs were completed within the 60-day statutory timeframe.
Issue Alaska Gas Pipeline Reports to Congress	Issue Reports in February and August 2008	Target Met. Reports were issued February 19 and August 29, 2008.
Percentage of pipeline certificate cases with no precedential issues completed	➢ 90% of unprotested cases within 159 days of filing ➢ 90% of protested cases within 304 days of filing	➢Target Met. 94% of unprotested pipeline certificate cases with no precedential issues were completed within 159 days of filing. ➢Target Met. 100% of protested pipeline certificate cases with no precedential issues were completed within 304 days of filing.
Percentage of pipeline certificate cases of first impression or containing larger policy implications completed	90% within 365 days of filing	Target Met. 97% of pipeline certificate cases of first impression or containing larger policy implications were completed within 365 days of filing
Percentage of pipeline certificate cases requiring a major environmental assessment or environmental impact statement completed	90% within 480 days of filing	Target Not Met. 75% (6 of 8) of pipeline certificate cases requiring a major environmental assessment or environmental impact state were completed within 480 days of filing. Bradwood Landing Project (CP08-365-000, et al, issued September 18, 2008) required additional time due to an unusually large number of environmental issues which resulted in processing delays beyond FERC's control. This project was the first new LNG import terminal and related sendout pipeline to serve the Pacific Northwest. Broadwater Energy Project (CP06-54 issued March 20, 2008) also required additional time due to novel environmental issues which resulted in processing delays beyond FERC's control. This project was the first floating terminal for the storage and delivery of liquefied natural gas in the United States. There were no adverse impacts as a result of these two delays.
Percentage of NEPA documents completed for projects utilizing the pre-filing processes	85% within 8 months of determining a pipeline or LNG facility application complete	Target Met. 87% of NEPA documents were completed within 8 months of determining a pipeline or LNG facility application was complete for projects utilizing the pre-filing process.
Percentage of qualifying LNG plants inspected during ongoing construction activity	90% of plants inspected every 8 weeks	Target Met. 100% of qualifying LNG plants were inspected at least once every 8 weeks during ongoing construction.
Percentage of ILP pre-filing study plan determinations completed	75% within 30 days of applicant filing revised study plan for Commission approval	Target Met. 100% of ILP pre-filing study plans determinations were completed within 30 days of the applicant filing a revised study plan.

FY 2008		
Strategy		
Performance Measurement	**Performance Target**	**Results**
Percentage of infrastructure studies completed	➢ 95% for regional and issue-based infrastructure conferences ➢ 95% for Commission- and Congressional-directed studies	➢ Target Met. 100% of regional and issue-based infrastructure studies were completed for regional and issue-based infrastructure conferences. ➢ Target Met. 100% of infrastructure conferences were completed for Commission- and Congressional-directed studies.
Encourage Investment and Effect Timely Cost Recovery		
Timeliness of processing complete applications for incentive rates	➢ 100% of statutory cases processed within statutory deadlines or by applicant's requested date, whichever is later ➢ 80% of declaratory orders filed for Commission action within 180 days of filing date or by applicant's requested date, whichever is later.	➢ Target Met. 100% (16 out of 16) statutory incentive rate cases were processed within the statutory timeframes. ➢ Target Met. 100% filed within 180 days.
Timeliness of processing cost recovery cases (including prudently-incurred expenses to safeguard and enhance the reliability, security and safety of the energy infrastructure)	➢ 100% of statutory cases processed within statutory deadlines or by applicant's requested date, whichever is later ➢ 90% of rate inserts for certificate cases processed within 30 days prior to lead office's target date for completion of pipeline certificate case ➢ 85% of cases that were set for hearing filed for Commission action within 12 months of briefs opposing exceptions	➢ Target Met. 100% (3,498 out of 3,499) statutory items, including cost recovery cases, were processed within statutory deadlines; only one filing missed its deadline by three business days ➢ Target Met. 96% (55 out of 57) of rate inserts were processed within the appropriate timeframe. ➢ Target Met. 100% filed within 12 months of briefs opposing exceptions.
Timeliness of verification of EQR submissions	Within 10 business days of filing due date	Target Met. All EQR submissions were verified within 10 business days.
Percentage of Accounting Inserts completed for inclusion in merit orders on cost recovery proposals for new gas pipeline infrastructure	95%	Target Met. 100% of gas certificate accounting inserts were completed on time.
Percentage of financial accounting filings completed timely	75% within 60 days of filing date	Target Met. 100% of financial accounting filings were completed within 60 days of filing date.
Percentage of reporting requirement filings completed timely	75% within 60 days of filing date	Target Met. 99% of reporting requirement filings were completed within 60 days.
Assure Reliability of Interstate Transmission Grid		
Timely approval of ERO/RE budgets and business plans	Complete by November 1, 2007	Target Met. Order was issued on October 18, 2007.
Timeliness of processing proposed reliability standards	75% of filed proposed reliability standards are remanded or approved within 18 months, unless found incomplete	Target Met. 100% of Reliability Standards were remanded or approved within 18 months of filing. 100% of Cyber Security Standards were approved within 18 months of being filed.

FY 2008		
Strategy		
Performance Measurement	**Performance Target**	**Results**
Review the performance of the ERO	Complete within 12 months of the submission by the ERO of an assessment of its performance	N/A. The ERO's submission is not due until July 2009. The Commission will review the performance of the ERO within 12 months of their submission.
Percentage of ERO / industry reliability readiness evaluations of Reliability Coordinators in which FERC participates	75%	Target Met. Participated in 100% of ERO/industry reliability readiness evaluations of Reliability Coordinators (i.e., California-Mexico, Rocky Mountain-Desert Southwest, SPP, and ERCOT Reliability Coordinators).
Percentage of load served, included in ERO / industry reliability readiness evaluations, in which FERC participates	35%	Target Met. Participated in 11 readiness evaluations which represented 78% of load served.
Percentage of ERO penalty action rulings reviewed or tolled to prevent inappropriate rulings from going into effect by default	100%	Target Met. 100% (37 out of 37) penalty action rulings were reviewed to prevent inappropriate rulings from going into effect. They were accepted by operation of law, *Guidance on Filing Notices of Penalty*, 124 FERC ¶ 61,015 (July 3, 2008)

Protect Safety at LNG and Hydropower Facilities		
Percentage of high- and significant-hazard-potential dams inspected annually	100%	Target Met. 100% of high- and significant-hazard-potential dams were inspected.
Percentage of high- and significant-hazard-potential dams that either meet all current structural safety standards or are undergoing investigation or remediation	100%	Target Met. 100% of high- and significant-hazard-potential dams met all current structural safety standards or are undergoing investigation or remediation.
Percentage of LNG import terminals inspected annually	90%	Target Met. 100% of the LNG import terminals were inspected.
Percentage of LNG peak-shaving facilities inspected biennially	90%	Target Met. 100% of peak shaving plants were inspected according to the biennial schedule.
Percentage of LNG facilities that meet all current safety standards or are subject of a compliance letter	100%	Target Met. 100% of the LNG facilities either met all current safety standards or received a compliance letter.
Percentage of qualifying dams that either comply with EAP requirements or are conducting follow-up action(s) on outstanding item(s)	100%	Target Met. 100% of qualifying dams comply with EAP requirements or are conducting follow-up action(s) on outstanding item(s).

FY 2008		
Strategy		
Performance Measurement	**Performance Target**	**Results**
Control access to Critical Energy Infrastructure Information	No instances of improper access or improper denial affecting national security or Commission proceedings	Target Met. No instances.
Incorporate Environmental Considerations into Commission Decisions		
Timeliness of issuing environmental licensing requirements	Licensing responsibility letters sent within 60 business days of license issuance date	Target Met. All licensing responsibility letters were issued within 60 days of license issue date.
Percentage of final NEPA documents issued for ALP/TLP cases: ➢ with settlement agreements ➢ without settlement agreements	➢ 75% within 12 months of settlement filing date ➢ 75% within 24 months of REA date	➢ Target Met. 100% of final NEPA documents were issued for ALP/TLP cases with settlement agreements within 12 months of the settlement filing date ➢ Target Met. 100% of final NEPA of final NEPA documents were issued for ALP/TLP cases without settlement agreements within 24 months of the REA date
Percentage of qualifying, major, onshore-pipeline projects inspected during ongoing construction activity	90% of projects inspected at least once every four weeks	Target Met. 98% of qualifying, major, onshore-pipeline projects were inspected at least once every four weeks during ongoing construction activity.

FY 2009		
Performance Measure	**Performance Target**	**Results**
Resolve Regulatory and Other Challenges to Needed Development		
Timeliness of processing complete filings containing amendments to non-independent electric transmission provider OATTs	100% processed by statutory due date or applicant's requested date, whichever is later	Target Met - 100% of the 62 amendments to non-RTO/ISO OATTs were completed within the 60-day statutory timeframe
Issue Alaska Gas Pipeline Reports to Congress	Issue Reports in February and August 2009	Target Met. Reports issued in February and August 2009.
Percentage of pipeline certificate cases with no precedential issues completed	▪ 90% of unprotested cases within 159 days of filing ▪ 90% of protested cases within 304 days of filing	▪ Target Met. 96.8% of unprotested cases completed within 159 days of filing ▪ Target Met. 100% of protested cases completed within 304 days of filing
Percentage of pipeline certificate cases of first impression or containing larger policy implications completed	90% within 365 days of filing	Target Met. 94.7% of first impression cases completed within 365 days of filing
Percentage of pipeline certificate cases requiring a major environmental assessment or EIS completed	90% within 480 days of filing	Target Met. 100% of major cases completed within 480 days of filing
Percentage of NEPA documents completed for projects utilizing the pre-filing processes	85% within 8 months of determining a pipeline or LNG facility application complete	Target Met. 100% of NEPA documents completed for projects utilizing the pre-filing process within 8 months of determining an application was complete

FY 2009		
Performance Measure	**Performance Target**	**Results**
Percentage of qualifying LNG plants inspected during ongoing construction activity	90% of plants inspected every 8 weeks	Target Met. 100% of qualifying LNG plants were inspected at least once every 8 weeks during ongoing construction activity
Percentage of ILP pre-filing study plan determinations completed	75% within 30 days of applicant filing revised study plan for Commission approval	Target Met. 100% of determinations were completed within 30 days of applicant filing revised study plan for Commission approval
Percentage of infrastructure studies completed	▪ 95% for regional and issue-based infrastructure conferences ▪ 95% for Commission- and Congressional-directed studies	▪ Target Met. 100% studies completed for regional and issue-based infrastructure conferences ▪ Target Met. 100% studies completed for Commission- and Congressional-directed studies
Percentage of electric transmission siting cases completed	90% within 365 days of filing	n/a. One electric transmission case entered the pre-filing stage, but it was withdrawn.
Timeliness of processing complete applications for incentive rates	▪ 100% of statutory cases processed within statutory deadlines or by applicant's requested date, whichever is later ▪ 80% of declaratory orders filed for Commission action within 180 days of filing date or by applicant's requested date, whichever is later.	▪ Target Met - 100% of the 15 statutory incentive rate cases were processed within the statutory timeframes ▪ Target met; 100% (6 of 6) of declaratory orders related to incentive rates were filed within target dates.
Timeliness of processing cost recovery cases (including prudently-incurred expenses to safeguard and enhance the reliability, security and safety of the energy infrastructure)	▪ 100% of statutory cases processed within statutory deadlines or by applicant's requested date, whichever is later ▪ 90% of rate inserts for certificate cases processed within 30 days prior to lead office's target date for completion of pipeline certificate case ▪ 85% of cases that were set for hearing filed for Commission action within 12 months of briefs opposing exceptions	▪ Target Met - 100% of the 3,808 statutory items, including cost recovery cases, were processed within the statutory deadlines ▪ Target Met. Provided timely rate inserts for 94% (47 out of 50) of the cases that were targeted for completion by the lead office during the fiscal year ▪ Target not met; 50% (2 of 4) filed within 12 months of Briefs Opposing Exceptions.
Timeliness of verification of EQR submissions	Within 10 business days of filing due date	Target met. 100 percent of EQR submissions were verified within 10 business days.
Percentage of Accounting Inserts completed for inclusion in merit orders on cost recovery proposals for new gas pipeline infrastructure	95%	Target met. 100 percent of gas certificate accounting inserts were completed on time.
Percentage of financial accounting filings completed timely	75% within 60 days of filing date	Target met. 97 percent of financial accounting filings were completed on time.
Percentage of reporting requirement filings completed timely	75% within 60 days of filing date	Target met. 100 percent of reporting requirement filings were completed within 60 days.

Assure Reliability of Interstate Transmission Grid		
Timely approval of ERO/RE budgets and business plans	Complete by November 1, 2008	Target met. The draft order approving the 2009 ERO/RE budgets and business plans was issued in Docket No. RR08-6-000 on October 16, 2008.
Timeliness of processing proposed reliability standards	75% of filed proposed reliability standards are remanded or approved within 18 months, unless found incomplete	Target met. 100% of filed reliability standards have orders issued within 18 months.
Review the performance of the ERO	Complete within 12 months of the submission by the ERO of an assessment of its performance	n/a. ERO performance assessment filing was made on July 20, 2009 in Docket No. RR09-7-000, with a targeted completion date of December

FY 2009		
Performance Measure	**Performance Target**	**Results**
		2009.
Number of ERO Regional Entity compliance audits in which FERC participates	At least one in each of the eight regions	Target met. Participated on 8 Regional Entity audits, one in each region, by June 25, 2009.
Percentage of ERO / industry reliability readiness evaluations of Reliability Coordinators in which FERC participates	75%	N/A. The ERO/industry reliability readiness evaluations of Reliability Coordinators were discontinued in FY2009.
Percentage of load served, included in ERO / industry reliability readiness evaluations, in which FERC participates	35%	Target Met. Participated in 2 readiness evaluations which represented 78% of load served.
Percentage of ERO penalty action rulings reviewed or tolled to prevent inappropriate rulings from going into effect by default	100%	Target met. In FY 2009, 35 Notices of Penalty covering 83 violations were filed. All 35 were reviewed for appropriateness of the finding of violation and penalty and accepted by operation of law, with a public notice of each acceptance issued within the required period for Commission action.
Assess Notices of Alleged Violation and Sanction received from the ERO	Review 60% of Notices of Alleged Violation and Sanction received from ERO within two weeks of receipt for appropriateness of sanction	Target met. In FY2009, 149 Notices of Alleged Violations and Sanctions covering 579 alleged violations were submitted through the portals. Each was reported on and recorded routinely by way of (1) The Overview of Reliability Orders, Matters and Deadlines Chart, and (2) The Pending Case Report prepared by the Division of Investigations.
Timeliness of reporting to the Commission on ERO and Regional Entity audits	Within 120 days of the Commencement Letter	Target met. 100 percent (3/3) of Regional Entity audits reported to the Commission within 120 days.
Percentage of ERO and Regional Entity audit recommendations issued and implemented	90% within 6 months	Target met. 100 percent (20/20) of Regional Entity audit recommendations implemented in 6 months.

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

FY 2009		
Performance Measure	**Performance Target**	**Results**
Incorporate Environmental Considerations into Commission Decisions		
Percentage of final inspection reports completed	75% within 4 months of inspection	Target Met. 100% of final inspection reports completed within 4 months of inspection
Timeliness of issuing environmental licensing requirements	Licensing responsibility letters sent within 60 days of license issuance date	Target Met. All licensing responsibility letters sent within 60 days of license issuance date
Percentage of final NEPA documents issued for ALP/TLP cases: ▪ with settlement agreements ▪ without settlement agreements	▪ 75% within 12 months of settlement filing date ▪ 75% within 24 months of REA date	▪ Target Met. 100% within 12 months of settlement filing date ▪ Target Met. 100% within 24 months of REA date
Percentage of qualifying, major, on-shore-pipeline projects inspected during ongoing construction activity	90% of projects inspected at least once every four weeks	Target Met. 97% of qualifying projects were inspected at least once every 4 weeks.

PERFORMANCE DATA FOR COMPETITIVE MARKETS: FY 2007 - 2009

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Employ Best Practices In Market Rules		
Timeliness of review of proposed market rules	By the statutory due date or the applicants' requested date, whichever is later	Target Met. All 358 filings from PJM, ISO-NE, NYISO, NEPOOL, SPP, Midwest ISO, and California ISO were acted on by statutory due dates.
Percentage of proposed NAESB business practice standards rulemakings completed	➢ 100% of unopposed rulemakings within 9 months ➢ 100% of all rulemakings within 12 months	Targets Met. The Commission issued two NAESB business practice standards rulemakings during the fiscal year, both completed within 9 months of issuance of the notice of proposed rulemaking, as follows: Docket No. RM05-5-003; NOPR issued February 20, 2007; Final Rule, Order No. 676-B, "Standards for Business Practices and Communication Protocols for Public Utilities," issued April 19, 2007; and Docket Nos. RM96-1-027 and RM05-5-001; NOPR issued October 25, 2006; Final Rule, Order 698, "Standards for Business Practices for Interstate Natural Gas Pipelines; Standards for Business Practices for Public Utilities," issued June 25, 2007.
Timeliness of applications processed on requests to encourage demand response in organized markets	Within 60 days of filing date or applicants' requested date, whichever is later	Target Met. All 15 filings were acted on within 60-day statutory due dates.

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Reduce Barriers to Trade Between Markets and Among Regions		
Timeliness of review of filings to reduce or eliminate seams between organized markets	By the statutory due date or the applicants' requested date, whichever is later	Target Met. All 10 filings dealing with seams issues were completed by statutory due dates. In addition, two major orders were issued related to the California ISO's Market Redesign Technology Update (MRTU) addressing seams issues between CAISO and neighboring systems in the Western Interconnect. A technical conference was held on December 15, 2006, in Phoenix, Arizona, to address these western seams issues; and on March 29, 2007, a second conference was held in Washington, DC, to address eastern seams issues.
Assure Proposed Mergers and Acquisition Are in the Public Interest		
Percentage of merger authorizations upheld by the courts	90%	Target met. 100% of merger authorizations have been upheld by the courts.
Percentage of merged applicants reporting on compliance with merger conditions imposed by the Commission	100%	Target Met. 100% of the 9 merger applicants reported on compliance, *if* or *as* applicable, with the four types of conditions—summary, notice of consummation, proposed accounting entries, and additional conditions—imposed by the Commission. It should be noted that most of the "additional" conditions only require compliance in the event that the merger applicants subsequently take some specific action. For example, in 5 of the 9 mergers, the Commission imposed a "hold-harmless" condition, requiring that if the applicants seek to recover merger-related costs through jurisdictional rates, they must show offsetting merger-related cost savings. As of yet, none of the applicants have sought to recover any merger-related costs, so they haven't needed to make a compliance filing.
Timeliness of processing applications for the disposition, consolidation, or acquisition under section 203 of the FPA, of jurisdictional facilities (including transactions involving certain transfers of generation facilities and public utility holding company transactions, and issues of cross subsidization or encumbrances of utility assets)	➢ Within 180 days for non-major mergers ➢ Within 360 days for major mergers	Targets Met. ➢ 100% of the 100 non-major dispositions were completed within 180 days. ➢ 100% of the 9 major merger cases were completed within 360 days.

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Address Market Power in Jurisdictional Wholesale Markets		
Revise open access transmission tariff	Issue final rule by June 30, 2007	Target Met. Docket Nos. RM05-17-000 and RM05-25-000; Final Rule, Order 890, "Preventing Undue Discrimination and Preference in Transmission Service," issued February 16, 2007.
Timeliness of processing initial market-based rate filings	Within 60 days of filing date or by applicant's requested date, whichever is later	Target Met. 100% of the 167 initial market-based rate applications were completed by the established target date.
Develop generation market power screens for electric market based rates	Issue final rule by June 30, 2007	Target Met. Docket No. RM04-7-000; Final Rule, Order 697, "Market-Based Rates for Wholesale Sales Of Electric Energy, Capacity And Ancillary Services By Public Utilities," issued June 21, 2007.
Act timely on complaints	80% within 60 days or, for fast-track cases only, within the designated timeframe	Target not met; 78%. The performance goal was set at an approximate target level, and the deviation from that level is slight. There was no effect on overall program or activity performance.

FY 2008		
Strategy		
Performance Measurement	**Performance Target**	**Results**
Employ Best Practices in Rules		
Percentage of initial orders completed on third-party complaints	➢ 75% filed with the Commission within 60 days of the date of the answer or by complainant's requested date, whichever is later ➢ 90% filed with the Commission within 180 days of the date of the answer, or by complainant's requested date, whichever is later	➢ Target Met. 83% (40 of 48) filed within 60 days of the date of the answer. ➢ Target met. 98% (47 of 48) filed within 180 days of the date of the answer.
Timeliness of review of proposed RTO/ISO market rules	100% by the statutory due date or the applicant's requested date, whichever is later	Target Met. 100% (410 out of 410) filings from PJM, ISO-NE, NYISO, NEPOOL, SPP, Midwest ISO, and California ISO were acted on by statutory due dates
Percentage of proposed NAESB business practice standards rulemakings completed	100% of all proposed rulemakings within 12 months of receipt of comments	Target Met. The Commission issued one NAESB business practice standards rulemaking. Docket No. RM05-5-005, NOPR issued April 21, 2008; Final Rule, Order No. 676-C, "Standards for Business Practices and Communication Protocols for Public Utilities," issued July 21, 2008 (three months later)

FY 2008		
Strategy		
Performance Measurement	**Performance Target**	**Results**
Timeliness of processing cases that encourage demand response in organized markets	100% of statutory cases processed within statutory deadlines, or by the applicant's requested date, whichever is later	Target Met. 100% (10 out of 10) filings were acted on by statutory due dates.
Industry and state outreach to increase Commission awareness and understanding on emerging energy issues	Participate in and/or facilitate 10 sessions per quarter	Target Met. Participated in and/or facilitated 34 sessions in first quarter, 36 sessions in second quarter, 33 sessions in third quarter, and 28 sessions in fourth quarter.
Reduce Barriers to Trade Between Markets and Among Regions		
Timeliness of processing complete filings to reduce or eliminate border utility issues between markets	100% processed by the statutory due date or applicant's requested date, whichever is later	Target Met. 100% (6 out of 6) filings dealing with border utility issues between markets were completed by statutory due dates.
Assure Proposed Mergers and Acquisitions are in the Public Interest		
Timeliness of processing complete filings for the disposition, consolidation, or acquisition, under section 203 of the FPA, of jurisdictional facilities (including transactions involving certain transfers of generation facilities and public utility holding company transactions, and issues of cross subsidization or encumbrances of utility assets)	➢ 100% processed within 180 days for non-major dispositions ➢ 100% processed within 360 days for major dispositions	➢ Target Met. 100% (142 out of 142) of non-major dispositions were completed by the statutory deadlines ➢ Target Met. 100% (7 out of 7) of major merger cases were completed by the statutory deadline.
Address Market Power in Jurisdictional Wholesale Markets		
Timeliness of processing initial electric market-based rate filings	100% processed within 60 days of the filing date of a complete application or by applicant's requested date, whichever is later	Target Met. 100% (156 out of 156) of initial market-based rate applications were completed by the established target date.

FY 2009		
Performance Measure	**Performance Target**	**Results**
Employ Best Practices in Rules		
Percentage of initial orders completed on third-party complaints	▪ 75% filed with the Commission within 60 days of the date of the answer or by complainant's requested date, whichever is later ▪ 90% filed with the Commission within 180 days of the date of the answer, or by complainant's requested date, whichever is later	▪ Target met; 78% (28 of 36) filed within 60 days. ▪ Target met; 97% (35 of 36) filed within the 180 days.
Timeliness of review of proposed RTO/ ISO market rules	100% by the statutory due date or the applicant's requested date, whichever is later	Target Met - 100% of the 221 filings from PJM, ISO New England, New York ISO, Southwest Power Pool, Midwest ISO, and California ISO were

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

PERFORMANCE DATA FOR ENFORCEMENT: FY 2007 - 2009

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Identify and Remedy Problems with Structure and Operations In Energy Markets		
Timeliness of verification of EQR submissions	Within 10 business days of submission	Target met. 100% verification within 10 business days.
Evaluate and improve the usefulness of EQR data	➢ Issue a data dictionary for all undefined fields with restricted entries ➢ Review the current EQR data structure and develop written recommendations for improvements	Targets met. Issued Final Order in Docket No. RM01-8-006 on September 24, 2007 which defined all EQR fields and improved EQR data structure.
Number of RTO and ISO MMU performance metrics	Increase over FY 2006	Target met. One new RTO and ISO MMU performance metric was developed in FY2007 (increasing the number of performance metrics from 11 in FY 2006 to 12 in FY 2007).
Timeliness of initiating or deciding action on MMU referrals	80% acted on within 30 days	Target met. 100% acted on within 30 days.
Percentage of organized markets reviewed and market structure and operations problems or deficiencies identified	100% reviewed and reports completed identifying market problems or deficiencies, if any, and recommended solutions	Target met. 100% of organized markets reviewed in daily oversight meetings, including all RTO/ISO markets, NYMEX, ICE and other relevant markets. Results of continuing review communicated to Commissioners via Weekly Reports and to the public via the Market Oversight website and the State of the Markets Report. Seven major structure and operations problems were identified.
Timeliness of actions on problems or discrepancies identified in reviews of organized markets	With 6 months of completed report	Target met. Addressed all seven identified issues within six months of identification. Issues included: prices over $400 in West, lack of transparency for intrastate pipelines, lack of transparency for natural gas sales and purchases, need to clarify role of MMUs in RTOs, PJM/MISO transmission issues, CenterPoint data reporting, and Rockies Gas Prices.
Publish annual assessment of infrastructure and market conditions for each region	Complete by June 30, 2007	Target met. The State of the Markets Report was completed in February 2007 and detailed market and infrastructure issues for the country as a whole. In addition the Seasonal Assessment was published for electric power on May 17, 2007, specifically addressing summer 2007 and the new Market Oversight website provides updates and detailed information for each region on a monthly basis.

Establish Clear and Fair Processes		
Improve Forensic Audits and Investigations information technology tools	Implement capability to search e-mails and voice recordings by June 30, 2007	Target met. The capability to search voice recordings was implemented beginning in September 2006 and the capability to search e-mails was implemented beginning in August 2006.
Improve Forensic Audits and Investigations capabilities	90% of enforcement and compliance staff participate in forensics training and interviewing skills by June 30, 2007	Target met. 95% of enforcement and compliance staff received training on forensic interviewing and auditing. Classes were held in August 2005 and May 2006.
Timeliness of reporting to the Commission on operational audits	100% reported to the Commission within 120 days of Commencement Letter	Target met. 100% of operational audits (24 out of 24 from 10/1/06 – 9/30/07) were reported to the Commission within 120 days of the Commencement Letter.
Percentage of operational audit recommendations issued and implemented	90%	Target met. 100% of operational audit recommendations issued were implemented within 6 months.
Timeliness of reporting to the Commission on financial audits	100% reported to the Commission within 120 days of Commencement Letter	Target met. 100% of financial audits (43 out of 43 from 10/1/06 – 9/30/07) were reported to the Commission within 120 days of the Commencement Letter.
Percentage of financial audit recommendations issued and implemented	90%	Target met. 100% of financial audit recommendations issued were implemented within 6 months.

Conduct Investigations Promptly and Impose Penalties Where Appropriate		
Percentage of enforcement investigations completed	75% within one year of initiation	Target met. 94.8% of investigations were closed within a year of being initiated.
Percentage of Hotline calls resolved	70% within 2 weeks of initial contact	Target met. 75% of Hotline calls were resolved within 2 weeks of initial contact.

Encourage Self-Policing and –Reporting of Violations		
Percentage of regulated entities audited to ensure internal compliance programs and processes are in place	85% of regulated entities included in annual audit plan	Target met. 95% of regulated entities included in the annual audit plan were audited (74 out of 78).
Timeliness of responses to regulated entities seeking guidance and clarification on compliance issues	Within 60 days	Target met. Responded to 100% of regulated entities seeking guidance and clarification on compliance issues within 60 days.
Timeliness of completing recommendations on compliance issues raised by regulated entities	Within 180 days, where Commission action is required	Target met. 100% of recommendations to the Commission (where Commission action was required) were completed within 180 days of completing an investigation originated by a self report.
Timeliness of reporting on compliance issues raised by regulated entities	Reports completed monthly	Target met. The Pending Case Report is issued at the end of each month and reports on compliance issues (i.e., self reports) raised by regulated entities.

FY 2008		
Strategy		
Performance Measure	**Target**	**Results**
Identify and remedy problems with structure and operations in energy markets		
Regular monitoring of natural gas and electric markets with significant issues of market structure and operations identified	Weekly reporting of significant issues of market structure and operations	Target Met. 45 Weekly Market Reviews (WMR) were produced. In 2 other instances, market conditions were summarized at the Commission's monthly meeting. In addition to the 45 WMRs published, 13 special reports providing in-depth analysis of emerging market issues were also published.
Timeliness of actions on significant issues identified by regular monitoring of natural gas and electric markets	Within 6 months of completed report	Target Met. Actions on all significant issues were completed within 6 months.
Complete transition of consolidated reporting to a web strategy	Complete by June 30, 2008	Target Met. The transition of this web strategy was completed in March 2008 when the State of the Markets report was published to the Oversight page (http://www.ferc.gov/market-oversight/market-oversight.asp) on the external FERC website.
Establish clear and fair processes		
Apply current clear and fair processes to investigations during the fiscal year	Provide recommendations to the Commission for each proposed remedy and penalty with clear and consistent criteria	Target met. The Commission was provided with a written memo and recommendations for each of the six settlements approved in FY 2008.
Develop and provide further guidance to the industry on FERC's expanded penalty authority	By September 30, 2008	Target met. The revised Policy Statement on Enforcement was issued on May 15, 2008.
Timeliness of reporting to the Commission on operational audits	Within 120 days of the Commencement Letter	Target Met. 100% (30 out of 30)
Percentage of operational audit recommendations issued and implemented	90% within 6 months	Target Met. 99% (94 out of 95)
Timeliness of reporting to the Commission on financial audits	Within 120 days of the Commencement Letter	Target Met. 100% (37 out of 37)
Percentage of financial audit recommendations issued and implemented	90% within 6 months	Target Met. 100% (23 out of 23)
Conduct investigations promptly and impose penalties where appropriate		
Timeliness of initiating or deciding action on MMU referrals	80% acted on within 30 days	Target Met. 100% acted on within 30 days.

FY 2008		
Strategy		
Performance Measure	**Target**	**Results**
Percentage of enforcement investigations not including market manipulation issues completed	75% within one year of initiation	Target Met. 89% completed within one year of initiation.
Percentage of market manipulation enforcement investigations completed	75% within two years of initiation	Target Met. 100% completed within two years of initiation.
Percentage of Hotline calls resolved	70% within 2 weeks of initial contact	Target Met. 78% resolved within 2 weeks of initial contact.
Encourage self-policing and -reporting of violations		
Percentage of regulated entities audited to ensure internal compliance programs and processes are in place	85% of regulated entities included in annual audit plan	Target Met. 97% (77 out of 79).
Process complete requests for "No Action"	Within 60 days of receipt of final request	Target Met. All five requested no-action letters were all completed in less than 60 days.
Timeliness of reporting on compliance issues raised by regulated entities	Reports completed monthly	Target Met. Monthly pending case reports were issued for self-reports of compliance issues.

FY 2009		
Performance Measure	**Performance Target**	**Results**
Identify and remedy problems with structure and operations in energy markets		
Regular monitoring of natural gas and electric markets with significant issues of market structure and operations identified	Weekly reporting of significant issues of market structure and operations	Target Met. The Division of Energy Market Oversight (DEMO) produced a Weekly Market Review (WMR) in 48 weeks during FY 2008. The weeks during which we did not publish a WMR occurred during holiday periods. These WMRs included 24 special reports that provided in depth analysis of emerging market issues.
Timeliness of actions on significant issues identified by regular monitoring of natural gas and electric markets	Within 6 months of completed report	Target Met. The Division of Energy Market Oversight completed all items within 6 months.
Fully implement the Research in Market Oversight (RIMO) program	Perform at least four RIMO projects per year	Target Met. The Division of Energy Market Oversight hosted staff of Italy's Regulatory Authority for Electricity and Gas. In addition, DEMO has hosted over ten foreign delegations and State Public Service Commission representatives in the Market Monitoring Center.

FY 2009		
Performance Measure	**Performance Target**	**Results**
Establish clear and fair processes		
Apply current clear and fair processes to investigations during the fiscal year	Provide recommendations to the Commission for each proposed remedy and penalty with clear and consistent criteria	Target met. Submitted recommendations for civil penalties to be assessed on 16 subjects. Each recommendation included discussion of facts, analysis of applicable Policy Statement factors, and comparison to actions taken in similar cases.
Timeliness of reporting to the Commission on operational audits	Within 120 days of the Commencement Letter	Target met. 100 percent (19/19) of operational audits reported to the Commission within 120 days.
Percentage of operational audit recommendations issued and implemented	90% within 6 months	Target met. 99 percent (75/76) of operational audit recommendations implemented in 6 months.
Timeliness of reporting to the Commission on financial audits	Within 120 days of the Commencement Letter	Target met. 100 percent (9/9) of financial audits reported to the Commission within 120 days.
Percentage of financial audit recommendations issued and implemented	90% within 6 months	Target met. 100 percent (36/36) of financial audit recommendations implemented in 6 months.
Conduct investigations promptly and impose penalties where appropriate		
Timeliness of initiating or deciding action on MMU referrals	80% acted on within 30 days	Target met. Four MMU referrals were received and all were acted on within 30 days.
Percentage of enforcement investigations not involving market manipulation issues completed	75% within one year of initiation	Target not met. 41% of non-manipulation investigations completed in FY 2009 (9 of 22) were completed within one year. This target was missed due to circumstances surrounding two major market manipulation cases in which management was required to shift staff resources from non-market manipulation cases to these two high-profile market manipulation cases. This did not have a negative impact on the performance of the enforcement program. To the contrary, the successful outcome of these market manipulation cases demonstrates the strength of the Commission's enforcement program. The Commission has consistently met this target in previous years.
Percentage of market manipulation enforcement investigations completed	75% within two years of initiation	Target met. All market manipulation investigations completed in FY2009 were completed within two years.
Percentage of Hotline calls resolved	70% within 2 weeks of initial contact	Target met. DOI received 502 Hotline calls and closed 485 Hotline matters. 70.5% of the calls were resolved within two weeks of initial contact.
Encourage self-policing and -reporting of violations		
Percentage of regulated entities audited to ensure internal compliance programs and processes are in place	85% of regulated entities included in annual audit plan	Target met. 100 percent of regulated entities included in annual audit plan audited to ensure internal compliance programs and processes are in place.

FY 2009		
Performance Measure	**Performance Target**	**Results**
Process complete requests for "No Action"	Within 60 days of receipt of final request	Target not met. Three out of four No-Action letters were issued in fewer than 60 days; the fourth was issued in 69 days. This did not have a negative impact on the program.
Timeliness of reporting on compliance issues raised by regulated entities	Reports completed monthly	Target met. Compliance issues raised by regulated entities are reported monthly as part of the DOI Pending Case Report.

PERFORMANCE DATA FOR SUPPORTING INITIATIVES: FY 2007 - 2009

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

FY 2007		
Performance Measurement	**Performance Target**	**Data Source**
Federal FTE time is mapped through systems to workload and strategic goals and objectives	Fully implemented by September 30, 2007	Target Not met. With the deployment of ATMS Phase 2 in February FY07 the following offices are fully able to map workload to strategic goals and objectives using an enterprise-wide system: OAL, OED, OGC, and OEMR (now OEMR and OER). For the following offices, some divisions are able to map workload to strategic goals and objectives using an enterprise-wide system while other divisions can map workload to strategic goals and objectives but must continue to use legacy, departmental, and/or cuff systems: OEA, OALJ, OE, OEP. Mapping of workload in terms of FTE time requires both a revision of budget reporting codes and development of a report that correlates information in the enterprise-wide workload tracking system with information in the FERC HR system. The complete implementation of all ATMS phases will take longer than planned due to contract staffing reductions from funding shortages under a yearlong FY 2007 continuing resolution and because the effort was underestimated. A detailed plan for ATMS Phase 3 is currently under review and the target may not be fully met in FY 2008.
Align Commission costs to strategic objectives	Complete by September 2007	Target Met. The FY2009 Budget Request has been structured to map both FTEs and the Commissions costs to strategic objectives and was completed on September 10, 2007.
Percentage of vendor payments made by established due dates	99%	Target Not Met. During FY07, the Commission processed 97.1% (1897 out of 1953) of payments in compliance with Prompt Payment Act deadlines. 37 of the 56 late payments did not result in interest begin paid to the vendor. The failure to meet this target did not have an adverse affect on overall program performance.
Percentage of payments made without error	100%	Target Not Met. During FY 2007, the Commission made 99.7% of its payments without error. The failure to meet this target did not have an adverse affect on overall program performance.
Timeliness of collecting accounts receivable that offset the Commission's appropriation	95% collected by due dates	Target met. During FY 2007, the Commission collected 99.5% of its offsetting accounts receivable by their stated due date.
Financial statements that present fairly, in all material aspects, the Commission's financial position	Unqualified audit opinion on FY 2006 financial statements	Target Met. Unqualified opinion received November, 2006
Percentage of transactional case assessments or convening sessions concluded	75% within 20 days	Target Met. DRS completed 100% (41 out of 41) transactional case assessments or convening sessions within 20 days after being referred to the DRS.

FY 2007		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of transactional ADR processes agreed to by parties concluded	75% within 120 days total (convening and process)	Target Met. Dispute Resolution Services completed 34 transactional processes or cases, both environmental and non-environmental in which parties agreed to pursue an ADR process. Of these, 31 were completed within 120 days after being referred to the DRS (91%).
Number of ADR requests and referrals to the Dispute Resolution Service	Increase number over FY 2004 (base year)	Target Met. DRS addressed a total of 79 new requests or ongoing cases from a previous fiscal year involving gas, electric, hydropower, and pipelines. This represents a 46.3 % increase over FY2004, in which there were 54 new requests or ongoing cases.
Favorable Dispute Resolution Service customer satisfaction for casework and outreach	80% customer satisfaction rate	Target Met. The DRS requests customer feedback through evaluations of casework processes, and training sessions. For casework concluded in FY2007, all participants who completed evaluations gave the DRS staff favorable comments, for a satisfaction rate of 100%. In training sessions during FY2007, participant ranking for Course Content averaged 90%, Course Materials averaged 88%, and Instructor Effectiveness averaged 94%.
Number of outreach events (e.g., trainings, workshops, and presentations) to promote the use of dispute resolution skills	Increase number over FY 2004 (base year)	Target Met. There were 65 active outreach projects in FY2007. This represents a 1.6 % increase over 2004 in which there were 64 projects. Note: The projects were both internal and external to FERC.
Ensure timely and effective communication to all stakeholders	➢ Issue 95% of press releases for important agency actions on the same day as the underlining action ➢ Post 95% of important agency actions on the same day as the underlining action ➢ Provide an initial and complete response to 70% of inquiries at the time of the receipt of the request ➢ Develop webpages within the assigned timeframe to enhance and support the Commission's initiatives and goals	Targets Met. ➢ In FY 2007, 80 out of 80 or 100% of press releases were issued within 1 hour of action being taken. ➢ In FY 2007, 3816 of 3820 or 99% of important agency actions were posted on the Commission's internet website within 1 hour of issuance ➢ In FY 2007, the office provided an initial and complete response to 2272 of 2791 or 81% of public inquiries at the time of receipt. ➢ In FY 2007, the Commission developed the following webpages in the assigned timeframe: Market Oversight, Electric Competition, OATT Reform, Blanket Certificates, Transmission Investment, Pipeline, Hydrokinetic Energy, MOU, Policy Statement, Hydro licensing, Annual Charges, Career, Media form, and FOIA form.

FY 2007		
Performance Measurement	**Performance Target**	**Data Source**
Enhance communication with National and International groups	➢ Respond to 50% of Official Congressional correspondence within 10 business days ➢ Provide email notification of significant Commission actions to Congress within 1 to 2 business days of the underlining action along with briefing offers where appropriate ➢ Provide timely and effective briefings to members of Congress ➢ Provide email notification of significant Commission actions to effected State regulatory agencies within 1 to 2 business days of the underlining action ➢ Accommodate visitation requests from delegations from various countries and organizations	Targets Met. ➢ 130 out of 205 pieces of official Congressional correspondence, or 63%, were responded to within 10 business days. ➢ In FY 2007, email notifications to members of Congress were sent out on 340 significant Commission actions within 1 to 2 business days of the underlining action. Briefing offers were made on appropriate items. ➢ In FY 2007, the Commission provided 38 briefings to members of Congress. ➢ In FY 2007, 178 email notifications to State regulatory agencies were sent out on significant Commission actions within 1 to 2 business days of the underlining action. ➢ In FY 2007, OEA hosted 71 visits from 75 countries and organizations.
Percentage of cases set for hearing that achieve partial or complete consensual agreement	75%	Target Met. 88% of cases set for hearing achieved partial or complete consensual agreement.
Percentage of cases set for hearing completed according to the established schedule	➢ 75% of Track I cases in 29.5 weeks ➢ 75% of Track II cases in 47 weeks ➢ 75% of Track III cases in 63 weeks	Targets Met. ➢ There were no Track I cases. ➢ 80% of Track II cases in 47 weeks. ➢ 88% of Track III cases in 63 weeks.
Issue well-reasoned initial decisions, based on facts, law, and Commission policies which are upheld in whole or in part	80% of initial decisions upheld in whole or in part	Target Met. 91% of initial decisions were upheld in whole or in part.

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

FY 2008		
Performance Measure	**Performance Target**	**Results**
Of ADR processes concluded, percentage that resulted in savings of time and/or money over traditional processes	75%	Target Met. 100% of participants who completed a survey indicated that the use of ADR resulted in savings of time and/or money over traditional processes.
Percentage of cases set for hearing that achieve partial or complete consensual agreement	75%	Target Met. 91%
Ensure timely and effective communication to all stakeholders	➢ Issue 95% of press releases for important agency actions within 1 hour of action being taken ➢ Post 95% of important and time-sensitive agency actions on the Commission's internet website within 1 hour of issuance ➢ Provide an initial and complete response to 70% of inquiries at the time of the receipt of the request ➢ Develop webpages within the assigned timeframe to enhance and support the Commission's initiatives and goals	➢ Target Met. 95% (71 out of 75) press releases were issued within 1 hour of action being taken. ➢ Target Met. 100% (4,004 out of 4,005) important and time-sensitive actions were posted within 1 hour of action being taken by the Commission. ➢ Target Met. 74% (3,833 out of 5,149) of inquiries were provided a complete response at the time of the receipt of the request. ➢ Target met. 19 new web pages and/or sections on FERC.gov were developed within the assigned timeframe.
Enhance communication with National and International groups	➢ Provide responses to 95% of Congressional inquiries and briefing requests by the date requested or by 10 business days from the date of the request ➢ Provide email notification of significant Commission actions to Congress within 1 to 2 business days of the underlying action along with briefing offers where appropriate ➢ Provide timely and effective briefings to members of Congress and State Officials within the timeframe requested and initiate at least three briefings on top priority issues within timeframe appropriate to effect that issue ➢ Provide email notification of outreach efforts (i.e., panel discussions, workshops, conferences or other forums) to State Officials and Governors within 3 business days ➢ Respond to 80% of international delegation meeting requests within 3 business days of rendering a decision	➢ Target Met. 100% (61 out of 61) briefings were held and (318 out of 318) congressional inquiries were responded to within 10 business days of the request. ➢ Target Met. Email notifications concerning 292 significant Commission actions were sent within 1 to 2 business days of the underlying action. ➢ Target Met. 61 timely and effective briefings with members of Congress were held. Briefings on the top priority issues of cyber security; market manipulation; and transmission line siting were held within appropriate time frames. State officials were also briefed on these issues. ➢ Target Met. Staff provided 19 notifications of outreach efforts within 3 business days, and within at least 30 days' notice of public meetings for two additional outreach items. ➢ Target Met. 82% (40 out of 47) of requests were responded to within 3 business days.
Maintain an effective recruiting program	➢ Recruit at least 3 students each from at least 4 target universities ➢ Increase new hires from recruiting program by 10 over FY 2007 ➢ Hire 20% of interns into permanent positions	➢ Target Met. A total of 19 students were recruited from 4 target universities. ➢ Target Met. 58 new hires in FY 2008; 41 more than FY 2007 ➢ Target Met. 36% (4 out of 11) of summer interns from FY 2007 hired in FY 2008.

FY 2008		
Performance Measure	**Performance Target**	**Results**
Implement employee development programs	➢ Launch leadership development program ➢ Develop competency based training for mainstream occupations	➢ Target Met. The LDP was launched in October 2007. 15 candidates will graduate from program in February 2009. ➢ Target Met. A competency assessment tool for competency based training needs analysis was launched in September 2008 and will be included in the FY 2009 Central Training Fund prioritization.
Maintain an effective performance management system	➢ All employees receive training annually ➢ Provide feedback to managers to ensure ratings reflect meaningful distinctions between performance ➢ High achievers are rewarded appropriately	➢ Target Met. FERC Non-Supervisory Employees received training in August and September 2008. ➢ Target Met. All FERC managers received feedback on ratings and training on meaningful distinctions during the corresponding rating cycle of their program office. ➢ Target Met. Report analysis shows that higher monetary awards are commensurate with higher performance ratings.
Ensure appropriate representation of women and minorities at all levels within the organization	Increase over FY 2007 baseline	Target Not Met. ➢ Women. The representation of women was 45.5% in FY 2008, a 7.4% decrease from FY 2007. ➢ Minorities. Overall, the representation of minorities was 32.7% in FY 2008, a 0.5% decrease from FY 2007.
Maintain reliable financial management systems which generate accurate and timely financial information to support operating, budget, and policy decisions	➢ Unqualified audit opinion on financial statements ➢ Unqualified assurance assertion on internal controls	➢ Target Met. Unqualified opinion received November 6, 2008. ➢ Target Met. Unqualified assurance asserted over internal controls September 12, 2008.
Manage acquisitions in accordance with federal requirements and ensure process provides for the efficient use of Commission resources	➢ 25% of total procurement dollars awarded to small, women-owned, and minority businesses ➢ 100% of qualified procurements are performance-based	➢ Target Met. 31% of total procurement dollars awarded to small, women-owned and minority businesses. ➢ Target met. 100% of all qualified procurements were performance based awards.
Full implementation of FERC's eGovernment initiatives	Completed by September 30, 2008	Target Met. eFiling 7.0 was completed by September 30, 2008. eFiling will increase the number of documents that can be submitted and provides a secure process for submitting Privileged and CEII materials. Also, ATMS 3.0 successfully developed the infrastructure to capture the tracking of all docketed and non-docketed work. Customer satisfaction with eGov services was over 90%.

FY 2009		
Performance Measure	**Performance Target**	**Results**
Number of ADR requests and referrals addressed by DRS	Increase number over FY 2004	Target met. In FY 2009, DRS addressed 71 new ADR requests and referrals. FY 2009 results exceeded the results of the base year, FY 2004, by 17 requests/referrals. (In FY 2004 DRS received 54 total requests and referrals.)
Percentage of mediated or facilitated case that achieve partial or complete consensual agreement	75%	Target met. Of 18 cases DRS completed in FY 2009, all achieved consensual agreement through mediation and facilitation, resulting in a 100% success rate.
Favorable DRS customer satisfaction for casework and outreach	80% customer satisfaction rate	Target met. In FY 2009, customers for all casework and outreach services expressed favorable satisfaction with DRS. Of respondents to casework surveys, DRS received a 100% customer satisfaction rate. Of respondents to outreach surveys, DRS received a 91% customer satisfaction rate.
Number of outreach events (e.g., trainings, workshops, and presentations) to promote the use of dispute resolution skills	Increase number over FY 2004	Target met. In FY 2009, DRS delivered 24 outreach events, 13 more events than FY 2004's 11 outreach events. (In FY 2004, the DRS delivered 13 outreach events.)
Of ADR processes concluded, percentage that resulted in savings of time and/ or money over traditional processes	75%	Target met. 100% of respondents to casework surveys affirmed that involvement of DRS saved them time and/or money over traditional processes.
Percentage of cases set for hearing that achieve partial or complete consensual agreement	75%	Target Met. 90%
Ensure timely and effective communication to all stakeholders	▪ Issue 95% of press releases for important agency actions within 1 hour of action being taken ▪ Post 95% of important and time-sensitive agency actions on the Commission's internet website within 1 hour of issuance ▪ Provide an initial and complete response to 70% of inquiries at the time of the receipt of the request ▪ Develop webpages within the assigned timeframe to enhance and support the Commission's initiatives and goals	▪ Target met. In FY 2009, 42 out of 43or 99% of press releases were issued within 1 hour of action being taken. ▪ Target met. In FY 2009, 4066 out of 4066 or 100% of important agency actions were posted on the Commission's internet website within 1 hour of issuance. ▪ Target met. In FY 2009, the office provided an initial and complete response to 3476 out of 4753 or 73% of public inquiries at the time of receipt. ▪ Target met. In FY 2009, this office developed 11 out of 11 web page requests. All were completed on schedule.

FY 2009		
Performance Measure	**Performance Target**	**Results**
Enhance communication with National and International groups	▪ Provide responses to 95% of Congressional inquiries and briefing requests by the date requested or by 10 business days from the date of the request ▪ Provide email notification of significant Commission actions to Congress within 1 to 2 business days of the underlying action along with briefing offers where appropriate ▪ Provide timely and effective briefings to members of Congress and State Officials within the timeframe requested and initiate at least three briefings on top priority issues within timeframe appropriate to effect that issue ▪ Provide email notification of outreach efforts (i.e., panel discussions, workshops, conferences or other forums) to State Officials and Governors within 3 business days ▪ Respond to 80% of international delegation meetings requests within 3 business days of rendering a decision	▪ Target met. In FY 2009, External Affairs responded to 100% (211 out of 211) of congressional inquiries and briefing requests within 10 business days. ▪ Target met. In FY 2009, 165 email notifications to members of Congress were sent out on top priority issues regarding significant Commission actions within 1 to 2 business days of the underlining action ▪ Target met. In FY 2009, 46 briefings for Congress and State Officials were conducted on priority issues of natural gas pipelines, transmission planning and integration of renewables, demand response, and cyber security. ▪ Target met. In FY 2009, email notifications were sent out simultaneously for 142 out of 142 (100%) Commission actions of interest to State regulatory agencies on significant Commission actions within 1 to 2 business days of the underlining action. ▪ Target met. In FY 2009, OEA responded to and coordinated 52 approved visits; 44 or 84.6% received responses within 3 business days.
Maintain an effective recruiting program	▪ Increase retention rate of new hires over FY 2008 ▪ Hire 20% of interns into permanent positions ▪ Implement a formal mid-career recruiting program by December 31, 2008	• Target Met - The annualized retention rate of new hires increased from 91.7% (144/157) for FY 08 to 92.1% (187/203) for FY 09. • Target Met - 34% (12 of 35) of interns from summer 2008 program were converted in FY 09. • Target Not Met. The formal four phase mid-level recruitment program strategy was launched on 6/1/09. No negative impact by the delay in meeting original date.
Implement employee development programs	▪ Launch competency based training program for mainstream occupations ▪ Develop competency based training for all occupations	• Target Met - Competency-based training needs assessment was conducted during April 2009. • Target Not Met. The implementation of competency based training for all occupations was deferred, pending the selection and acquisition of a learning management system which will not be available until FY 2011 due to resource constraints. Accordingly, FERC will reevaluate its employee develop program measures for FY 2010.

FY 2009		
Performance Measure	**Performance Target**	**Results**
Maintain an effective performance management system	▪ All employees and managers receive training annually ▪ Provide feedback to managers to ensure ratings reflect meaningful distinctions between performance ▪ High achievers are rewarded appropriately	• Target Met - all employees and managers received Performance Management Training • Target Met. Managers received feedback which explained meaningful distinctions between performance. • Target Met – The Commission's analysis identified that on average, FERC rewarded: o highly successful employees 31% higher monetary awards than fully successful employees; o outstanding employees 49% higher monetary awards than highly successful employees; and o outstanding employees with 96% higher monetary awards than fully successful employees.
Ensure appropriate representation of women and minorities at all levels within the organization	Increase over FY 2008 baseline	▪ Target Not Met - FY09 percentage for women was 44.6%. Decreased percentage from FY08 by less than 1% (FY08 – 45.5%). Modify target for FY 2010 and future years to be "Equal to or greater than Total Federal Workforce percentage." ▪ Target Not Met - FY09 percentage for minorities was 32.3%. Decreased percentage from FY08 by less than 1% (FY08 – 32.9%). Modify target for FY 2010 and future years to be "Equal to or greater than Total Federal Workforce percentage."
Maintain reliable financial management systems which generate accurate and timely financial information to support operating, budget, and policy decisions	▪ Unqualified audit opinion on financial statements ▪ Unqualified assurance assertion on internal controls	▪ Target Met – Received unqualified audit opinion on FY 09 principal statements 11/6/09. ▪ Target Met – Issued unqualified assurance assertion on controls in place as of 6/30/09.
Manage acquisitions in accordance with federal requirements and ensure process provides for the efficient use of Commission resources	▪ 25% of total procurement dollars awarded to small, women-owned, and minority businesses ▪ 100% of qualified procurements are performance-based	▪ Target Met - 33% of total available procurement dollars were awarded to small businesses during FY09. ▪ Target Met - 100% of qualified FY09 procurements were performance-based acquisitions.

PERFORMANCE DATA FOR JUST & REASONABLE RATES, TERMS AND CONDITIONS: FY 2010 - 2012

Further barriers to participation by demand resources in organized wholesale electric markets will be identified and eliminated.		
Year	Target	Result
FY 2010	Evaluate ISO/RTO filings on barriers to demand response. Complete and submit National Action Plan on Demand Response	Target Met. In FY 2010, issued orders evaluating 6 filings submitted by RTOs and ISOs to identify barriers to demand response and to comply with other requirements of Order No. 719. Completed and published on June 17, 2010, a National Action Plan on Demand Response (Docket No. AD09-10)
FY 2011	As appropriate, issue Notice of Proposed Rulemaking on further steps to eliminate barriers to demand resources, including steps identified in National Action Plan on Demand Response	Target Exceeded. On March 18, 2010, the Commission issued a notice of proposed rulemaking in Docket No. RM10-17-000, on Demand Response Compensation in Organized Wholesale Energy Markets, which proposed to eliminate a barrier to demand response resources receiving the same compensation as other supply-side resources selling into the organized wholesale electric market. The Commission was able meet the FY 2012 target ahead of schedule and issued the final rule, Order No. 745, requiring that demand response resources be paid the same market-clearing price as other resources was issued on March 15, 2011.
FY 2012	As appropriate, issue Final Rule on further steps to eliminate barriers to demand resources	Target Met. On December 15, 2011, the Commission issued Order 745-A, Demand Response Compensation in Organized Wholesale Energy Markets order on rehearing.

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

All resources that are technically capable of providing needed ancillary services have the opportunity to provide those services.		
Year	Target	Result
FY 2010	Perform outreach to identify the need for modification or creation of additional ancillary services, and issue NOPR, as appropriate	Target Not Met. Engaged in outreach between October 1, 2009 and June 30, 2010 with RTOs/ISOs, storage and other technology providers, industrial customers, and research organizations. On January 21, 2010, issued a Notice of Inquiry seeking public comment on the extent to which reforms are necessary to ensure that wholesale electricity tariffs, including those governing ancillary services, remain just, reasonable and not unduly discriminatory (Integration of Variable Energy Resources, Docket No. RM10-11-000). The Commission received over 2,000 pages of comments from industry, state & federal agencies, and consumer interests, which are being analyzed by Commission staff to determine the need to modify existing, or create additional, ancillary services through a NOPR. Because of the large number of comments, more time is needed to develop specific proposals to include in a NOPR. Work on a NOPR proposal will continue into the FY11. Although the Commission did not issue the NOPR in FY10, it will not have a negative impact on achieving future targets or overall program performance.
FY 2011	As appropriate, issue Final Rule on ancillary service products and procedures	Target not met. Until recently, generation resources provided all ancillary services used to support open access transmission services offered by transmission-owning utilities, RTOs and ISOs. New technologies, such as demand response and energy storage devices, are now available and capable of providing some needed ancillary services. A notice of inquiry was issued on Third-Party Provision of Ancillary Services; Accounting and Financial Reporting for New Electric Storage Technologies on June 15, 2011 (RM11-24-000). A notice of proposed rulemaking on Frequency Regulation Compensation in the Organized Wholesale Power Markets was issued on February 17, 2011. A draft final rule was submitted for the Commission's consideration on September 29, 2011. This will not have a negative impact on program performance.
FY 2012	Implement Final Rule as appropriate	Target Met. The Commission issued Order Nos. 755 and 755-A, Frequency Regulation Compensation in Organized Wholesale Power Markets on October 20, 2011 and February 16, 2012, respectively. The Commission has reviewed the filings made by five RTOs and ISOs to comply with the Final Rule. The Commission determined that implementation of the Final Rule as proposed by three of the RTOs and ISOs is appropriate, subject to additional compliance requirements in some instances, and issued orders on these three compliance filings. The Commission is determining whether implementation of the Final Rule as proposed in the two remaining compliance filing is appropriate. Further supporting this measure, the Commission issued a notice of proposed rulemaking on Third-Party Provision of Ancillary Services; Accounting and Financial Reporting for New Electric Storage Technologies on June 21, 2012.

Market reforms which will allow renewable resources to compete fairly will be explored and, as appropriate, implemented in Commission-jurisdictional markets.		
Year	Target	Result
FY 2010	Perform outreach with industry and issue staff white paper identifying potential need for and types of market reforms	Target Met and Exceeded.Conducted outreach between October 1, 2009 and June 30, 2010 with RTOs/ISOs, storage and other technology providers, industrial customers, and research organizations. After the outreach was completed, the Commission determined a Notice of Inquiry could be issued in lieu of a staff white paper and still achieve the same purpose. On January 21, 2010, issued an NOI seeking comment on the integration of variable energy (renewable) resources (Integration of Variable Energy Resources, Docket No. RM10-11-000).
FY 2011	Issue a NOI/NOPR on market reforms, if appropriate	Target met. The Commission issued a notice of proposed rulemaking, Integration of Variable Energy Resources (RM10-17-000) on November 18, 2010.
FY 2012	Issue Final Rule on market reforms, if appropriate	Target Met. On June 21, 2012, the Commission issued Order No. 764, Integration of Variable Energy Resources.

By FY 2014, efficiency in market operations will be enhanced through deployment of new software and optimization of hardware.		
Year	Target	Result
FY 2010	Internal release of staff white paper; industry outreach, including technical conferences, to identify best practices	Target Met. Explored opportunities to enhance operational efficiency in jurisdictional markets through the deployment of new modeling software and optimization of market operations. Staff held three conferences in June 2010 to gather information from the public regarding modeling and software enhancements. On July 29, 2010, delivered a white paper to the Commission's Chief of Staff outlining opportunities for further work on this project.
FY 2011	Pursue voluntary adoption of best practices by RTOs/ISOs; if appropriate, issue Policy Statement and/or NOI/NOPR	Target met. A technical conference exploring best practices was convened on June 28-30, 2011. At the conference, market operators and others discussed best practices, software improvements and optimization processes. This forum allows for the diffusion of knowledge of useful best practices, reports to a wide audience on improvements under development, and provides useful information that market operators can use to access improvements in their own operations based on the best practices of their peers.
FY 2012	Follow-up workshops on best practices implementation; issue Final Rule, if relevant	Target Met. On March 20, 2012, a workshop on best practices in software planning modeling was held. A Final Rule is not relevant for this performance measure. In FY 2011, it was determined that a technical conference would be more effective in furthering implementation of best practices than initiating a rulemaking proceeding. Without a rulemaking proceeding in FY 2011, pursuance of a Final Rule in FY 2012 was no longer relevant. Rather, staff held a follow-up workshop to identify best practices in the specific area of software planning modeling.

By FY 2014, the performance of markets within and outside of ISOs/RTOs will be measured using a common set of metrics.[4]		
Year	Target	Result
FY 2010	Explore and develop appropriate operational and financial metrics for ISOs/RTOs	Target Not Met. During FY 2010, Commission staff worked with RTO and ISO staff, stakeholders and other experts to develop standardized metrics to track the performance of RTOs and ISOs and transactions in the markets they administer. Proposed metrics were made publicly available for comment in February 2010, and Commission staff has reviewed comments submitted on the proposed metrics. While the final metrics were not issued during FY 2010, this had no adverse impact on the program. The Commission expects to release the final metrics in early FY 2011 and to collect data from the RTOs and ISOs shortly thereafter. These final metrics will measure performance with respect to a number of areas, including: reliability standards, customer costs, demand response market penetration, and transmission investment.
FY 2011	Explore and develop appropriate operational and financial metrics for non-ISO/RTO regions	Target not met. Commission staff has been engaged in a voluntary and collaborative process with a diverse group of non-RTO utilities to develop proposed operational and financial performance metrics for non-RTO regions. Outreach meetings were held in September 2011 with major industry organizations to discuss the proposed performance metrics. Following these outreach meetings, the proposed performance metrics will be issued for public comment. In FY 2012, Commission staff will issue a report that addresses the comments and recommends the final list of performance metrics. Participating non-RTO utilities will then issue their reports on these final metrics and Commission staff will issue a final report. While the final metrics were not issued during FY 2011, Commission staff is on schedule to issue final metrics in FY 2012 which will have no adverse impact on the program. Commission staff expects to release the final metrics and collect data from non-RTO utilities on these metrics by the third quarter of FY 2012.
FY 2012	Explore and develop appropriate operational and financial metrics for non-ISOs/RTO regions	Target Not Met. Beginning in FY 2011, Commission staff has been engaged in a voluntary and collaborative process with a diverse group of non-RTO utilities to develop proposed operational and financial performance metrics. It has taken longer than anticipated for this group to organize and reach consensus on a list of proposed metrics. In February 2012, the draft metrics were issued for public comment with an extended comment period of 75 days, 45 days longer than the typical 30 day comment period. Commission staff expects to issue in FY 2013 a report that will recommend a final list of performance metrics. This will not have a negative impact on program performance.

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

By FY 2014, appropriate filings and issues will employ alternative dispute resolution and collaborative processes first.[5]		
Year	Target	Result
FY 2010	Develop guidelines/tariff provisions to apply to filings/issues amenable to consensual resolution	Target Not Met During FY 2010, staff reviewed and categorized two years of recent Commission orders which set cases for consensual resolution/hearing. Internal dialogue with senior staff and program managers provided additional understanding into the types of cases which may be amenable to consensual resolution. Through these efforts, a baseline of the types of cases and issues that the Commission traditionally sets for consensual resolution/hearing was established. Following this internal communication, staff identified a list of approximately 30 external stakeholders who could provide valuable insight to the guideline development process. Acquiring the input from these external stakeholders has taken significantly more time than anticipated because the number of external parties is much higher than originally planned. The meetings that have occurred to date have been very productive and the Commission staff will continue to meet with the remaining parties throughout the first and second quarters of FY 2011. Although the Commission did not finalize the guidelines in FY 2010, it will not have a negative impact on overall program performance. The Commission staff will work diligently in FY 2011 to incorporate into the guidelines the external parties' feedback. Further, the Commission will make every effort to initiate the pilot in the second half of FY 2011 in accordance with the established target date.
FY 2011	Implement rules setting forth guidelines/tariff provisions and initiate pilot programs	Target not met. The Commission was not able to meet this target due to the retirement of key management personnel during FY 2011. However, staff was able to make significant progress by meeting with 13 external stakeholder organizations. These organizations represent a broad spectrum of industries subject to Commission regulation. Their input was sought on new areas and types of issues where collaborative processes could foster the settlement of proceedings. Based on suggestions received in these meetings, staff prepared recommendations on additional issues and types of Commission proceedings where collaborative processes may be the most effective. Although the guidelines were not implemented in FY 2011, it will not have a negative impact on overall program performance.
FY 2012	Implement rules setting forth guidelines/tariff provisions and initiate pilot programs	Target Not Met. No additional measures for consensual resolution were identified as feasible; therefore, this measure is no longer applicable. This will not have a negative impact on program performance.

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

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

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

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

PERFORMANCE DATA FOR INFRASTRUCTURE: FY 2010 - 2012

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

By 2014, all public utilities will implement open and transparent transmission planning processes that include analysis and consideration on a comparable basis of proposed solutions involving any of generation, transmission, and demand resources.		
Year	Target	Result
FY 2010	Assessment of transmission planning process best practices, including the potential for collaborative decision making, and issue NOPR, as appropriate (Assessment includes how options to transmission are considered.)	Target Met. Upon review of more than 3,000 pages of comments and significant staff-led outreach, staff prepared recommendations for Commission consideration that led to the issuance of a NOPR on June 17, 2010 (Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities, Docket No. RM10-23-000).
FY 2011	As appropriate, issue Final Rule on transmission planning process best practices	Target met. The Commission issued the final rule, Order No. 1000, Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities, (RM10-23-000) on July 17, 2011.
FY 2012	Implement Final Rule as appropriate	Target Met. The Commission in Order No. 1000 encouraged public utility transmission providers to engage in frequent dialogue with Commission staff to explore issues that are specific to each transmission planning region in preparing their compliance filings (which are due in October 2012). To facilitate that dialog, Commission staff identified regional meetings where public utilities intended to discuss compliance with Order No. 1000, and participated, by phone and in-person, at 173 of those meetings. Staff's participation was both to monitor the progress of each region and to act as a resource for public utility transmission providers and stakeholders about issues related to Order No. 1000. In addition, staff was available to answer questions and meet with public utility transmission providers and stakeholders that had specific questions about Order No. 1000 compliance.

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

By FY 2014, risk-informed decision making will be incorporated into the FERC dam safety program.		
Year	Target	Result
FY 2010	Develop action plan	Target Met. In FY 2010, the Commission developed and finalized its RIDM Action Plan which outlines the work efforts required over the next four years to incorporate RIDM into its dam safety program.
FY 2011	Portfolio Risk Assessment of FERC dam inventory	Target not met. In FY 2011 the Commission did not complete the Portfolio Risk Assessment; however, the screening level portfolio risk assessment tool was finalized.
FY 2012	Determine RIDM is consistent with regulatory process	Target Met. As a result of the Screening Level Portfolio Risk assessment of the Commission's dams conducted in FY 2012, it was determined that RIDM could be incorporated into the Commission's dam safety program.

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

By FY 2014, Reliability Standards will be enforced effectively, resulting in a reduction of the frequency of repeat violations by at least 10 percent.		
Year	Target	Result
FY 2010	Establish tracking process	Target Met. The Commission developed in FY 2010 a database to track violations from Notices of Penalty filed by the ERO. As part of this process, the Commission determined the measurable parameters (e.g., what constitutes a repeat violation over a designated time period) to facilitate a determination as to the observed rate of repeat violations of the Reliability Standards.
FY 2011	Track violations per entity	Target met. Through the tracking mechanism established in FY 2010, staff has been tracking violations per entity during FY 2011 to analyze the current rate of violations and establish a baseline rate. A report analyzing the collected data from Notices of Penalty filed by the ERO was completed by 8/31/11.
FY 2012	Track violations per entity	Target Met. The annual report analyzing FY 2011 data was completed on December 2, 2011 and an additional mid-year report was completed on July 30, 2012.

By FY 2014, reliability parameters that could affect national goals of reducing carbon and increasing the penetration of renewable energy resources on the electric transmission grid will be finalized.		
Year	Target	Result
FY 2010	Establish contacts and develop research, data collection and reporting processes	Target Met. In FY 2010, Commission staff established approximately 100 industry contacts across the nation and internationally. The Commission has led and participated in the efforts to conduct technical studies on Frequency Response, Electromagnetic Pulse and the potential impact of early Coal Plant retirements due to potential regulations. The research the Commission staff has done on complex and highly technical studies provide guidance and direction in establishing the parameters to protect and preserve reliability as industry integrates large amounts of renewable generation into the bulk power system.
FY 2011	Track studies and identify or propose reliability parameters. Perform initial analysis to assess if they are feasible for the bulk power system	Target met. Commission staff performed and completed analyses on the Frequency Response study including identifying reliability parameters. The report on Frequency Response was issued in January 2011. NERC's Reliability Metrics Work Group adopted Frequency Response as a reliability parameter to track on a trial basis.
FY 2012	Track studies and identify or propose reliability parameters. Perform expanded analysis to assess if they are feasible for the bulk power system	Target Met. Commission staff tracked three studies identifying several reliability parameters and performed two expanded analyses to assess their feasibility. Specifically, staff 1) performed detailed technical analysis related to the Arizona-Southern California outages showing system operating limits, interconnection reliability operating limits, voltage collapse and special protection scheme reliability parameters were not appropriately considered; 2) tracked and conducted an expanded detailed analysis of the EPA regulations on the Bulk Power System and participated in the Commission-led technical conference; and 3) analyzed documentation and conducted a technical workshop on voltage coordination on high voltage grids to assess the feasibility of adjusting voltage reliability parameters.

Appendix A: Statutory Authority

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

Electric, Hydropower, & General Statutes

Federal Power Act
Energy Policy Act of 2005
Energy Policy Act of 1992
Power Plant & Industrial Fuel Use Act
Department of Energy Organization Act
Electric Consumers Protection Act (ECPA)
Electronic Freedom of Information Act of 1996
Energy Independence and Security Act of 2007 (EISA)
Public Utility Holding Company Act of 1935 and 2005
Public Utility Regulatory Policies Act of 1978 (PURPA)
Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA)
Information Technology Management Reform Act of 1996 (ITMRA/Clinger-Cohen Act)

Natural Gas Statutes

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

Oil Statutes

Interstate Commerce Act
Oil Pipeline Regulatory Reform

Environmental and Other Statutes

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

Appendix B: Acronym Listing

Acronym	Full Description
ADR	Alternative Dispute Resolution
CAISO	California Independent System Operator
CIP	Critical Infrastructure Protection
DOE	Department of Energy
DRS	Dispute Resolution Service
ERO	Electric Reliability Organization
EQR	Electric Quarterly Report
FERC	Federal Energy Regulatory Commission
FPA	Federal Power Act
FPC	Federal Power Commission
FTE	Full Time Equivalent
FY	Fiscal Year
ISO	Independent System Operator
ISO-NE	ISO New England
MISO	Midwest Independent Transmission System Operator
MMcf/d	Million cubic feet per day
MOU	Memorandum of Understanding
LNG	Liquefied Natural Gas
NEPA	National Environmental Policy Act
NERC	North American Electric Reliability Corporation
NOPR	Notice of Proposed Rulemaking
NYISO	New York Independent System Operator
OMB	Office of Management and Budget
PJM	PJM Interconnection
RIDM	Risk-informed Decision Making
RTO	Regional Transmission Organization