

**Federal Energy Regulatory Commission
February 16, 2006 Commission Meeting
Statement of
Chairman Joseph T. Kelliher**

Audit Procedure Rule (M-1)

“Currently, the Commission conducts two kinds of audits: financial audits designed to ensure compliance with the Commission’s accounting regulations; and, operational audits that determine compliance with various regulatory requirements, including code of conduct, standards of conduct, and, more recently, the anti-manipulation rule.

With enactment of the Energy Policy Act of 2005, the consequences for violating the Commission’s requirements are more significant. The law granted the Commission authority to impose civil penalties of up to \$1 million per day per violation.

This final rule grants audited persons additional due process rights by allowing them to file briefs or request an adjudicatory hearing to challenge audit matters before the Commission makes its decision on the merits.

The Commission’s enforcement policy is oriented around firm but fair enforcement. Given the importance of operational audits, and the greater consequences for violating the Commission’s requirements, it is appropriate that we afford regulated companies additional rights to challenge preliminary audit findings.

This final rule applies to operational audits conducted under the Federal Power Act, Natural Gas Act, Natural Gas Policy Act of 1978, and the Interstate Commerce Act.

I support the order.”