

ANNUAL PERFORMANCE REPORT FOR FISCAL YEAR 2001



FEDERAL ENERGY REGULATORY COMMISSION

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Chairman**

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INTRODUCTION

The most important development in FY 2001 was the unprecedented increase of electric power and natural gas prices in the Western United States from June 2000 through June 2001. In response to that unanticipated crisis, we are reviewing fundamental aspects of the way we work. The review is leading to:

- **A New Strategic Plan.** The Commission approved the new Strategic Plan on September 26, 2001. It focuses our efforts on four main challenges and will serve as the basis for future budgets and performance reporting efforts.
- **A Business Plan Process.** We are developing our first ever Business Plan. It will detail all aspects of the Commission's work and integrate this effort with the Strategic Plan. It will include resource levels, priorities and completion dates. To ensure the Business Plan's relevance in our rapidly changing environment, we will update it every quarter.
- **Better Performance Measures.** As part of connecting the Business Plan and the Strategic Plan, we have begun planning new performance measures specifically related to the main challenges of the Strategic Plan.

These changes are under way. When fully implemented, they will greatly improve our management capability. They will connect:

- our use of resources to the activities we undertake;
- the activities we undertake to the overall objectives we pursue; and
- our efforts to achieve meaningful outcomes for energy customers throughout the United States.

The result will be much greater accountability for the agency's activities and results.

THE COMMISSION AND ITS PROGRAMS

The Commission

The *Department of Energy Organization Act* created the Federal Energy Regulatory Commission (the Commission) on October 1, 1977 and abolished its predecessor, the Federal Power Commission (FPC). The President, with the advice and consent of the Senate, appoints the five members of the Commission to five-year staggered terms. No more than three members may belong to the same political party. The President designates one member to serve as Chairman

and administrative head of the Commission. Commissioners have an equal vote on regulatory matters. The Commission generally meets twice a month to transact business. Meetings are open to the public under the provisions of the *Government in the Sunshine Act*.

We collect the full cost of our operations from annual charges and fees authorized by the *Federal Power Act (FPA)*, the *Omnibus Budget Reconciliation Act of 1986*, and other laws. Congress annually adopts a budget appropriation authorizing the Commission to use funds from the Treasury to meet operating expenses. We return to the Treasury all revenue from annual charges and fees; therefore, there is no direct taxpayer funding.

Commission Programs in FY 2001

Beginning in FY 2000, we structured our work into three overall programs.

Our Energy Markets Program oversees rates, terms and conditions for:

- transportation and sale of natural gas in interstate commerce;
- transmission and wholesale sales of interstate electric power; and
- transportation of petroleum through pipelines.

Our Energy Projects Program oversees:

- certification of new natural gas transportation facilities such as pipelines and liquefied natural gas (LNG) plants;
- licensing, inspection and administration of non-federal hydropower projects, including oversight of related environmental matters; and
- dam safety for non-federal hydropower projects.

Our Management Program is designed to improve the overall effectiveness and efficiency of our operations, focusing on activities in strategic management, human resources management, financial management, procurement, information technology, and external communications.

Internal Controls

Our internal control program includes internal reviews conducted by each office. The Financial Managers Fiscal Integrity Act (FMFIA) requires that agencies identify material internal control problems and report them to management. External auditors, such as the Department of Energy's Office of the Inspector General and the General Accounting Office, conduct audits annually. This year's reviews indicate a reasonable assurance that the Commission's management controls were working effectively, that applicable laws were being followed, and that our resources were safeguarded against waste, loss, or unauthorized use.

PERFORMANCE MEASUREMENT IN FY 2001

For FY 2001, we adopted a two-track approach to measuring our performance. One track consisted of fairly traditional performance measures and targets. These focused mostly on our **outputs**, especially how quickly we processed many parts of our case workload. We met or beat most of these performance targets during FY 2001 – see Appendix A for details. For example, we processed certificates to build new gas pipeline facilities faster than our targeted time frames in all categories, which improved the stability of gas prices and availability:

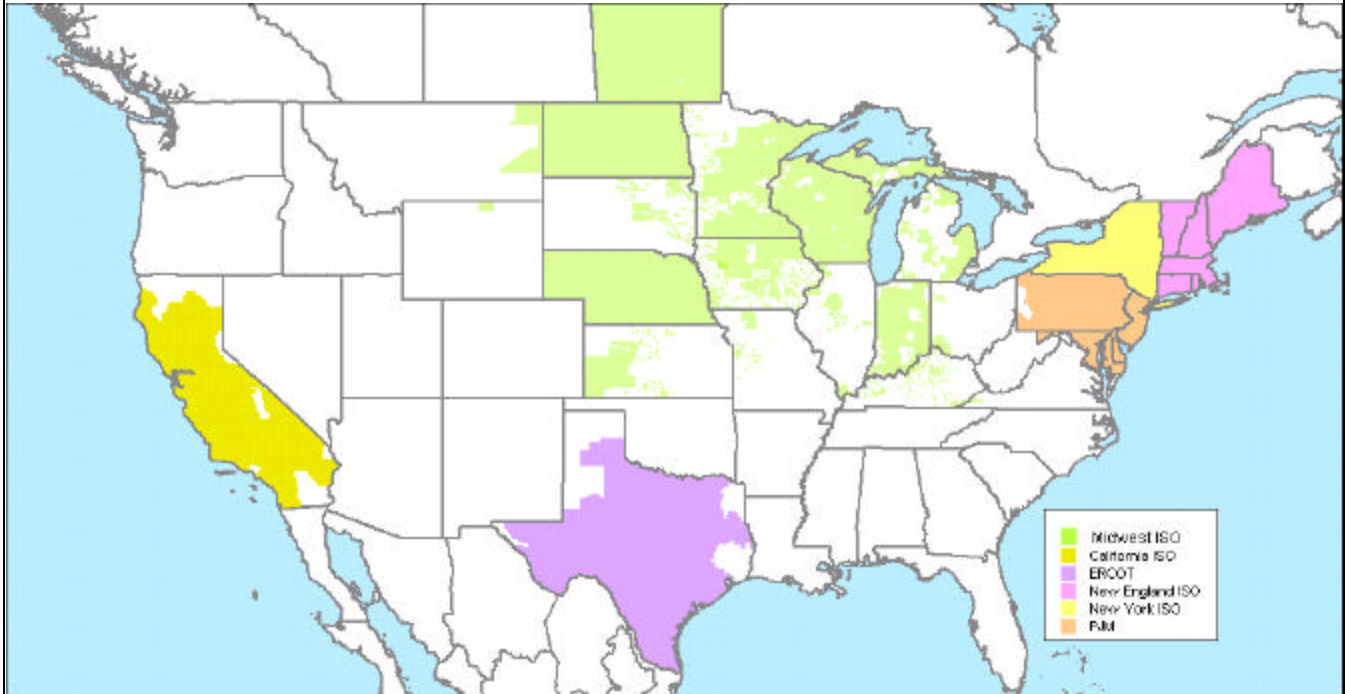
| Measure | Targets | Results |
|---|--|--|
| Percentage of cases completed in specified time | 82% of cases completed within specified time frames: <ul style="list-style-type: none"> ▶ cases that involve no precedential issues and are unprotested, 159 days ▶ cases that involve no precedential issues and are protested, 304 days ▶ cases of first impression or containing larger policy | Number of days to complete 82% of the cases: <ul style="list-style-type: none"> ▶ 136 days ▶ 200 days ▶ 277 days |

Approving new pipeline facilities expeditiously is particularly important, given the need to respond quickly to rapidly changing market conditions.

The second performance evaluation track consisted of assessing **outcomes** – how well electric power and natural gas markets performed during the year. In FY 1999, we produced a State of the Markets report that showed how we might use a suite of indicators to identify market successes and failures. In FY 2000, we produced regional Bulk Power Market reports to examine how markets were responding to the difficult developments in energy markets during that year. We intended for these documents to examine the outcomes of our actions – specifically, how well or badly competitive markets developed for natural gas and electric power around the country. We did not adopt specific performance targets because we believed the markets were so dynamic that any targets were likely to be outdated before they were measured.

In the future, we will need to have more clearly defined outcome measures. We have begun to plan our approach, but development of clearly defined outcome measures will take time. However, one can infer from our new Strategic Plan the kinds of outcome measures that we might adopt. For example, one of the four major challenges we face is to foster nationwide competitive energy markets as a substitute for traditional regulation. Today such markets exist in only a few parts of the country and appear to be working well in even fewer places:

Active Independent System Operators and Regional Transmission Organizations



Map by FERC/OMTR/Division of Market Development, January 22, 2002

A reasonable approach to measuring our success at fostering markets might be to measure how quickly the rest of the map is filled in versus our goals.

During FY 2001, many gas and electric markets performed well. However, in the West, electric power markets experienced sustained, extremely high prices, first in California and then in the rest of the West. Those very high prices affected other markets, including those for natural gas, and began to undermine support for competitive electric and gas markets nationally.

After focusing closely on what happened in the Western energy markets, we are retooling both our strategic direction and our internal accountability for performance. We must respond more rapidly to similar problems in the future – or prevent them altogether. And, to do that, we need to make better use of our resources.

Western Energy Markets: June 2000 through June 2001

What Happened?

California was among the first states to open its electric industry to competition, opening a restructured market in 1998. Until June 2000, California's electric markets appeared to work well. However, California's flawed market rules failed to send generators signals to build new capacity, even while the state experienced rapid economic growth. The lack of new capacity made the California market vulnerable. In 2000, a series of other conditions exposed that vulnerability: a severe drought curtailed hydropower; demand-side response was virtually non-existent partly because of fixed retail rates; and a hot summer followed a cold winter.

By June 2000, the balance between supply and demand tightened dramatically. Day-ahead prices reached \$1,099 per megawatt hour (Mwh) on June 28, 2000, more than ten times higher than typical prices the year before. These were not the first price spikes that American electric markets had seen. But the California prices differed from previous spikes in that they remained high through the fall and winter.

Prices of key inputs also rose through the summer. California natural gas prices rose from about \$2 to about \$6 per million British thermal units (MMBtu) by August, leading many customers to delay injections of gas into storage. Natural gas prices in Southern California peaked as high as \$60 per MMBtu in early December 2000, exacerbated by low gas storage. Other costs also rose. Prices for nitrogen oxides emissions allowances rose from \$6 to \$40 per pound by the end of August 2000. By December 2000, high electric prices spread to trading hubs throughout the West. These prices also remained very high through the fall and winter.

Early in 2001, Pacific Gas and Electric Company filed for bankruptcy protection and sellers stopped selling to Southern California Edison Company as well. The California Department of Water Resources became the principal power-buying agent for these systems.

Our Response

In late July 2000, we began a fact-finding investigation on the market problems in California and the West. This led to orders in November and December 2000 that (among other things):

- Required much greater use of long-term contracts and greatly reduced reliance on the spot market, which was near 100 percent in summer 2000.

- Established a breakpoint of \$150 per Mwh electric power bid into the California Independent System Operator. Companies would receive more than \$150 per Mwh only if they could justify a higher bid based on actual costs.
- Provided for refunds for excessive prices after October 2, 2000.

These measures provided customers with relief from the most extreme spot market prices. During the first few months of 2001, we refined the idea of price mitigation, setting the maximum just and reasonable charge at the cost of running the last unit that would have been dispatched had the market performed as it was set up in 1998. We ordered refunds for supplier overcharges for several months' worth of sales. We also removed a series of regulatory obstacles to expedite providing increased energy supplies to the West. This helped increase the supply of electricity and natural gas by the summer of 2001 and reduce the upward pressure on prices.

In June 2001, we extended versions of price mitigation to cover all hours (not just times of reserve deficiency) and all of the Western market (including California) through September 2002. By doing this, we responded to the fact that extraordinarily high prices had become a problem for customers throughout the West.

By June 2001, electric prices began to return to more normal levels throughout the West and have remained there through November 2001. Several factors led to this result: reduced demand, relatively mild weather, increased supplies, and our price mitigation.

What Did We Learn from the California Problems?

The lower prices of the last few months do not change the overall dimensions of the Western electric problem: a year's worth of very high prices, billions of dollars of additional costs to customers and the State of California, bankruptcy and near-bankruptcy for well-established traditional electric utilities, and growing unease about the whole course of developing competitive electric markets. It is abundantly clear that market crises can erupt very quickly, especially in electric power. Left untreated or un-prevented, they can do enormous damage. The most important lesson is this:

Lower prices after June 2001 must not mean a return to business as usual.

The Commission must retool its operations comprehensively to address such situations in the future. Among the most important programmatic lessons are:

Natural Gas and (Especially) Electric Markets Need to Have Excess Capacity. Both markets operate on a hair trigger when demand approaches the limits of supply. Price explosions can occur suddenly and spread to other markets. The California electric crisis spilled over into wider Western electric markets, Western natural gas markets, emissions trading markets, and finally financial markets. Scarcity conditions can also exacerbate market manipulation. Actions that would barely affect prices normally can lead to very high prices under such conditions.

New Regulatory Approaches Are Essential. Even the most dedicated efforts within the traditional regulatory approach produced little action until December 2000, six months after the crisis began. Lack of coordination among federal and state authorities can delay solutions to market problems.

The Focus Must Be on Prevention of Serious Market Breakdowns. After-the-fact remedies, such as refunds, are necessary to discipline individual market participants and were a necessary response to the California situation. For overall market disruptions, however, repeated use of such remedies would threaten the long-term viability of electric markets. They could introduce uncertainty about effective prices for all transactions that might become subject to refund. That in turn would undermine many other aspects of the market, including almost all risk management strategies.

A NEW DIRECTION

To maintain our mission and remain accountable to the American people, we have a duty to change the way we do business in light of the Western energy crisis. The changes will take three main forms:

- A new Strategic Plan that lays out new priorities and policies, reflecting a fuller understanding of all the conditions needed to make competitive energy markets a success.
- A first-ever Business Plan that will encourage much more conscious allocation of resources to the highest priority issues facing us.
- New performance measures, designed to build accountability into all our activities.

We intend these three changes not as three separate initiatives but as a single new way of doing business. Using them, we will be able to say what we are trying to accomplish, to structure our work to achieve our goals, to move resources flexibly when needed and to know how well we are succeeding.

New Strategic Plan

On September 26, 2001, the Commission approved a new Strategic Plan, *Making Markets Work* (see Appendix B). It lays out four challenges facing the agency.

Make Markets Feasible **Challenge 1 is to promote a secure, high-quality, environmentally-responsible energy infrastructure through consistent policies.** This will provide the infrastructure needed to support energy markets in the future, including sufficient supplies of energy to give room for competition and enough transmission and pipeline capacity to move energy around the country. Key implications of our strategies to meet this challenge include the following:

- We must recognize and help solve infrastructure problems ahead of time. One of our key strategies will be to identify transmission and pipeline projects with high public interest benefits and facilitate their speedy completion. Although we have no direct authority over siting electric transmission lines, we will do what we must to promote transmission construction. That is, we must find a way to work with others, especially States, to ensure that needed projects can be built. A crucial part of this effort will be to ensure that regional transmission organizations (RTOs) have a well-developed and recognized transmission planning function.
- We must look at infrastructure needs as a whole, including all associated economic and environmental aspects.

Make Markets Work **Challenge 2 is to foster nationwide competitive energy markets as a substitute for traditional regulation.** This challenge will require the growth of many new institutions to make electric markets work. The most important of these will be RTOs with clear responsibilities, independence and scope to structure electric power markets given the underlying constraints of the transmission system. In addition, we need to encourage the growth of industry groups to standardize business practice and reliability standards, promote the use of demand-side participation in energy markets and establish regional transmission planning.

The implications of our strategies to meet this challenge include the following:

- Strong coordination with States will be essential, since many issues touch on both Federal and State jurisdictional issues.
- The effort to establish RTOs will focus at least as much on precisely what the RTOs must do to make markets work as on simply establishing the institutions.

This implies standardizing market designs as much as reasonable and establishing standards for market monitoring.

Make Sure Markets Work

Challenge 3 is to protect customers and industry participants through vigilant and fair oversight of the transitioning energy markets. We need a much stronger ability to recognize and respond to problems in the markets. At the systemic level, we need to recognize problems when – or before – they develop and craft solutions quickly. This is especially important given the extremely dynamic nature of emerging power markets, but also applies to natural gas markets. We must also be able to police individual behavior in markets much more effectively than in the past.

The implications of our strategies to meet this challenge include the following:

- We will need an improved enforcement capability.
- We will need to work as hard at preventing problems as at responding to them once they develop.
- We will need to understand how markets work much better than energy regulators have traditionally done.

RTOs themselves will develop the capability to monitor markets to oversee activities within their operational areas. Our ability to coordinate with these emerging internal market monitors will be crucial to our success in the future. The RTO market monitors promise to be the best source of market information available within the RTOs.

Operate Efficiently

Challenge 4 is to efficiently administer the agency's resources to accomplish the agency's goals. The Commission will not be able to meet any of its programmatic challenges well without basic support. This will include recruiting and training the staff to perform new jobs, building first-rate, customer-friendly IT services, and strengthening our strategic management processes. Among our most important objectives will be to improve our communications. We must explain much more clearly to all stakeholders what we are trying to accomplish and listen to their ideas carefully. And we must build strong partnerships with others, especially with the States.

New Business Plan

We are now developing the first comprehensive Business Plan the agency has ever had. This Business Plan consists of all the activities we hope to undertake during the next year. We have grouped the activities under the challenges and objectives of the Strategic Plan. For each activity, we have specified:

- A priority level between one and three;
- Completion dates;
- Which Offices will work on it;
- How many FTEs will work on it from each Office; and
- How many contract dollars we will use on it.

The Business Plan looks forward one year and lists all activities that are needed over that time frame. We will update the Business Plan every quarter. The business planning process will greatly strengthen our management both after it is fully functioning and during development. Once the business planning process is fully developed, it will:

- Give us an organized way of allocating resources. We will use it to formulate future budgets, making allowance for changes that we know will happen over the longer time frame represented in the budget.
- Give us an organized way of setting priorities, so that we can shift resources from less to more important work as needed.
- Connect our activities both to our objectives (because they are organized by objective) and to resource usage. This will greatly increase financial accountability.
- Give us a set of output performance measures, since the Business Plan includes deadlines.

During development, the business planning process will also help us in more immediate ways. It will:

- Let us revise our list of activities so that they can meet the challenges and objectives laid out in the Strategic Plan. The current Business Plan is mostly a list of activities that we are currently doing. In some cases, those activities will need to change to meet the agency's newly defined needs. In other cases, we will need to define new activities.
- Let us better match our current resources to the work that needs to be done.

We see business planning as a process rather than an event.

New Performance Measures

We recognize that accountability requires strong performance measures. We believe we need two types of performance measures:

- **Output measures.** These specify targets for the specific work items we produce and when we produce them. We need these to tie activities to cost and to make clear to our own staff and the outside world what they can expect from our internal work processes.
- **Outcome measures.** These specify results that we are working to create in the larger world. We need these to ensure that our activities are having the effects we intend them to have.

Output Measures

For several years, we have been developing output measures. The Appendix reports on the measures that we had developed for FY 2001. For our FY 2003 budget request, we established output measures to cover more of our workload. Examples include:

- the percentage of pipelines complying with Order No. 637;
- the number of markets-related cases completed within their statutory action dates; and
- time targets for hydropower license cases.

In almost all cases, our output measures provide target time frames to complete various kinds of work. The Business Plan process will supplement these target measures in at least three ways:

- It will provide resource levels for activities so that we have targets not only for time but also for costs.
- It will provide priorities, so that we can weight our performance by the importance of the work, at least implicitly.
- It will provide specific deadlines for some of our work that could not be anticipated when the original targets were set.

Outcome Measures

In the past, we recognized the need for outcome measures, but we did not set specific targets. Going forward, devising outcome measures and target performance levels will be difficult, but it will also be possible and necessary.

Outcome targets are difficult to devise for two main reasons:

- We do not have direct jurisdiction over many parts of the electricity and natural gas industry that must function well for our policies to succeed. In electric power, for example, we have no jurisdiction over the building of power plants, the construction of transmission lines or the development of

most kinds of demand-side response programs. Yet all three must work well if we are to meet our strategic challenges.

- Most obvious targets are inappropriate. Thus, it makes no sense for us to set a target level for electric power or natural gas prices – the whole point of competitive markets is to let market forces set prices. Similarly, it would almost certainly be counterproductive to set target levels for price volatility.

Nonetheless, *devising responsible outcome measures and targets is possible*. The new Strategic Plan implicitly states several targets, including:

- The nation currently has reasonably well-functioning wholesale markets only in the Northeast and Texas. The Strategic Plan states a challenge for the Commission to “foster nationwide competitive energy markets.” By doing so, the Strategic Plan implicitly sets a performance target: well-functioning wholesale energy markets across the whole country.
- The Strategic Plan says that we wish to ensure sufficient supplies of energy to make competition possible and to facilitate speedy completion of transmission and pipeline projects with high public interest benefits. In both cases, it is a relatively small step from the statement of an objective or strategy and the statement of a performance target.

Other performance targets are possible. Consider price volatility. There is no “right” level of volatility in electric and gas markets – indeed, one would expect pricing volatility for both commodities to be extremely high. However, one might develop a target that customers should have ways to hedge against that volatility so that it directly affects only those who choose to be exposed.

Good outcome measures will be necessary. Our Strategic Plan lays out a leadership role for the Commission in establishing well-functioning energy markets in the future. We have committed ourselves to making markets work, even though many others must work with us to achieve the result. The most important question we can ask is whether our overall efforts are succeeding or not. If they are, the Nation can have confidence that today’s institutions are working as they need to. If our efforts are not succeeding, it suggests that larger changes may be necessary.

Going Forward

Our focus on changing the way we do business began in September 2001. So far we have developed a new sense of direction and embodied it in the Strategic Plan. We have begun the business planning process and have developed a full description of all our current activities. We are on the verge of finishing estimates

of the resources needed to pursue those activities. In the process we have improved our output measures and developed a framework that promises to improve them further.

The next step will be to reconcile the current Business Plan with the Strategic Plan. This will require a change in focus for our staff. They will need to begin to think in terms of the challenges, objectives and strategies that the Commission has endorsed, rather than in terms of the work currently done. That is, we will need to stop asking the question: “How can we fit our work into the Strategic Plan?” and start asking the question: “What do we need to do to meet the challenges the Strategic Plan lays out for us?”

A key part of taking this step is to specify outcome performance measures and targets. By doing so, we can focus ourselves more concretely on what we are trying to accomplish, which will let us answer the question of what work we need to do. For this reason, we hope to use the next step of business planning to develop the outcome measures we need and review the output measures we have.

APPENDICES TO THIS REPORT

The balance of this report consists of three appendices:

- **Appendix A** provides details of the results of our performance measures for FY 2001. It also includes other of our more significant accomplishments.
- **Appendix B** contains the Commission’s new Strategic Plan.
- **Appendix C** contains comparative performance measurement data for FY 1999 through FY 2003.

APPENDIX A

FY 2001 PERFORMANCE MEASUREMENTS RESULTS

This appendix presents the detailed results of the Commission’s performance measurements for FY 2001. We have included additional significant accomplishments when available.

Authorizing and Monitoring Energy Projects

**Goals: To Balance Interests of Developer, Landowners, and Environment
To Achieve Timely, Optimal Construction**

| Measures | Targets | Results |
|--|--|--|
| Percentage of cases completed in specified time | 82% of cases completed within specified time frames: 1.Cases that involve no precedential issues and are unprotested, 159 days; 2.Cases that involve no precedential issues and are protested, 304 days; and 3.Cases of first impression or containing larger policy implications, 365 days | Number of days to complete 82% of the cases: ▶ 136 days for Category 1; ▶ 200 days for Category 2; and ▶ 277 days for Category 3. |
| Number of major onshore projects inspected at least every four weeks | Inspect each major onshore project at least once every four weeks | All six major onshore projects were inspected at least once every four weeks |

Comments:

- We have beaten our case processing times for all case types. An alternative view can be derived from the percentage of cases completed within the targeted time frames: Category 1, 97.5 percent completed in 159 days or less; Category 2, 100 percent completed in 304 days or less; and Category 3, 94.4 percent completed in 365 days or less.
- We conducted 268 annual inspections to ensure compliance with environmental regulations and certificate conditions. We inspected all 57 onshore construction projects more than 2 miles long at least once during construction. Six of the 57 projects involved more environmental issues and affected a significant population. Recognizing the potential impact of these major projects, we inspected them at least once every 4 weeks during construction, and at least once following completion.

Other Accomplishments:

Certification of Major Facilities Construction. In 2001, the Commission authorized the construction and operation of a significant amount of pipeline facilities to provide service to all regions of the country. The following table provides a summary of the major natural gas facilities authorized by the Commission in FY 2001:

| Type of Project | Facilities / Added Capacity | Cost (\$ million) |
|---|--|-------------------|
| New Pipeline | 2449 miles; 804,592 horsepower; 6.63 Bcfd capacity | \$6,644 |
| New Storage | 19.1 billion cubic feet storage; 44,130 horsepower; 500 MMcfd deliverability | N/A |
| Expanded Liquefied Natural Gas Facilities | 1.04 Bcfd deliverability | \$50.5 |
| Preliminary Determinations | 305.9 miles; 89,950 horsepower; 1.7 Bcfd capacity | \$742.8 |

The following table presents other significant accomplishments related to natural gas infrastructure:

| Activity | Results |
|---|---|
| Continued efforts under the National Energy Policy to expedite environmentally-sound natural gas pipeline permitting and to improve the regulatory process governing approval of interstate pipeline projects | <ul style="list-style-type: none"> ▶ Expediently processed those certificate applications involving additional deliverability into western markets, while maintaining normal workload ▶ Temporarily increased cost limitations on blanket certificates and prior notices for projects scheduled to be in service by April 30, 2002 within the Western Systems Coordinating Council |
| Improved Information Availability and Outreach | <ul style="list-style-type: none"> ▶ Continued using the Landowner Notification Rule to allow parties to identify and resolve disputes before filing with the Commission, and identify significant new issues and/or alternatives ▶ Initiated a series of Interstate Natural Gas Facility Planning Seminars. Developed and issued a draft Outreach Action Options in July 2001, based on the feedback from the four initial seminars. Reissued in September 2001 as a report titled, <i>Ideas for Better Stakeholder Involvement in the Interstate Natural Gas Pipeline Planning Pre-Filing Process</i> |
| Responded to Renewed Interest in Alaskan Natural Gas | <ul style="list-style-type: none"> ▶ Submitted in January 2001 a report on the Alaskan Natural Gas Transportation Act of 1976 (ANGTA) ▶ Participated actively in a task force, recommended by the NEP and led by the Department of Energy, established a staff level-working group (including Commission staff) to respond to the NEP tasking on Alaskan natural gas |

Goal: To Protect and Enhance Environmental and Public Benefits

| Measures | Targets | Results |
|--|---------------------------|----------------------------|
| Percentage of licenses issued that contain adaptive management provisions | 5% increase over baseline | 18% increase over baseline |
| Percentage of filings containing some form of collaboration | 5% increase over baseline | 33% increase over baseline |
| License processing time when pre-filing collaboration occurred compared to license processing time when pre-filing collaboration did not occur | 10% less processing time | 63% less processing time |

Other Accomplishments:

We approved more than 800 licensee compliance plans and reports during FY 2001.

Collaborative Process Results. The following tables provides a summary of our major collaborative efforts in FY 2001:

| Project | Output/Location | Action |
|-------------------|--|---|
| Rock Creek-Cresta | 185 MW / California | Prepared and issued an environmental assessment with alternative evaluations |
| Mokelumne | 215 MW / California | Prepared and issued an environmental assessment with alternative evaluations |
| North Umpqua | 185 MW / Oregon | Facilitated the settlement between PacifiCorp and several federal and state resource agencies |
| Menominee Basin | A series of 10 projects in Michigan and Wisconsin totaling 65 MW | Issued licenses for 8 projects, a license amendment to re-regulate upstream flows for one project, and a nonpower license to retire and remove the tenth, an uneconomical project |
| Indian Pond | 76 MW / Maine | Worked with FPL Energy and other parties to achieve a settlement, filed in July 2001. |

Increased Capacity. We took the following actions to increase hydropower capacity or generation:

| Action | Results |
|--|---|
| <ul style="list-style-type: none"> ▶ Responded to a February Presidential directive to agencies to speed permit reviews for Western electric generation with a March 14, 2001, order describing the actions we would take ▶ Presented ideas to licensees on how to increase generation | Licensees are preparing license amendments to increase capacity or generation |
| Processed a December 26, 2000 application from the Metropolitan Water District of Southern California proposing a 39-MW project | Processed the application in a record 56 days, and the project went into service on May 30, 2001, a year ahead of schedule |
| Issued over 130 preliminary permits with a potential of nearly 4 GW of hydropower capacity | Provided prospective developers a three-year opportunity to evaluate the proposed projects' feasibility and to complete the studies required to support a license application. If more than one license application is filed for the same project, we give priority to the applicant holding the preliminary permit |

Issued Special Documents. We also prepared and distributed the following documents:

| Document | Purpose |
|---|--|
| <i>Guidelines for Preparing Environmental Assessments</i> | Provides information and examples to help applicants using the ALP to prepare environmental documents |
| <i>Hydroelectric Project Licensing Handbook and the Handbook for Filings Other Than Licenses and Exemptions</i> | Provides information for applicants on how to apply for licenses and other Commission approvals |
| <i>Filing a Hydropower Application with the Commission</i> | A web site providing instruction for applicants to prepare licenses and other documents, with links to our regulations |
| <i>Guidelines for Shoreline Management Planning at Hydropower Projects</i> | Discusses balancing economic and environmental shoreline resource values, and encourages collaboration. |

Goal: To Ensure the Safety of Hydropower Projects

| Measures | Targets | Results |
|---|------------------------|--|
| Percentage of high- and significant-hazard potential dams meeting all current structural safety standards | 90% of qualifying dams | 94% of high- and significant-hazard potential dams met all current structural safety standards |
| Percentage of dams requiring EAPs that have tested, evaluated plans | 99% of qualifying dams | 99.9% of dams requiring EAPs had tested, evaluated plans |

(Continued on Next Page.)

FY 2001 Annual Performance Report

| Measures | Targets | Results |
|--|------------------------|--|
| Percentage of dams with EAPs that have acceptance and certification from licensees and emergency response agencies | 90% of qualifying dams | 100% of dams with EAPs had acceptance and certification from licensees and emergency response agencies |

Other Accomplishments:

| Activity | Results |
|--|---|
| Inspections, EAPs and Remediations | Oversaw remediation completion at 12 dams. Conducted remediation oversight at 96 dams still ongoing at year end. Total cost of the remediation we oversaw was about \$485 million. |
| Customized Dam Safety Response to Individual Issues | Further developed state-of-the-art techniques to analyze specific highly visible situations, such as the Saluda, Santee Cooper, and Toledo Bend projects and the Diversion and Santeetlah dams. Made careful analyses and evaluations, developing creative and sound economic solutions related to safety at these dams. |
| Seismicity | <ul style="list-style-type: none"> ▶ Continually apply new information to help ensure that dams in the Northwest will withstand earthquakes. Continued coordinating with licensees and consultants on several critical Southeastern projects (Saluda, Santee-Cooper, and Wateree) to complete remedial seismic designs ▶ Provided rapid response to the February 2001 Seattle earthquake. Inspected the 28 dams within 40 miles of the epicenter within 3 days. |
| Tainter Gate Design Review and Inspection | Completed our physical inspection of all Tainter gates at high- and significant-hazard-potential dams. Refined our Tainter gate criteria and inspection frequency, following two Commission workshops on the subject |
| Performance Monitoring | Developed the framework for our new performance monitoring program, which we will initiate in FY 2002. |
| Technical Workshops | Developed and held "Independent Consultants Workshops" in Portland, Oregon and Washington, D.C., to promote communication on, and a common understanding of, our Independent Consultant Inspection Program. Planned and developed an international "Emergency Action Planning Workshop," to be held in the Spring of 2002. |
| Maximum Power Production in Response to Energy Shortages | Increased emphasis on licensees performing adequate maintenance to avoid interruptions in electricity supply |
| Assistance to Other Federal and State Agencies | Provided dam safety inspection services to the Nuclear Regulatory Commission and the Department of Energy. Assisted the Director of the Federal Emergency Management Agency (FEMA) with the National Dam Safety Program and made substantial contributions to FEMA's federal dam safety guidelines |

Regulating Energy Markets

Goal: To Promote Competitive, Well-Functioning Energy Markets

| Indicators | Measures | Targets | Results |
|----------------------------------|--|---|---------------------|
| Competition | <ul style="list-style-type: none"> • Number and size of capacity holders by system • Number and size of natural gas and electric secondary market participants • Number and size of pipeline suppliers by region and major customer • Number and size of electric power marketers | Analyze the number and sizes, in conjunction with the measures for all indicators | See comments below. |
| Flexibility and liquidity | Response of prices to external conditions in natural gas and electricity (e.g., events, weather, plant outages) | Large price changes should normally be associated with some clear external event | See comments below. |
| | Incidence of pricing anomalies for natural gas (where price and quantity appear to move in opposite directions) | Anomalies may indicate real market problems, problems in data, or unanticipated changes in how the market is working | See comments below. |
| | Level of price volatility and changes in price volatility in electricity and gas | Very high or very low prices can give an early warning for investigation | See comments below. |
| | <ul style="list-style-type: none"> • Correlation of commodity prices across regions • Narrowing of commodity price differences in the absence of transmission constraints • Increased market integration (price changes appear to reflect inter-regional trading) | Correlations should be near 1.0, except when transmission constraints bind and prevent free flow of commodities | See comments below. |
| Ease and Expense of Transactions | <ul style="list-style-type: none"> • Increased use of market hub services in natural gas and electricity • Growth of electronic services for the commodity and/or transportation • Increased economic transmission distance | Establish a baseline | See comments below. |
| Innovation | <ul style="list-style-type: none"> • Increase in types of tariffed services offered (e.g., parking and lending in natural gas) • Increased services in the market (develop a time line for different services, e.g., new futures exchanges, new types of products (e.g., weather derivatives) and independent exchanges) | By their very nature, innovations cannot be specified. The Commission will look for patterns of innovation, track and report on them. | See comments below. |

Comments:

The Commission created a suite of performance indicators designed to track our success at developing energy markets. The indicators chosen were based on attributes we perceived to be necessary for markets to function. As noted previously, the events of the last year in the Western energy markets demonstrated that, while many of our perceptions were correct (i.e., prices certainly responded to external conditions), the dynamics of the markets exceeded our understanding. For this reason, we view this suite of indicators as a valid, but ultimately unsuccessful experiment, one which we are seeking to revise in concert with our new strategic direction.

Other Accomplishments:

| Activity | Results |
|---|--|
| Acted to Improve Western Electric Supplies | Issued a March 14, 2001, order identifying and adopting short- and long-term initiatives intended to help maximize supply and delivery of electricity, while reducing demand. On May 16, 2001, we issued a further order affirming actions taken in the March 14 order, and implemented additional actions. |
| Acted to Support Reliability | Issued orders that improved the transmission tariff framework for enhanced transmission reliability. Approved a tariff filed by the East Central Area Reliability Council, a regional council of NERC, designed to improve regional reliability by creating a settlement system that encourages proper system operation. |
| Acted on Issues Related to California Electricity Markets | <p>Ordered sweeping changes to California's electric power market:</p> <ul style="list-style-type: none"> • a major overhaul of the California Independent System Operator (ISO) and power exchange rules, • imposed a temporary "soft" price cap, • imposed measures to increase the use of long-term contracts. <p>On February 1, 2001, reported on our investigation of increased plant outages for California generators, finding no evidence that generators manipulated maintenance schedules to raise market prices. Imposed new pricing rules we expect to deter withholding. initiated a formal investigation of specific companies that may have engaged in physical withholding, and intensified monitoring of current outages.</p> |
| Applied Price Mitigation Plan to Spot Markets During All Hours in All States in the Entire Western Region | Established on April 26, 2001 a new market mitigation program for California and opened a formal investigation of market power in Western markets. On June 19, 2001, made major changes to our mitigation program, expanding it to all wholesale sellers in 11 Western states. Mandates the use of a single price auction and must-offer and marginal cost bidding requirements when electricity reserves are below 7 percent in the California ISO spot markets. The two actions ensure that wholesale rates in spot markets in California and the rest of the West fall within a zone of reasonableness. The measures, along with a FERC rate-monitoring program, provide a structure that will reduce potential abuses, ensure reasonable rates for consumers, and encourage adequate supply in the market. |

(Continued on Next Page.)

Federal Energy Regulatory Commission

| Activity | Results |
|---|---|
| Constructed a Market Observation Resource | Monitoring real-time electric and gas markets using information services and software similar to those used by market participants. |

Goal: To Protect Customers

| Indicator | Measure | Target | Results |
|---------------------------|---|--------------------|---------------------|
| Constraining market power | Percentage of respondents perceiving a lack of market power | Establish baseline | See comments below. |

Comments:

We also established an additional measurement to determine whether customers perceived a lack of market power. This was intended to indicate our success at constraining market power abuse. Again, the events of the last year in the Western energy markets – and the nationwide publicity they generated – essentially invalidated this measurement. As with the previous market indicators, we are seeking to revise them based on our new strategic direction.

Other Accomplishments:

| Activity | Results |
|------------------------------------|--|
| Processed Merger Applications | Issued Order No. 642 on November 15, 2000, revising filing requirements for consistency with our 1996 Merger Policy Guidelines. During FY 2000 and FY 2001, processed merger applications within the 150-day review time adopted in Order No. 642. Ensured that market power mitigation measures are in place through appropriate conditions. |
| Investigated Bulk Power Markets | Reported on November 1, 2000 on Western bulk power markets and the causes of price abnormalities in the summer of 2000. Issued a similar report on November 1, 2000, on markets in the Eastern interconnection during the autumn of 2000. On February 1, 2001, issued a report on Northwest markets for the summer, November, and December of 2000. |
| Ordered Refunds in Western Markets | <ul style="list-style-type: none"> • A staff investigation resulted in an agreement by Williams on April 30, 2001 to refund \$8 million for alleged withholding of generating capacity in the California market in spring 2000. • In a series of orders ending with an order issued July 25, 2001, established a methodology to calculate refunds and ordered an expedited evidentiary hearing to do so. |

Goal: To Resolve Disputes Effectively and Efficiently

| Measures | Targets | Results |
|--|--|---|
| Percentage of customers satisfied with alternative dispute resolution (ADR) procedures at the Commission | 75% satisfaction rate | <p>OALJ: Participants report near 100% satisfaction with ADR¹ procedures. Satisfaction is indicated by calls from participants and by continuing and increasing requests for the appointment of settlement judges and mediators.</p> <p>DRS: 90% (20 out of 22 completed cases).²</p> |
| Percentage of contested proceedings that achieve consensual agreements | Maintain at or increase levels achieved in FY 2001 | <p>OALJ: During FY2001 80% of cases set for hearing were resolved through some form of ADR vs. 76.7% during FY2000.</p> <p>DRS: 90% vs. 89% during FY 2000.²</p> |
| Number of requests and referrals for ADR services | Maintain at or increase levels achieved in FY 2001 | <p>DRS: 52 requests vs. 40 requests in FY 2000, a 30% increase. This includes simple inquiries about ADR, cases referred to DRS in which the parties indicated no interest in pursuing ADR, cases referred to Enforcement, and ongoing cases.</p> |

(Continued on Next Page.)

¹ADR is considered the “umbrella” of dispute resolution. Many forms of dispute resolution are encompassed within ADR, such as mediation, settlement judge procedures, mini-trials, arbitration, and combinations of these methods. Cases referred to the Office of Administrative Law Judges (OALJ) for ADR involve disputes of hotly contested issues and millions of dollars. Due to the size and complexity of cases referred to OALJ for ADR, the process of achieving consensual resolution often involves considerable time and effort.

²This includes 5 cases begun in FY 2000 and completed in FY 2001. It does not include simple inquiries about ADR or cases in which parties expressed no interest in using ADR (11 cases), cases that were referred to Enforcement (2 cases), cases in which the Dispute Resolution Service (DRS) only coached parties, or cases that are were ongoing into FY 2002 (17 cases).

Federal Energy Regulatory Commission

| Measures | Targets | Results |
|---|--|---|
| Percentage of ADR cases resolved or terminated within established time frames | <ul style="list-style-type: none"> • 50% within 100 days • 75% within 150 days • 100% within 200 days | <p>OALJ: Of 60 cases:</p> <ul style="list-style-type: none"> • 10 cases settled within 100 days (17%) • 20 cases settled within 150 days (33.3%) • 31 cases settled within 200 days (51.7%) • 29 of 60 cases settled over 200 days (48.3%) <p>DRS: Of 22 completed cases:</p> <ul style="list-style-type: none"> • 8 cases completed within 100 days (36%) • 12 cases completed within 150 days (55%) • 17 cases completed within 200 days (77.3%) • 5 of 22 cases completed in over 200 days (22.7%) |

Comments:

- The targets for the second and third performance measures were created before the baselines for FY 2000 were established. We intend to keep both the percentage of contested cases reaching consensual agreement and the number of requests for ADR services uniformly high.
- Because the Office of Administrative Law Judges (OALJ) only works on cases referred to it by the Commission, it has little control over how many proceedings are referred to it for ADR.
- Because cases set for ADR or hearing are hotly contested, the targets for percentage of cases resolved or terminated within established time frames are not realistic for OALJ.

Other Accomplishments:

| Activity | Results |
|---|---|
| Improved Processes to Speed Settlements | Made process improvements that will result in faster approval of uncontested settlements certified to the Commission by the administrative law judges. Anticipate settlement approval within 45 to 60 days of certification. All documents will be public as an added benefit. Will formally evaluate ADR services in FY 2003, for both cost avoidance and qualitative benefits. |
| Instituted Fast Track Procedures | Resolve complaints using fast track procedures when a complainant attempts to quantify the financial burden (if any) created for them because of an alleged action or inaction. May shorten the comment period, speed action by the Commission, expedite hearings before administrative law judges, or rush action on requests for stays, time extensions, or other relief by the Commission or an administrative law judge. For example, approximately 600 calls from market participants and customers were resolved through the Enforcement Hotline. |

Commission Administration

Goal: To Improve Access to Information

| Measures | Targets | Results |
|--|---|--|
| Percentage of filings that FERC is capable of receiving electronically | Capability to receive 50% of filings electronically | Capability to receive 38% of filings electronically by the end of FY 2001. Percentage brought to 46% by mid-November 2001. |
| Percentage of filings submitted electronically | 50% of filings FERC is capable of receiving electronically are submitted electronically | 17% of filings FERC is capable of receiving electronically are submitted electronically. 30% reached by October 31. |
| Timely issuance of Notices/Orders | 95% of gas and electric notices/orders issued within 5 workdays | 97% of gas and electric notices/orders issued within 5 workdays |

Comments:

Submitting filings electronically to FERC remains voluntary due to the nature of the documents filed and the broad range of filing entities, from large companies to individuals. Persons commenting on or participating in FERC proceedings are growing more comfortable with e-filing as they use the system. We expect to reach the 50 percent target within the next few months.

The Commission has taken actions to encourage e-filing by continually expanding the types of filings that can be e-filed and by promoting e-filing at Commission meetings, in workshops and training sessions for staff and the public, and at industry conferences. In November, 2001, the Chairman gave a strong endorsement of the program at a regular Commission meeting, during which the Commission Secretary cited the impact of recent events on regular mail deliveries to the Commission.

Goal: To Ensure a Diverse, Competent Workforce

| Measures | Targets | Results |
|--|--|--|
| Percentage of employees in underrepresented groups | Increase Hispanic employee population by 5%. | The Commission increased its Hispanic employee population by 10 percent. |

(Continued on Next Page.)

Federal Energy Regulatory Commission

| Measures | Targets | Results |
|--|---|---|
| Percentage of senior executives participating in FERC's diversity initiative | 100% of the office directors will have participated in the first phase. | <ul style="list-style-type: none"> ▶ 100 percent of office directors participated in discussions with the Diversity Council concerning the direction of diversity at FERC. ▶ 25 percent of office directors actively participated in minority recruitment activities. |
| Percentage of supervisory participation in the Leadership, Education, and Development Program (LEaD) | 100% supervisors and managers will have completed training on the 5 leadership behaviors. | 100% of supervisors and managers (including new supervisors, managers, and team leaders) have completed training on the 5 leadership behaviors. |
| Number of learning agreements | 5% increase over FY 2000 | 29 employees on learning agreements in FY 2001, the first year of reporting |
| Number of mentor/protegee teams | 10 mentor/protegee teams | At least 15 mentor/protégé teams |

Comments:

The 10 percent increase in the first measure equals an increase of 2 employees from base of 18.

Goal: To Promote Alternative Dispute Resolution

| Measures | Targets | Results |
|---|--|---------------------|
| Percentage of customers satisfied with ADR procedures at the Commission | 75% satisfaction rate | See comments below. |
| Percentage of contested proceedings that achieve consensual agreements | 25% increase over FY 2000 | See comments below. |
| Number of requests and referrals for ADR services | Increase by 50% over FY 2000 | See comments below. |
| Percentage of ADR cases resolved or terminated within established time frames | <ul style="list-style-type: none"> ▶ 50% within 100 days ▶ 75% within 150 days ▶ 100% within 200 days | See comments below. |

Comments:

Because we also use ADR to resolve internal conflicts, this goal has been included as part of Commission Administration. The measurements and results are identical to those found under Energy Markets, beginning on page 22.

Goal: To Maintain Efficient and Effective Business Practices

| Measures | Targets | Results |
|---|---|---|
| Percentage of respondents giving positive rating for "FERC focusing on the right things." | 10% increase over baseline year | The Commission adopted a new Strategic Plan to focus on important issues arising from the Western Market meltdown. No surveys done during this times of great pressure and uncertainty. |
| Percentage of office directors operating within designated budgets | 80% of office directors operating within designated salary budgets. | 100% of office directors operated within designated salary budgets. |
| Unqualified opinion on financial statements | Unqualified opinion received. | Unqualified opinion received for FY 2001. |
| Percentage of payments within Prompt Payment Act | 95% payments are made within Prompt Payment Act requirements. | |
| Number of days to award purchase orders | Purchase orders awarded within 5 days of receipt of notification. | 98% of purchase orders awarded within 5 days of receipt of requisition |
| Number of days to award contracts | Contracts awarded within 30 days of receipt of requisition | 95% of contracts awarded within 30 days of receipt of requisitions |
| Number of award fee contracts | Increase number of award contracts by 10% over FY 2000. | Award fee contracts and firm fixed price contracts increased by 10% over FY 2000 levels. |

Comments:

- Effective management of salary dollars in FY 2001 resulted in a 5 percent savings of actual salary costs.
- As interpreted by KPMG LLP, the Commission continued to receive an unqualified opinion on its FY 2001 financial statements along with no material weaknesses, reportable problems, or instances of noncompliance. This measurement is of utmost importance to the Commission in presenting our financial stability to our customers and regulated entities, and ensuring our financial statements reflect true and accurate balances.

APPENDIX B

STRATEGIC PLAN 2001 – 2005

Making Markets Work

Vision

Dependable, affordable, competitive energy markets support a strong, stable national economy.

Mission

The Federal Energy Regulatory Commission regulates and oversees energy industries in the economic and environmental interest of the American public

Challenges and Objectives

Challenge 1: Promote a secure, high-quality, environmentally-responsible energy infrastructure through consistent policies.

Objective 1.1: Remove roadblocks impeding market investment

- Ensure that sufficient supplies of energy are available to provide room for competition to succeed
- Identify transmission and pipeline projects with high public interest benefits and facilitate their speedy completion
- Standardize interconnection of power generation plants of all sizes and technologies
- Strengthen inter-agency coordination on hydropower licenses to shorten processing timelines
- Expedite gas pipeline certificate processes, consistent with due process

Objective 1.2: Provide clarity of cost recovery to infrastructure investors

- Establish a process to timely include prudently-incurred expansion costs in transmission and pipeline rates
- Ensure rate design for regulated company services supports long-term competitive markets
- Welcome balanced innovative rate and return proposals that incent pro-competitive behavior and publicly beneficial projects

Objective 1.3: Proactively address landowner, safety and environmental concerns

- Encourage applicants to address stakeholder concerns before the licensing/certification process
- Utilize collaboration with affected parties to the greatest extent possible
- Ensure strictest adherence to prudent safety practices
- Incorporate reasonable environmental conditions into permits and licenses

Objective 1.4: Stimulate use of new technology

- Develop industry and agency familiarity with most current infrastructure-based technologies
- Equalize regulatory treatment (including cost recovery) for old and new technologies in transmission, transportation, production and generation

Objective 1.5: Promote measures which improve the security and reliability of the energy infrastructure

- Work with other agencies and parties to identify security issues and needs
- Support industry efforts to improve infrastructure security

Challenge 2: Foster nationwide competitive energy markets as a substitute for traditional regulation.

Objective 2.1: Advance competitive market institutions across the entire country

- Complete firm establishment of regional transmission organizations with clear responsibilities, independence and scope
- Develop appropriate coordination role with states to efficiently oversee regional power markets
- Look to balanced, industry-led organizations to develop reliability and business practice standards

- Firmly establish transmission planning function on a regional basis, to use a variety of technology solutions to meet reliability, security and market needs

Objective 2.2: Establish balanced, self-enforcing market rules

- Link deregulated rate authority to continued presence of balanced market conditions
- Rely on international best practices to develop comprehensive market protocols/rules
- Work to establish robust programs for customer demand-side participation in energy markets
- Encourage standardized business rules and practices to maximize market efficiency, ease market entry, and reduce transactions costs

Challenge 3: Protect customers and market participants through vigilant and fair oversight of the transitioning energy markets.

Objective 3.1: Improve our understanding of energy market operations

- Keep abreast of market and technological innovation, including use of financial instruments and Internet-based energy trading
- Develop staff's investigatory and market data analysis skills through training, new hiring and relationships with outside experts
- Strengthen role of RTO market monitoring units

Objective 3.2: Assure pro-competitive market structures.

- Identify and remedy problems concerning market structure
- Assess market and infrastructure conditions through use of objective benchmarks
- Periodically review effectiveness of market rules and revise them consistent with sustained, long-term development of energy markets
- Ensure that mergers and consolidations are consistent with pro-competitive goals

Objective 3.3: Remedy individual market participant behavior as needed to ensure just and reasonable market outcomes

- Identify and mitigate market power, and use prohibitions and penalties as necessary
- Initiate and conduct timely and effective investigations as warranted by factual reviews
- Act swiftly on third-party complaints, using litigation before Administrative Law Judges as necessary to determine factual issues
- Develop expedited dispute solving mechanisms to minimize time and personnel use

Challenge 4: Efficiently administer the agency's resources to accomplish the agency's goals.

Objective 4.1: Attract, train and retain staff to fulfill the Strategic Plan

Objective 4.2: Manage information technology to better serve the public and streamline work processes

Objective 4.3: Communicate our activities more clearly with customers, elected officials and industry

- Publish information that enhances public understanding of energy markets
- Proactively reach out to groups affected by agency actions for advance input

Objective 4.4: Integrate agency business planning and budgeting processes

Objective 4.5: Build strong partnerships with all stakeholders, particularly with governors and states

APPENDIX C

COMPARATIVE PERFORMANCE MEASUREMENT DATA

Markets Performance Measurements FY 1999 – FY 2003

| FY 1999 | | |
|---|--------------------|---|
| Measurement | Target | Result |
| Customers will have more new products and a reasonable range of suppliers from which to choose in both the electric and natural gas industries. This will indicate that commodity markets are reasonably competitive as well as responsive to customer needs | Establish baseline | <ul style="list-style-type: none"> The Commission demonstrated that the number of power suppliers using market-based rates has grown dramatically since 1994 Using service availability as a substitute for "new products," the Commission identified 5 electric transmission indicators and 15 new gas transportation services |
| Natural gas and electric power prices will become more responsive to market conditions – that is, prices will reflect changing supply and demand conditions more clearly and more quickly | Establish baseline | Developed examples relating prices to under-lying conditions, such as the weather |
| Natural gas prices within each trading region will tend to converge, except to the extent there are demonstrable transportation constraints or costs. Wholesale electricity price differences will also tend to narrow. | Establish baseline | As an example, the Commission demonstrated the convergence of prices in Texas and Louisiana from the spring of 1996 forward |
| It will be less costly, administratively, to transact business on the interstate natural gas transportation grid | Establish baseline | As a result of developments in electronic information exchange, large consumers of energy have unprecedented access to information |
| Market participants will have confidence that natural gas markets, electric markets, and oil transportation services are working fairly and that they are not subject to abuses of market power. That is: <ul style="list-style-type: none"> Broad customer classes (not necessarily every customer) will agree that buyers and sellers have access to competitively priced commodity markets in the national gas transportation and electric transmission grids Customers will generally agree that gas pipe-line, electric transmission and oil transportation rates and services are just and reasonable, fairly balancing the competing interests of the transporting or transmitting companies and their customers | Establish baseline | The Commission was unable to survey market participants to develop a baseline |

FY 2001 Annual Performance Report

| FY 2000 | | |
|---|----------------------------------|--|
| Measurement | Target | Result |
| Customers will have more new products and a reasonable range of suppliers from which to choose in both the electric and natural gas industries. This will indicate that commodity markets are reasonably competitive as well as responsive to customer needs | Monitor the state of the markets | <ul style="list-style-type: none"> • Gas: many new services offered over last few years; Order No. 637 encourages innovative transportation services • Electric: greater availability of spot markets, derivatives and other risk management instruments, and national online trading; Order No. 2000 encourages innovative transmission tariffs and services; many power suppliers using market-based rates |
| Natural gas and electric power prices will become more responsive to market conditions – that is, prices will reflect changing supply and demand conditions more clearly and more quickly | Monitor the state of the markets | Prices for both gas and electricity very responsive to even small changes in supply and demand. Electric price volatility signals flawed market rules and need to increase supply, demand response and ability to manage risk |
| Natural gas prices within each trading region will tend to converge, except to the extent there are demonstrable transportation constraints or costs. Wholesale electricity price differences will also tend to narrow | Monitor the state of the markets | Persistent price differentials developed between West Coast (especially California) and supply regions, possibly signaling need for new transportation capacity |
| It will be less costly, administratively, to transact business on the interstate natural gas transportation grid | Monitor the state of the markets | Strong growth of online trading for both gas and electricity indicates greater availability of market-related services and probably declining transactions costs |
| Market participants will have confidence that natural gas markets, electric markets, and oil transportation services are working fairly and that they are not subject to abuses of market power. That is: <ul style="list-style-type: none"> • Broad customer classes (not necessarily every customer) will agree that buyers and sellers have access to competitively priced commodity markets in the national gas transportation and electric transmission grids • Customers will generally agree that gas pipe-line, electric transmission and oil transportation rates and services are just and reasonable, fairly balancing the competing interests of the transporting or transmitting companies and their customers | Monitor the state of the markets | In response to electric power volatility, the Commission issued detailed studies of each regional bulk power market, which included consideration of a variety of market power issues |

Federal Energy Regulatory Commission

| FY 2001 | | |
|---|---|--|
| Measurement | Target | Result |
| <ul style="list-style-type: none"> • Number and size of capacity holders by system • Number and size of natural gas and electric secondary market participants • Number and size of pipeline suppliers by region and major customer • Number and size of electric power marketers | Analyze the number and sizes, in conjunction with the measures for all indicators | <p>The Commission created a suite of performance indicators designed to track our success at developing energy markets. The indicators chosen were based on attributes we perceived to be necessary for markets to function. As noted previously, the events of the last year in the Western energy markets demonstrated that, while many of our perceptions were correct (i.e., prices certainly responded to external conditions), the dynamics of the markets exceeded our understanding. For this reason, we view this suite of indicators as a valid, but ultimately unsuccessful experiment, one which we are seeking to revise in concert with our new strategic direction.</p> |
| Increase in types of tarified services offered (e.g., parking and lending in natural gas) | By their very nature, innovations cannot be specified. The Commission will look for patterns of innovation, track and report on them. | |
| Increased services in the market (develop a time line for different services, e.g., new futures exchanges), new types of products (e.g., weather derivatives) and independent exchanges | | |
| Response of prices to external conditions in natural gas and electricity (e.g., events, weather, plant outages) | Large price changes should normally be associated with some clear external event | See comments on previous page. |
| Incidence of pricing anomalies for natural gas (where price and quantity appear to move in opposite directions) | Anomalies may indicate real market problems, problems in data, or unanticipated changes in how the market is working | |
| Level of price volatility and changes in price volatility in electricity and gas | Very high or very low prices can give an early warning for investigation | |
| Correlation of commodity prices across regions | Correlations should be near 1.0, except when transmission constraints bind and prevent free flow of commodities | |
| Narrowing of commodity price differences in the absence of transmission constraints | | |
| Increased market integration (price changes appear to reflect inter-regional trading) | | |
| Increased use of market hub services in natural gas and electricity | Establish a baseline | |
| Growth of electronic services for the commodity and/or transportation | | |
| Increased economic transmission distance | | |
| Percentage of respondents perceiving a lack of market power | Establish baseline | |
| External and internal customer satisfaction with Commission's handling of disputed cases | 75% satisfaction rate | |
| Time from case receipt by presiding judge to initial decision | Decrease in average time required to reach initial decision in 10% of comparable cases | |

(Continued on next page.)

FY 2001 Annual Performance Report

| FY 2001 | | |
|---|--|--|
| Measurement | Target | Result |
| Percentage of customers satisfied with ADR procedures at the Commission | 75% satisfaction rate | OALJ: Participants report near 100% satisfaction with ADR ³ procedures. Satisfaction is indicated by calls from participants and by continuing and increasing requests for the appointment of settlement judges and mediators. DRS: 90% (20 out of 22 completed cases). ⁴ |
| Percentage of contested proceedings that achieve consensual agreements | 25% increase over FY 2000 | OALJ: During FY2001 80% of cases set for hearing were resolved through some form of ADR vs. 76.7% during FY2000. DRS: 90% vs. 89% during FY 2000. ⁴ |
| Number of requests and referrals for ADR services | Increase by 50% over FY 2000 | OALJ: During FY2001 60 out of 77 cases (77.9%) terminated by OALJ were resolved through some means of ADR vs. 60 out of 83 cases (72.3%) during FY2000 DRS: 52 requests vs. 40 requests in FY 2000, a 30% increase. This includes simple inquiries about ADR, cases referred to DRS in which the parties indicated no interest in pursuing ADR, cases referred to Enforcement, and ongoing cases. |
| Percentage of ADR cases resolved or terminated within established time frames | <ul style="list-style-type: none"> • 50% within 100 days • 75% within 150 days • 100% within 200 days | OALJ: Of 60 cases: <ul style="list-style-type: none"> • 10 cases settled within 100 days (17%) • 10 cases settled within 150 days (17%) • 11 cases settled within 200 days (18%) • 29 cases settled after 200 days (48.3%) DRS: Of 22 completed cases: <ul style="list-style-type: none"> • 8 cases completed within 100 days (36%) • 4 cases completed within 150 days (54%) • 5 cases completed within 200 days (77%) • 5 cases completed in over 200 days |

³ADR is considered the “umbrella” of dispute resolution. Many forms of dispute resolution are encompassed within ADR, such as mediation, settlement judge procedures, mini-trials, arbitration, and combinations of these methods. Cases referred to OALJ for ADR involve disputes of hotly contested issues and millions of dollars. Due to the size and complexity of cases referred to OALJ for ADR, the process of achieving consensual resolution often involves considerable time and effort.

⁴This includes 5 cases begun in FY 2000 and completed in FY 2001. It does not include simple inquiries about ADR or cases in which parties expressed no interest in using ADR (11 cases), cases that were referred to Enforcement (2 cases), cases in which the DRS only coached parties, or cases that are were ongoing into FY 2002 (17 cases).

Federal Energy Regulatory Commission

| FY 2002 | | |
|---|---|--------|
| Measurement | Strategic Significance | Result |
| <ul style="list-style-type: none"> • Number and size of capacity holders by market • Number and size of natural gas and electric secondary market participants • Number and size of pipeline suppliers by region and major customer • Number and size of electric power marketers | <ul style="list-style-type: none"> • Reasonable range of suppliers should enable bargain hunting and price arbitrage • Participation indicates confidence in market rules and oversight | |
| Increase in types of tariffed services offered (e.g., parking and lending in natural gas) | Innovation indicates markets are working and market participants are creating their own solutions | |
| Increased services in the market (develop a time line for different services, e.g., new futures exchanges, new types of products (e.g., weather derivatives) and independent exchanges | New service offerings show adaptation to price volatility and help to stabilize markets through hedging of risks | |
| Volume of financial risk-hedging transactions, e. g., futures contracts | Viable financial markets provide critical support for physical markets | |
| Response of prices to external conditions in natural gas and electricity (e.g., events, weather, plant outages) | Large price changes should normally be associated with some clear external event | |
| Level of price volatility and changes in price volatility in electricity and gas | Changes in price patterns over time can reveal underlying market conditions | |
| Correlation of commodity prices across regions; narrowing of commodity price differences in the absence of transmission constraints | Correlations should be near 1.0, except when transmission constraints bind and prevent free flow of commodities | |
| Increased use of market hub services in natural gas and electricity | <ul style="list-style-type: none"> • Increased usage of market infrastructure indicates market depth and liquidity • Increased electronic commerce reduces transactions costs and allows broader market participation | |
| Growth of electronic services for the commodity and/or transportation | | |
| Increased economic transmission distance | | |
| Investment in generation and transmission | Investment should be adequate to meet market needs | |
| Number and type of reliability-related incidents (emergencies, involuntary load reductions, TLRs) | "Emergencies" should be infrequent; routine market rules should be able to handle most situations | |
| Amount of load covered by regional institutions | 20% increase over FY 2001 | |
| Amount of load with congestion management systems | 20% increase over FY 2001 | |
| Number of wholesale service options available | Increase | |

(Continued on next page.)

FY 2001 Annual Performance Report

| FY 2002 | | |
|---|---|--------|
| Measurement | Strategic Significance | Result |
| Amount of load covered by regional institutions | 20% increase over FY 2001 | |
| Number of market monitoring institutions and systems | Increase over FY 2001 | |
| Number of public utilities separating ownership or operation of transmission facilities from generation | Increase over FY 2001 | |
| Number of requests and referrals for ADR services | 25% increase over FY 2001 | |
| Percentage of customers satisfied with ADR processes | 85% | |
| Percentage of processes that achieve consensual agreements <ul style="list-style-type: none"> • ADR processes • cases set for litigation resolved, at least in part, through consensual agreement | <ul style="list-style-type: none"> • 25% increase over FY 2001 • 5% increase over FY 2001 | |
| Percentage of cases in time frames <ul style="list-style-type: none"> • ADR processes completed • litigated cases reaching initial decision | <ul style="list-style-type: none"> • 20% of ADR cases within 60 days • 30% of ADR cases within 100 days • 75% of ADR cases within 150 days • 100% of ADR cases within 200 days • 95% of simple litigated cases within 206 days (29.5 weeks) • 95% of complex litigated cases within 329 days (47 weeks) • 95% of exceptionally complex cases, 441 (63 weeks) • 95% of regular complaints, 60 days • 95% of "fast track" complaints, 8 days | |

| FY 2003 | | |
|---|--|--------|
| Measurement | Target | Result |
| Percentage of country covered by approved RTOs or ISOs (percentage of electricity load) | 100% of electricity load in regions where we have jurisdiction | |
| Number of retail customers covered by approved RTOs and ISOs | Increase by the number of retail customers covered by 2 additional RTOs or ISOs | |
| Enhanced regulatory support for market institutions | Creation of OMOI and market performance indicators | |
| Enhance institutional capability for overseeing energy markets | <ul style="list-style-type: none"> • Establish the Office of Market Oversight and Investigation • Publish regular summer and winter Seasonal Market Assessments • Develop metrics/indicators of gas and electric market performance measures – a working set by July 2002, and improvements in 2003 | |

(Continued on next page.)

Federal Energy Regulatory Commission

| FY 2003 | | |
|---|---|--------|
| Measurement | Target | Result |
| Top to bottom review of all existing information systems to monitor markets | Complete entire review | |
| Development or acquisition of usable electronic baselines and databases to support market oversight objectives | Complete development of all baselines and databases by end of FY 2003 | |
| Development of market expertise | <ul style="list-style-type: none"> • Training on market issues for 40% of OMOI and 20% of OMTR, OGC, and other staff • Hiring of staff with market expertise • Issuance of market assessment products and data analysis demonstrating market understanding | |
| Establishment of protocols between the Commission and independent market monitoring units of RTOs | All approved RTOs | |
| Timeliness of corporate application orders | Less than 20% of merger applications will require examination or the imposition of mitigation measures beyond the initial review period, with such percentage targeted to decrease as further policy guidance is issued in cases requiring more time to address market power | |
| Timeliness of audits | Complete 90% of audits on time | |
| Timeliness of Hotline calls resolutions | Resolve 80% within 1 week of initial contact | |
| Timeliness of formal complaints resolutions | Complete 80% within target time frames for various paths for resolution of complaints as specified by the Commission | |
| Number of requests and referrals for ADR services | Maintain at or increase levels achieved in FY 2001 | |
| Percentage of customers satisfied with ADR processes | 85% | |
| Percentage of processes that achieve consensual agreements | Maintain at or increase levels achieved in FY 2001 | |
| Percentage of cases in time frames <ul style="list-style-type: none"> • ADR processes completed • litigated cases reaching initial decision | <ul style="list-style-type: none"> • 20% of ADR cases within 60 days • 30% of ADR cases within 100 days • 75% of ADR cases within 150 days • 100% of ADR cases within 200 days • 95% of simple litigated cases within 206 days (29.5 weeks) • 95% of complex litigated cases within 329 days (47 weeks) • 95% of exceptionally complex cases, 441 (63 weeks) • 95% of regular complaints, 60 days • 95% of "fast track" complaints, 8 days | |

Projects Performance Measurements FY 1999 – FY 2003

| FY 1999 | | |
|--|--|---|
| Measurement | Target | Result |
| <ul style="list-style-type: none"> The Commission's certification program will allow the appropriate amount of new pipeline capacity to be available to serve the market when needed Certification of new pipelines will be timely, while fairly balancing the interests of the gas market, project sponsor, landowners, and the environment | Number of days to complete 82% of filings by case type: <ul style="list-style-type: none"> prior notice filings within 56 days⁵ unprotested filings within 159 days protested filings within 304 days cases of first impression within 365 days | 82% of filings completed in: <ul style="list-style-type: none"> 57 days 152 days 304 days 365 days |
| Inspect all onshore construction projects over 2 miles in length at least once | 90% of projects inspected at least once | 97% of projects inspected at least once |
| Inspect each major onshore construction project at least once every four weeks during ongoing construction activity | 100% of projects inspected at least once | 100% of projects inspected at least once |
| The Commission will reduce processing time under its control, particularly through the use of collaborative procedures and early involvement of staff | Establish a baseline | License filings using some form of collaborative process were completed in 0.99 years on average. Others averaged 2.77 years to complete. |
| Licensing conditions will protect and enhance beneficial public uses, both developmental and nondevelopmental | Establish a baseline | The Commission is in the process of developing automated systems to track both the conditions built into licenses and the monitored results |
| Administration of hydropower developments will accommodate increasing public use without diminishing key water resource values | Establish baseline | During FY 1999, the Commission issued licenses for 19 hydroelectric projects. Of these, 14 were required to install new or up-graded recreational facilities. The remaining 5 were deemed adequate. |
| The percentage of high- and significant-hazard dams meeting all current structural safety standards will remain uniformly high | Establish baseline | 94.3% of qualifying dams met current structural safety standards |
| One hundred percent of high- and significant-hazard dams will be inspected annually | 100% of qualifying dams inspected annually | 100% of qualifying dams were inspected |
| One hundred percent of high- and significant-hazard dams will comply with emergency action plan requirements | 100% of qualifying dams in compliance | 99.8% of qualifying dams were in compliance |

⁵Since the Commission changed its regulations to require few prior notice filings, it no longer reports processing times for this type of filing.

Federal Energy Regulatory Commission

| FY 2000 | | |
|--|--|--|
| Measurement | Target | Result |
| <ul style="list-style-type: none"> The Commission's certification program will allow the appropriate amount of new pipeline capacity to be available to serve the market when needed Certification of new pipelines will be timely, while fairly balancing the interests of the gas market, project sponsor, landowners, and the environment | Number of days to complete 82% of filings by case type: <ul style="list-style-type: none"> prior notice filings within 56 days unprotected filings within 159 days protested filings within 304 days cases of first impression within 365 days | 82% of filings completed in: <ul style="list-style-type: none"> 55 days 127 days 218 days 272 days |
| Inspect all onshore construction projects over 2 miles in length at least once | 90% of projects inspected at least once | 99% of projects inspected at least once |
| Inspect each major onshore construction projects at least once every four weeks during ongoing construction activity | 100% of projects inspected at least once | 100% of projects inspected at least once |
| The Commission will reduce processing time under its control, particularly through the use of collaborative procedures and early involvement of staff | Increased use of collaborative processes | License filings using some form of collaborative process were completed in 0.99 years on average. Others averaged 2.77 years to complete. In FY 2000, 40% of licenses issued involved settlements, up from 17% in FY 1999. |
| Licensing conditions will protect and enhance beneficial public uses, both developmental and nondevelopmental | Continue systems development | The Commission upgraded its automated system to track both the conditions built into licenses and the monitored results |
| Administration of hydropower developments will accommodate increasing public use without diminishing key water resource values | Monitor baseline data | During FY 2000, the Commission issued licenses for 10 hydroelectric projects. Of these, 5 were required to install new or up-graded recreational facilities. The remaining 5 were deemed adequate. |
| The percentage of high- and significant-hazard dams meeting all current structural safety standards will remain uniformly high | Maintain current high standards | 92.8 % of high- and significant-hazard dams meeting all current structural safety standards |
| One hundred percent of high- and significant-hazard dams will be inspected annually | 100% of qualifying dams inspected annually | 100% of qualifying dams were inspected |
| One hundred percent of high- and significant-hazard dams will comply with emergency action plan requirements | 100% of qualifying dams in compliance | 99.7% of qualifying dams were in compliance |

| FY 2001 | | |
|---|---|---|
| Measurement | Target | Result |
| Percentage of cases completed in specified time | 82% of cases completed within specified time frames: <ol style="list-style-type: none"> Cases that involve no precedential issues and are unprotected, 159 days; Cases that involve no precedential issues and are protested, 304 days; and Cases of first impression or containing larger policy implications, 365 days | Number of days to complete 82% of the cases: <ul style="list-style-type: none"> ▶ 136 days for Category 1; ▶ 200 days for Category 2; and ▶ 277 days for Category 3. |

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FY 2001 Annual Performance Report

| FY 2001 | | |
|--|---|--|
| Measurement | Target | Result |
| Number of major onshore projects inspected at least every four weeks | Inspect each major onshore project at least once every four weeks | All six major onshore projects were inspected at least once every four weeks |
| Percentage of hydropower licenses issued that contain adaptive management provisions | 5% increase over baseline | 18% increase over baseline |
| Percentage of filings containing some form of collaboration | 5% increase over baseline | 33% increase over baseline |
| License processing time when prefiling collaboration occurred compared to license processing time when prefiling collaboration did not occur | 10% less processing time | 63% less processing time |
| Percentage of high- and significant-hazard potential dams meeting all current structural safety standards | 90% of qualifying dams | 94% of high- and significant-hazard potential dams met all current structural safety standards |
| Percentage of dams requiring EAPs that have tested, evaluated plans | 99% of qualifying dams | 99.9% of dams requiring EAPs had tested, evaluated plans |
| Percentage of dams with EAPs that have acceptance and certification from licensees and emergency response agencies | 90% of qualifying dams | 100% of dams with EAPs had acceptance and certification from licensees and emergency response agencies |

| FY 2002 | | |
|---|--|---------------|
| Measurement | Target | Result |
| Percentage of cases completed in specified time | Specified time frames for FY 2002 to be determined in FY 2001 | |
| Inspect each major onshore construction projects at least once every four weeks during construction and at least once after construction completion | 100% of qualifying projects inspected per established schedule | |
| Increase the percentage of licenses issued for applications using ALP | 2% increase over FY 2001 | |
| Evaluate and improve effectiveness of required environmental enhancement and mitigation measures | Conduct 5 site visits to evaluate effectiveness | |
| | Hold 2 regional meetings with stakeholders | |
| | Initiate annual reports to evaluate the effectiveness of this effort | |
| Percentage of filings addressing the development of increased capacity | 25% of all relicense cases using ALP or other collaborative process | |

(Continued on next page.)

Federal Energy Regulatory Commission

| FY 2002 | | |
|--|--|---------------|
| Measurement | Target | Result |
| Percentage of high- and significant-hazard- potential dams meeting all current structural safety standards | Percentage remains uniformly high | |
| Percentage of high- and significant-hazard- potential dams inspected annually | 100% of qualifying dams inspected annually | |
| Percentage of high- and significant-hazard- potential dams in compliance with emergency action plan requirements | 100% of qualifying dams in compliance | |
| Update and add new chapters to the Engineering Guidelines, as appropriate | Complete revisions to Chapter 3 - Gravity Dams | |
| Complete development of the dam performance monitoring program | Performance monitoring program established | |

| FY 2003 | | |
|--|--|---------------|
| Measurement | Target | Result |
| Percentage of natural gas pipelines with approved Order No. 637 compliance filings | 100% of pipelines subject to Order No. 637 | |
| Statutory cases by workload category | All cases competed by statutory action date | |
| Number of cases requiring additional remedial action | Less than 20% of all cases processed in FY 2002 require additional remedial action, with a 5% improvement for FY 2003 | |
| Completion of interconnection proceeding | Adopt new interconnection standard agreement by October 31, 2002 | |
| Percentage of pipeline certificate cases completed in specified time frames | 85% of cases completed within the following time frames: <ul style="list-style-type: none"> ▶ unprotested cases that involve no precedential issues, 159 days ▶ protested cases that involve no precedential issues, 304 days ▶ cases of first impression or containing larger policy implications, 365 days ▶ cases requiring a major environmental assessment or environmental impact statement, 480 days | |
| Percentage of filings addressing the development of increased hydropower capacity | 25% of all relicense cases using ALP | |
| Increase non-federal hydropower capacity | Complete license amendments proposing increased capacity/generation in less than 12 months | |

(Continued on next page.)

FY 2001 Annual Performance Report

| FY 2003 | | |
|--|--|---------------|
| Measurement | Target | Result |
| Percentage of hydropower licenses approved within specified time frames | 75% of licenses approved within the following time frames: <ul style="list-style-type: none"> ▶ ALP median case, less than 16 months ▶ Traditional median case, less than 43 months | |
| Inspect each major onshore pipeline project at least once every four weeks during construction and at least once after construction completion | 100% of qualifying projects inspected per established schedule | |
| Increase the percentage of hydropower licenses issued using alternative licensing process (ALP) | 2% increase over FY 2002 | |
| Evaluate and improve the effectiveness of required environmental enhancement and mitigation measures in hydropower licenses | <ul style="list-style-type: none"> ▶ Conduct 5 site visits ▶ Hold 2 regional meetings with stakeholders ▶ Disseminate 2 environmental effectiveness reports | |
| Percentage of high- and significant-hazard-potential dams inspected annually | 100% of high- and significant-hazard-potential dams inspected annually | |
| Percentage of high- and significant-hazard-potential dams meeting all current structural safety standards | Percentage of high- and significant-hazard-potential dams meeting all current structural safety standards remains uniformly high | |
| Percentage of high- and significant-hazard-potential dams in compliance with EAP requirements | 100% of qualifying dams in compliance with EAP requirements | |
| Update and add new chapters to the Engineering Guidelines, as appropriate | Issue new or revised Engineering Guidelines chapters, as appropriate | |

Federal Energy Regulatory Commission

Management Performance Measurements FY 1999 – FY 2003

| FY 1999 | | |
|---|---|--|
| Measurement | Target | Result |
| Reduce the processing time for docketed workload and for resolving disputes | None established | <ul style="list-style-type: none"> • Met or exceeded processing targets for natural gas pipeline certificates • Demonstrated that collaborative process could reduce processing of hydropower licence applications to 0.99 years from 2.77 years • 80% of cases set for litigation reached full or partial settlement |
| Minimize filing burden | None established | <ul style="list-style-type: none"> • Issued two orders projected to save industry more than 230,000 hours in reporting time • Upgraded software on several automated forms |
| Generate better information for use by the industries | None established | <ul style="list-style-type: none"> • Added new features to automated systems • Began process of Internet site redesign |
| Continue to receive an unqualified audit opinion on the Annual Financial Statements | Unqualified opinion | Unqualified opinion received |
| Formulate the budget so that current year costs are within 5% of the total budgetary resources for the fiscal year | Spending within 5% of funding | Actual spending was within 2.8% of funding |
| Pay 95% of all payments accurately and on time: vendors within the time required by the Prompt Payment Act; internal customers in 10 days or less | 95% of payments to external vendors made timely and accurately; payments to internal customers in 10 days or less | 99.57% of external payments were made within the established time frames. Internal payments averaged 3.9 days. |
| Meet or exceed planned due dates 90% of the time for performing and completing FMFIA requirements and internal financial and performance reviews | Meet or exceed planned due dates 90% of the time | Met 100% of planned due dates |

| FY 2000 | | |
|---|------------------|---|
| Measurement | Target | Result |
| Reduce the processing time for docketed workload and for resolving disputes | None established | <ul style="list-style-type: none"> • Met or exceeded processing targets for natural gas pipeline certificates • Set new time lines to reduce average litigation times by up to one quarter. Designated times were met in 80% of cases. • 52% of cases set for hearing were mediated • Average time for approval of uncontested settlements dropped from more than 100 days to 47 days |

(Continued on next page.)

FY 2001 Annual Performance Report

| FY 2000 | | |
|---|---|---|
| Measurement | Target | Result |
| Minimize filing burden | None established | <ul style="list-style-type: none"> Revised accounting and reporting requirements to reduce information reporting and maintenance burden by 25%, and updated records retention requirements Initiated e-filing pilot for 35% of Commission's filings |
| Generate better information for use by the industries | None established | Extended use of Internet to disseminate dam safety information, pilot e-filings, and issue notices, orders, and major rules |
| Continue to receive an unqualified audit opinion on the Annual Financial Statements | Unqualified opinion | Unqualified opinion received |
| Formulate the budget so that current year costs are within 5% of the total budgetary resources for the fiscal year | Spending within 5% of funding | Actual spending was within 5% of funding |
| Pay 95% of all payments accurately and on time: vendors within the time required by the Prompt Payment Act; internal customers in 10 days or less | 95% of payments to external vendors made timely and accurately; payments to internal customers in 10 days or less | On-time invoice payments at 85%. (Early payments made to close out old system and implement new one.) Internal payments averaged 2.6 days. |
| Meet or exceed planned due dates 90% of the time for performing and completing FMFIA requirements and internal financial and performance reviews | Meet or exceed planned due dates 90% of the time | Met 100% of planned due dates |

| FY 2001 | | |
|---|---------------------------|---|
| Measurement | Target | Result |
| Percentage of customers satisfied with ADR procedures at the Commission | 75% satisfaction rate | <p>OALJ: Participants report near 100% satisfaction with ADR procedures. Satisfaction is indicated by calls from participants and by continuing and increasing requests for the appointment of settlement judges and mediators.</p> <p>DRS: 90% (20 out of 22 completed cases).⁶</p> |
| Percentage of contested proceedings that achieve consensual agreement | 25% increase over FY 2000 | <p>OALJ: During FY2001 80% of cases set for hearing were resolved through some form of ADR vs. 76.7% during FY2000.</p> <p>DRS: 90% vs. 89% during FY 2000.⁶</p> |

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⁶This includes 5 cases begun in FY 2000 and completed in FY 2001. It does not include simple inquiries about ADR or cases in which parties expressed no interest in using ADR (11 cases), cases that were referred to Enforcement (2 cases), cases in which the DRS only coached parties, or cases that are were ongoing into FY 2002 (17 cases).

Federal Energy Regulatory Commission

| FY 2001 | | |
|---|--|--|
| Measurement | Target | Result |
| Number of requests and referrals for ADR services | 50% increase over FY 2000 | OALJ: During FY2001 60 out of 77 cases terminated by OALJ were resolved through some means of ADR vs. 60 out of 83 cases during FY2000 DRS: 52 requests vs. 40 requests in FY 2000, a 30% increase. This includes simple inquiries about ADR, cases referred to DRS in which the parties indicated no interest in pursuing ADR, cases referred to Enforcement, and ongoing cases. |
| Percentage of ADR cases resolved or terminated within established time frames | <ul style="list-style-type: none"> • 50% within 100 days • 75% within 150 days • 100% within 200 days | OALJ: Of 60 cases: <ul style="list-style-type: none"> • 10 cases settled within 100 days (17%) • 10 cases settled within 150 days (17%) • 11 cases settled within 200 days (18%) • 29 cases settled after 200 days (48.3%) DRS: Of 22 completed cases: <ul style="list-style-type: none"> • 8 cases completed within 100 days (36%) • 4 cases completed within 150 days (54%) • 5 cases completed within 200 days (77%) • 5 cases completed in over 200 days |
| Percentage of filings that FERC is capable of receiving electronically | Capability to receive 50% of filings electronically | Capability to receive 38% of filings electronically by the end of FY 2001. Percentage brought to 46% by mid-November 2001. |
| Percentage of filings submitted electronically | 50% of filings FERC is capable of receiving electronically are submitted electronically | 17% of filings FERC is capable of receiving electronically are submitted electronically. 30% reached by October 31. |
| Timely issuance of notices/orders | 95% of gas and electric notices and orders issued within 5 workdays | 97% of gas and electric notices/orders issued within 5 workdays |
| Unqualified opinion on external audits | Unqualified opinion | Unqualified opinion received for FY 2001. |
| Percentage of office directors operating within designated salary budgets | 80% | 100% of office directors operated within designated salary budgets. |
| Percentage of payments made within Prompt Payment Act requirements | 95% | 81% |
| Number of days to award purchase orders | Within 5 days of receipt of notification | 98% of purchase orders awarded within 5 days of receipt of requisition |
| Number of days to award contracts | Within 30 days of receipt of notification | 95% of contracts awarded within 30 days of receipt of requisitions |
| Number of award fee contracts | Increase by 10% over FY 2000 | Award fee contracts and firm fixed price contracts increased by 10% over FY 2000 levels. |
| Percentage of respondents giving positive ratings for "FERC focusing on the right things" | 10% increase over baseline | The Commission adopted a new Strategic Plan to focus on important issues arising from the Western Market meltdown. No surveys done during this times of great pressure and uncertainty. |
| Percentage of employees in under-represented groups | Increase Hispanic employee population by 5% | The Commission increased its Hispanic employee population by 10 percent. |

(Continued on next page.)

FY 2001 Annual Performance Report

| FY 2001 | | |
|--|---|---|
| Measurement | Target | Result |
| Percentage of senior executives participating in FERC's diversity initiative | 100% of the office directors will have participated in the first phase | <ul style="list-style-type: none"> ▶ 100 percent of office directors participated in discussions with the Diversity Council concerning the direction of diversity at FERC. ▶ 25 percent of office directors actively participated in minority recruitment activities. |
| Percentage of supervisory participation in LEaD | 100% of supervisors and managers will have completed training on the 5 leadership behaviors | 100% of supervisors and managers (including new supervisors, managers, and team leaders) have completed training on the 5 leadership behaviors. |
| Number of learning agreements | 5% increase over FY 2000 | 29 employees on learning agreements in FY 2001, the first year of reporting |
| Number of mentor/protegee teams | 10 mentor/protegee teams | At least 15 mentor/protege teams |

| FY 2002 | | |
|--|---|---------|
| Measurement | Target | Results |
| Number of documents and filings available and received electronically | 10% increase over FY 2001 | |
| Reliability of IT infrastructure services | <ul style="list-style-type: none"> • 98% network availability • 33% annual PC replacement • 98% Internet site availability | |
| Percentage of agenda items issued within 5 working days of a Commission meeting | 100% | |
| Percentage of electric notices issued within 5 working days of receipt of filing | 95% | |
| Unqualified opinion on annual financial statements | Unqualified opinion | |
| Monitor manage-to-budget concept | Track biweekly; review quarterly | |
| Effective and efficient financial and administrative support | Collect annual charges within 45 days of billing | |
| | 98% of invoices paid by electronic funds transfer | |
| | 1% increase in contract awards and purchase orders to small, minority, and women-owned businesses | |
| | All contracts advertised online | |
| | All contracts performance-based | |
| Increase diversity of staff in high grades | Increase diversity in GS-14, GS-15, and SES positions by 10% over current baseline | |

(Continued on next page.)

Federal Energy Regulatory Commission

| FY 2002 | | |
|---|--|----------------|
| Measurement | Target | Results |
| Number of new hires from recruitment program | Meet the Commission's need for new talent through targeted recruitment, with 50% at entry levels | |
| Staff participation in learning and development programs | Expand leadership development program | |
| | <ul style="list-style-type: none"> • Implement development plans for 20% of staff • Initiate employee rotational development program | |
| Periodic manager-staff discussions about performance accomplishments and improvements | Expand to 3 major offices the program for quarterly discussions on performance objectives | |
| Percentage of awards presented for helping accomplish specific Commission goals | More than 50% of awards for quality service based on accomplishments supporting strategic objectives | |

| FY 2003 | | |
|--|--|----------------|
| Measurement | Target | Results |
| Number of new hires from recruitment program | Attract new talent through targeted recruitment, with 50% at entry levels | |
| New staff from summer intern program | <ul style="list-style-type: none"> • Expand program by 50% • Hire 30% of participants into permanent positions | |
| Increase diversity of staff in high grades | Continue increasing diversity in GS-14, GS-15 and SES positions | |
| Increase average supervisor-to-staff ratios | Increase ratio from 1:8 to 1:9 | |
| Improved executive performance | Implement 360 degree assessment of senior staff | |
| Percentage of transactions accepted electronically | 95% of transactions accepted electronically | |
| Percentage of e-issuance versus paper | 90% of issuances made electronically | |
| Improved Web site | <ul style="list-style-type: none"> • Redesigned Web site • 99% availability | |
| Timeliness of getting public documents online | 99% within 24 hours of receipt or issuance | |
| Network availability | 99% | |
| Standard office automation platform and PC rate of refresh | 33% | |
| Timeliness of virus definition files updates on servers and workstations | Updates within 24 hours from release by vendors | |

(Continued on next page.)

FY 2001 Annual Performance Report

| FY 2003 | | |
|--|---|----------------|
| Measurement | Target | Results |
| IT system changes to comply with enterprise IT architecture and configuration management practices | Implement 98% reviews | |
| Improved integration of work processes and electronic filing | Refresh integrated filing, docket, and document management system | |
| Monitoring of manage-to-budget process | Bi-weekly tracking of office salary levels and quarterly review of salary levels between CFO and Office Directors | |
| Timeliness of annual charges collections | Within 45 days of billing | |
| Invoices paid by electronic funds transfer | 98% | |
| Accuracy and completeness of annual financial statements | Unqualified opinion | |
| Percentage of contracts performance-based | 100% | |
| Percentage of contracts advertised online | 100% | |