FY 2005
PERFORMANCE AND ACCOUNTABILITY REPORT

FEDERAL ENERGY REGULATORY COMMISSION
DECEMBER 2005

Joseph T. Kelliher
Chairman

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

OFFICE OF THE CHAIRMAN

Letter from Chairman Kelliher

I am pleased to present the Federal Energy Regulatory Commission's Performance and Accountability Report for fiscal year 2005. This report was prepared in accordance with the guidelines set forth in OMB Circular No. A-136 and Section 230 of Circular No. A-11.

This report details the progress the Commission has made in achieving its mission to regulate and oversee energy industries in the economic, environmental, and safety interests of the American public. The strategic goals, objectives, and strategies that support the Commission's mission are included in Appendix B.

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

Sincerely,

Joseph T. Kelliher
Chairman
Federal Energy Regulatory Commission

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Management's Discussion and Analysis

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Introduction

In accordance with the guidelines set forth in Office of Management and Budget (OMB) Circular No. A-136 and Section 230 of Circular No. A-11, this report presents the Federal Energy Regulatory Commission's (the Commission's, FERC's) FY 2005 audited annual financial statements and program performance report. The financial section includes the Commission's audited balance sheet; statements of net cost, changes in net position, budgetary resources, financing, and custodial activity; and notes to the financial statements. The performance report section includes performance measurement data for fiscal years 2002 through 2006. Additionally, this report includes an overview of the Commission, including its mission and organizational structure.

This Performance and Accountability Report serves as a guide to the Commission's key initiatives and activities, both during FY 2005 and beyond.

Overview of the Commission

The Commission is an independent regulatory agency within the U.S. Department of Energy (DOE) whose function is to oversee the Nation's electric, natural gas, hydroelectric, and oil pipeline industries.

The Commission was created through the DOE Organization Act on October 1, 1977. At that time, the Federal Power Commission (FPC), the Commission's predecessor that was established in 1920, was abolished and the Commission inherited most of the FPC's regulatory mission. The following paragraphs highlight the Commission's federal statutory authority, with a more comprehensive listing available in Appendix C.

Vision
Reliable, affordable energy through reliance on competition and effective regulation.

Mission
The Federal Energy Regulatory Commission regulates and oversees energy industries in the economic, environmental, and safety interests of the American public.

Hydropower regulation, the oldest area of the Commission's jurisdiction, began with the FPC's regulation of non-federal hydroelectric generation in 1920 and includes authorizing the construction of projects in interstate commerce and overseeing their operation and safety.

Since 1935, the Commission has regulated certain electric industry activities under the Federal Power Act (FPA). Under FPA sections 205 and 206, the Commission oversees the rates, terms and conditions of sales for resale of electric energy and transmission service in interstate commerce by public utilities. The Commission must ensure that those rates, terms and conditions are just and reasonable, and not unduly discriminatory or preferential. Under FPA section 203, the Commission reviews mergers and other asset transfers involving public utilities. Under FPA sections 203, 205 and 206, the Commission primarily regulates investor-owned utilities and independent power producers. Government-owned utilities (e.g., Tennessee Valley Authority, federal power marketing agencies, and municipal utilities) and most cooperatively-owned utilities are not, in large part, subject to Commission regulation (with certain exceptions).

The Commission may not regulate retail sales or local distribution of electricity, as the FPA leaves these matters to the states. In addition, the Commission does not have a role in authorizing the construction of new generation facilities (other than non-federal hydroelectric facilities) or transmission facilities as these activities are the responsibility of state and local governments. However, under the Energy Policy Act of 2005 (EPAct 2005), the Commission now has the backstop authority to permit the construction or modification of electric transmission facilities under certain conditions.

The Commission's role regulating the natural gas industry is largely defined by the Natural Gas Act of 1938 (NGA). Under the NGA, the Commission regulates the construction of new liquefied natural gas (LNG) import terminals and natural gas pipelines and related facilities, and oversees the rates, terms and conditions of sales for resale and transportation of natural gas in interstate commerce. The Commission's jurisdiction over wholesale sales of natural gas, however, is limited by the Natural Gas Policy Act of 1978 and the Wellhead Decontrol Act of 1989. Pipeline siting and construction are authorized by the Commission if found to be required for public convenience and necessity. As with hydropower licensing, the Commission's actions on LNG and pipeline projects typically require consideration of factors under the National Environmental Policy Act of 1969 (NEPA), the Endangered Species Act, the Coastal Zone Management Act and other such statutes. Regulation of retail sales and local distribution of natural gas are matters left to the states.

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

Full Cost Recovery

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

Organizational Structure

Approximately 1,258 full time equivalents (FTEs) carried out the Commission's mission in FY 2005 using a budget of $210 million.

The following is a list of the offices within the Commission and a brief description of their operational role. An organizational chart, as of September 30, 2005, is included in Appendix A.

Office of Energy Projects – Fosters economic and environmental benefits for the nation through the approval and oversight of hydroelectric and natural gas pipeline energy projects that are in the public interest. Included in this office are the Commission's five regional offices located in Atlanta, Georgia; Chicago, Illinois; New York, New York; Portland, Oregon and San Francisco, California.

Office of Markets, Tariffs and Rates – Deals with matters involving markets, tariffs and rates relating to electric, natural gas and oil pipeline facilities and services. This office includes the Commission's Reliability Division.

Office of Market Oversight and Investigation – Oversees and assesses the operations of the nation's gas, oil pipeline and electricity markets.

Office of Administrative Law Judges – Resolves contested cases effectively, efficiently and expeditiously, while ensuring that the rights of all parties are preserved. This is accomplished through an impartial hearing and decision or through a negotiated settlement, as directed by the Commission.

Office of the General Counsel – Provides legal services to the Commission, represents the Commission before the courts and Congress, and is responsible for the legal phases of the Commission's activities. Included in this office is the Commission's Dispute Resolution Service (DRS), which assists participants to achieve resolution of disputes through consensual decision making.

Office of Administrative Litigation – Represents the public interest in administrative proceedings at the Commission. This office also provides testimony, exhibits and studies on electric rate, transmission, open access and restructuring cases and in natural gas rate-design cases.

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

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

Office of the Executive Director – Provides administrative support services to the Commission including human capital, organizational management, budget, procurement, financial policy and services, logistics, and information technology.

Strategic Plan Overview

The United States has the world's most durable market economy, every sector of which depends vitally on energy. The Commission's vision is to promote reliable, affordable energy through a reliance on competition and effective regulation, thereby supporting a strong, stable national economy. To accomplish this, the Commission has three main goals:

- *Adequate infrastructure*. Promote development of a robust energy infrastructure consistent with statutory mandates and due process.
- *Competitive energy markets*. Prevent exercise of market power by relying on effective competition and establishing clear market rules.
- *Vigilant market oversight*. Prevent exercise of market power through the firm but fair enforcement of Commission rules.

The Commission's Strategic Plan describes these goals as follows:

1. *Energy Infrastructure*. Goal: Promote Development of a Robust Energy Infrastructure.
This goal encourages investment in the infrastructure needed to sustain energy markets by expediting the decision-making process, maintaining regulatory and cost certainty, protecting the energy infrastructure, and welcoming innovative thinking about rates and use of new technology. By focusing on infrastructure, this goal covers many of the Commission's important traditional responsibilities such as, pipeline certificates, hydropower licenses and preliminary permits, compliance activities, environmental and other licensing conditions, dam safety inspections and most rate determinations.

2. *Competitive Markets*. Goal: Prevent Exercise of Market Power by Reliance on Effective Competition.
This goal focuses on the competitive forces within the electric and gas markets, and the rules that govern those markets. This involves the Commission establishing clear market rules in wholesale electric markets, promoting transparency in electric and gas markets, and reforming market policies where

necessary. Along with some traditional work in the area of rate determinations, this goal includes various initiatives in the electric and natural gas markets.

3. *Market Oversight*. Goal: Prevent Exercise of Market Power by Reliance on Effective Regulation.
This goal ensures that competitive energy markets benefit the Nation over the long run by ensuring that the Commission will identify and remedy energy market problems. This entails recognizing problems when - or before - they develop and developing effective solutions to police individual behavior, all to maintain just and reasonable rates. This goal also includes more traditional work, such as some aspects of litigation, dispute resolution, complaints, mergers and auditing.

The Commission's Strategic Plan also includes several management initiatives that support each of the above goals and objectives. These initiatives include functions such as enhancing the talents and skills of the staff through recruitment and training; building effective, customer-friendly information technology services; supporting the Commission with logistics and financial services; and strengthening strategic management processes. Finally, the management initiatives also include the Commission's communication, outreach and collaboration efforts.

Business Plan

The Commission's annual Business Plan details the activities and resource allocations used to meet the Strategic Plan's goals and objectives. This increases internal accountability by enabling management to link individual office responsibility, due dates, priorities, and budget resources to Commission activities. Although developing the Business Plan is an iterative process, it is helping to identify which activities help the Commission achieve particular goals and objectives. During FY 2005, the Commission reported estimated and actual FTE usage at a detailed activity level in its Business Plan, which improved Offices' ability to organize and allocate resources.

Guarding the Consumer

"Of the Commission's primary task there is no doubt, however, and that is to guard the consumer from exploitation by non-competitive electric power companies."

NAACP vs. Federal Power Commission

The Commission is charged with regulating the electric and natural gas industries under the FPA and NGA, laws that were written in the 1930s. The central charge of the Commission in the area of electric regulation, expressed in the 30 year-old quote to the left, is the same today – protecting wholesale power customers and transmission customers from unjust and unreasonable rates and from undue discrimination and preference. With respect to natural gas regulation, the Commission is charged with the same duty – protecting gas pipeline shippers from unjust and unreasonable rates and from undue discrimination and preference. In discharging these duties, the Commission relies on both regulation and competition.

Despite perceptions to the contrary, deregulation has never been the Commission's policy with respect to electric or natural gas markets. Competitive markets are not completely unregulated, and public utilities are not completely free of rivalry. The notion that a regulatory entity must choose between relying on regulation or competition is false, as markets subject to the Commission's jurisdiction are subject to both competition and regulation.

Developing the best possible mixture between reliance on competition and regulation is exactly what the Commission has been doing over the past four years, particularly in the area of electric regulation.

In wholesale power markets, Commission policies have promoted effective competition as a means to assure just and reasonable rates. The Commission first pursued this goal in the 1980's by authorizing wholesale power sales at market-based rates, rather than cost-based rates. This marked a fundamental change in Commission policy, with the objective to lower wholesale power prices through a greater reliance on competitive pressures. The courts ultimately affirmed this policy change.

> *"The two principal institutions of social control in a private enterprise economy are competition and direct regulation. Rarely do we rely on either of these exclusively; no competitive markets are totally unregulated, and no public utilities are free of some elements of rivalry. The proper object of search, in each instance, is the best possible mixture of the two."*
>
> *Alfred Kahn, Economics of Regulation*

Recognizing that competition is a means to an end – lower wholesale prices – not an end unto itself, the Commission did not make a break from regulation. Rather, public utilities authorized to make market-based sales, for example, continued to be subject to Commission regulation.

The Commission also promoted effective competition in wholesale power markets by requiring jurisdictional transmitting utilities to provide open access. Beginning in the 1980's, the Commission began to impose open access requirements in market-based rate cases and mergers, with Order No. 888 extending the open access requirements to all jurisdictional public utilities. The logic of the policy was that the open access transmission tariff (OATT) would mitigate not only transmission market power, but also in many cases generation market power. That underlying logic has been called into question, and the Commission has recently reformed its generation market power test and begun the process of reforming Order No. 888 itself.

The Commission also promoted development of regional transmission organizations (RTOs) and independent transmission system operators (ISOs). Initially, the role of RTOs and ISOs was expected to be limited to running the transmission grid in a certain region, thereby eliminating rate pancaking (or multiple rates) and providing for regional planning. However, the role of RTOs and ISOs has evolved over time, to the point where most RTOs and ISOs now run markets. In some respects, they operate more like (and some say even resemble) securities and commodities exchanges like the New York Stock Exchange or the Chicago Board of Trade than a traditional public utility.

During this period, Commission policies resulted in significant entry and construction of new generation capacity by independent power producers, with some regions now overbuilt with generation capacity. Commission policies also encouraged development of RTOs in many regions, although progress has slowed considerably in other regions. At the same time, investment in transmission infrastructure has not kept pace, resulting in increased transmission congestion in some regions. This raises a significant concern for the Commission since transmission congestion acts like an import quota, resulting in higher energy prices. There are also concerns about the costs of RTOs and ISOs.

One reason the Commission developed these policies was the need to respond to the significant changes within the electricity and gas markets over the past 25 years. During this time, the Commission adopted orders establishing rules for open access gas transportation and electric transmission; and, on the natural gas side required pipelines to "unbundle" their gas sales from their transportation. The Commission increasingly used competitive market forces, to the extent possible, to benefit customers and to achieve just and reasonable rates. There has been a significant movement away from cost-based ratemaking and toward a reliance on market-based rates for suppliers. This allows them to take advantage of short and long term opportunities for setting prices for the commodities of natural gas and electricity.

Over time, the natural gas and electric industries have transformed from companies using their monopoly-owned transportation and transmission facilities to supply all the needs of their wholesale customers, to companies providing open and non-discriminatory access to their facilities, under Commission approved tariffs. The foundation for today's wholesale gas and electric energy markets lies in the reliance on open-access transportation and transmission service. This allows independent suppliers to compete for gas and electricity sales at market-based prices and to offer market choices for customers.

In many instances, the Commission needed to react to these changes and reform its policies. Accordingly, the Commission began changing the balance between competition and regulation in its electric market-based rate program. Since 2001, the Commission has steadily increased its reliance on regulatory tools to prevent the exercise of market power by focusing on its generation market power policies. In particular, the Commission has strengthened its reporting requirements (Orders No. 2001 and 652), acted to prohibit and sanction market manipulation through its Market Behavior Rules, bolstered its generation market power test by issuing interim market power screens in 2004, and initiated a rulemaking on all four prongs of its market power test (i.e., generation market power, transmission market power, affiliate abuse, and barriers to entry).

To continue this electric policy reform effort, the Commission is initiating an effort to reform its transmission open access policies to eliminate the remaining potential to engage in undue discrimination and preference in transmission service. The Commission will also begin taking steps to lower RTO costs by encouraging greater cost accountability at RTOs and ISOs.

In addition to these reforms, the Commission also has new regulatory tools to guard the consumer. EPAct 2005 provided the Commission significant new regulatory authority to prevent market manipulation and the exercise of market power. Because of the dramatic changes that have occurred in the electric and gas industries over the past 25 years, the Commission needed these new regulatory tools to discharge its historic duties to protect consumers against unjust and unreasonable rates and undue discrimination and preference.

In particular, EPAct 2005 established an express prohibition of market manipulation in electricity and gas markets, expanded the Commission's authority to review mergers and generation facility sales, and granted the Commission authority to impose significant civil penalties. The Commission will judiciously exercise this new authority to prevent market manipulation and the exercise of market power.

Energy Infrastructure that Serves the Nation's Needs

A robust energy infrastructure is critical to the health of the U.S. economy, as evidenced by the immediate impact Hurricanes Katrina and Rita had (and continue to have) on the Nation's economy. With damage to offshore oil and gas production facilities leading to higher prices and the disruption to oil and petroleum product pipelines causing a surge in gasoline prices, public fears about the adequacy of the Nation's energy supply soared. Therefore, the stronger and more resilient we make our energy infrastructure the sounder our economy will be.

The Commission has an important role in the development of a strong energy infrastructure. Nearly two-thirds of the energy consumed by the United States is transported by pipelines, most of which are regulated by the Commission. This network of pipelines transports oil, petroleum products, and natural gas to meet the needs of our economy. The Commission's rate policies, consistently applied to transportation infrastructure projects, must give investors the confidence that they will have an opportunity to recover their investments, and must provide rate certainty to oil and natural gas customers as well.

To meet the growing demand for natural gas, the Commission must respond quickly to the Nation's need to expand existing, or construct new, pipelines and related facilities. Once natural gas reserves are located and developed, the Commission's role is to evaluate proposals to expand or construct interstate pipelines, enabling companies to bring those supplies to market.

In that role, among others, the Commission has been extremely effective over the years as the timeline for approving major pipeline projects has decreased steadily. The average time to complete the Commission's certification process of a major pipeline project, including environmental review, now averages about 11½ months. Pre-filing allows the environmental review process to start earlier in the project review and allows the public, governmental agencies, and other entities to get involved at a time when fundamental decisions are being made; all of which help to open the communication earlier in the project review process so that problems can be averted later in the process.

As an example, the Commission recently considered a project in the Eastern United States consisting of a 275-mile long mainline with a few short laterals. While not one of the Commission's largest projects, the environmental analysis for this project determined that the project:

- would affect about 4,200 acres, including the clearing of up to 3,090 forested acres;
- would have a total water-crossing length of nearly 12 miles, including more than 620 streams and rivers (four of which would be major crossings of rivers more than 100 feet wide), more than 500 freshwater wetlands; and
- could occur in the vicinity of 22 federally listed endangered or threatened species, 11 federal species of concern, 25 state-listed endangered and threatened species, and three state natural heritage habitats.

Additionally, the applicant identified 126 archaeological sites, six historic structures, and eight cemeteries along the route. In total, more than 50 of the locations would require additional study to determine if they are eligible for listing on the National Register of Historic Places. In the end, Commission staff evaluated seven major route alternatives, two project system alternatives, 16 route variations, two access road variations, a no-action alternative, and a postponed-action alternative, taking final action on the proposal within 18 months.

Although our processes are more effective and efficient than in the past, the Commission will continue to search for ways to reduce the processing time for applications, including removing impediments to this process. This, in turn, will lend greater certainty to the certification process and to those investing in a project.

The Commission also regulates natural gas storage projects, which provide natural gas during peak periods in order to reduce price volatility. Unfortunately, gas storage capacity additions have slowed in recent years with total U.S. capacity increasing only one percent between 1988 and 2003.

Fulfilling the obligations required by the Alaska Natural Gas Pipeline Act, the Commission issued a final rule in February 2005 establishing requirements governing the conduct of open seasons for capacity on proposals for Alaska natural gas pipeline projects. Designated Order No. 2005, the rule encourages the prudent development and delivery of a clean domestic natural gas resource and provides a stimulus for exploration, development and production of gas. The rule provides a 120-day window for an open season, special consideration for in-state transportation needs, adherence to broad standards of conduct among affiliates, presumption of rolled-in rates for subsequent expansions, and other accommodations for future capacity needs by producers with unproven reserves.

The Commission also has an important role in assuring a robust electricity infrastructure. In setting rates for both wholesale power sales and interstate transmission, the Commission intends its pricing policy to encourage investment in generation and transmission facilities. Per the Commission's 2004 State of the Markets Report, although transmission investment rose in dollar terms it remained much lower than generation investment. In capacity terms, the approximately 931 miles of new transmission lines of 230 kV or greater that were built in 2004, adding roughly 0.6 percent of installed capacity per mile, pales in comparison to the more than 20 gigawatts of new generation capacity that entered operation, adding 2.3 percent to the electric generating fleet.

EPAct 2005 granted the Commission new regulatory authority to promote an energy infrastructure that serves the Nation's needs. First, the new law grants the Commission – for the first time – the authority to site electric transmission facilities under certain conditions. While this new authority is more limited than the Commission's gas pipeline siting authority, it should lower the regulatory barriers to investment in the transmission grid. The Commission will work to implement this new authority in accordance with the specific criteria established in EPAct 2005.

In addition, EPAct 2005 adopts procedures that better coordinate the review process for natural gas infrastructure, allowing final decisions to be rendered in a timely manner. Specifically, the Commission is designated as the lead agency for the purpose of coordinating all applicable authorizations and in performing the environmental review. In its role as the lead agency, the Commission establishes a schedule that all other permitting agencies must adhere to, and maintains one consolidated record to be used for any judicial reviews of any actions taken. The U.S. Court of Appeals for the District of Columbia has exclusive jurisdiction over any action concerning the failure of an agency to act in accordance with the Commission's established schedule and will act in an expedited fashion.

With regard to LNG import facilities, EPAct 2005 clarified the Commission's exclusive jurisdiction to authorize such facilities. This removes the doubt cast over the Commission's jurisdiction by a California lawsuit that threatened to halt much-needed development of LNG import facilities. Subsequent to the passage of EPAct 2005, the lawsuit was dismissed.

In the area of hydropower, EPAct 2005 grants tax incentives for hydropower developed at dams existing prior to enactment of the law. This will have the potential to increase infrastructure through the construction of generating facilities at non-hydropower dams and the addition of new facilities at existing hydro projects. EPAct 2005 also authorizes licensees or other participants to offer cost or power-saving alternatives to mandatory license conditions of the U.S. Departments of the Interior, Commerce, or Agriculture. In considering any alternatives, the Departments must document that they gave "equal consideration" to the effects of the mandatory conditions on a variety of factors, such as energy supply, distribution, cost, and use; flood control; navigation; water supply; and environmental quality. Should this result in significant cost and power savings, while maintaining resource protections as expected, it could promote interest in hydropower development.

Program Performance Overview

The performance measurement data samples and other achievements included below constitute a few of the Commission's more significant achievements during FY 2005. The performance measures and targets were selected from the Commission's FY 2006 Performance Budget Request, submitted to Congress in February 2005. A complete list of the Commission's performance measurement data for fiscal years 2002, 2003, 2004, 2005, and 2006, is included in the Performance Report section of this report.

Performance Measurement Data for Energy Infrastructure

Goal: Promote Development of a Robust Energy Infrastructure.

Performance Measurement	Performance Target	Result
Time to complete NEPA Prefiling Process	8 months after a complete application is filed	Target Met. During FY 2005, 100% of applications completed the NEPA Prefiling Process within the stated target.

In FY 2005, the Commission continued to emphasize the importance of the Pre-Filing Process for the identification and resolution of both environmental and non-environmental issues prior to the filing of an application. As a whole, the program has been successful and generally accepted by the industry. For each of the six projects that entered the Pre-Filing Process in FY 2005 and filed complete applications, the Commission issued environmental impact statements or environmental assessments within the eight month target.

For the Questar Pipeline Company Southern System Expansion Project, the Commission completed the environmental assessment in less than seven weeks of the filing of the completed application. This represented a significant achievement by the Commission since considerable cooperation and consultation was required with the U.S. Bureau of Land Management, which manages a large portion of the land affected by the project.

For the Ingleside Energy Center LNG Project, the Commission completed the environmental impact statement in less than eight months of the filing of the completed application despite delays in receiving certain information from the applicant and cooperating agencies.

Performance Measurement	Performance Target	Result
Percentage of pipeline certificate cases completed in specified time frames	85% of cases completed within the following time frames: ➢ unprotested cases that involve no precedential issues, 159 days ➢ protested cases that involve no precedential issues, 304 days ➢ cases of first impression or containing larger policy implications, 365 days ➢ cases requiring a major environmental assessment or environmental impact statement, 480 days	Target Met. During FY 2005, the following percentages of cases were completed within the stated targets: ➢ 93% ➢ 100% ➢ 100% ➢ 89%.

In addition to meeting these targets, the Commission also coordinated with other Federal agencies to communicate hurricane-related service interruptions to the White House, Congress, and other interested agencies. In doing so, the Commission designated an official point of contact to communicate with the various agencies and to compile daily Energy Reliability Situation Reports on all energy sectors.

Also in FY 2005, the Commission certificated 28 major pipeline projects, 11 storage projects and 6 LNG projects. The following table summarizes the projects authorized in FY 2005:

Type of Project	Added Capacity (approx.)
New Pipeline	935 miles, 147,408 hp of compression and 14,550 million cubic feet per day (MMcf/d) of additional capacity
New Storage	4,444 MMcf/d of peak-day deliverability
New LNG	44.8 billion cubic feet (Bcf) of storage capacity and 6,500 MMcf/d of deliverability

Performance Measurement	Performance Target	Result
Timeliness of resolving cost recovery proposals for new infrastructure, to provide investors with regulatory certainty	85% of all merits orders accepting, modifying, or rejecting timely filed proposals, including time for hearing, ADR, or settlement judge participation, issued by date requested by applicant to meet its construction/financing schedule	Target Met. During FY 2005, The Commission issued 98% of the 224 merits orders to resolve cost recovery proposals for new infrastructure by requested date or, in the case of gas pipeline certificate applications, contributed rate inserts to allow timely completion.

For example, the Commission accepted or approved several innovative rate proposals by electric utilities that have already spurred the development of badly needed new transmission capacity in California (TransElect's Path 15 expansion), or will facilitate the development of new transmission to serve the capacity constrained areas of San Francisco (Trans Bay Cable between Pittsburg, California and San Francisco) and the Olympic peninsula in Washington state (Sea Breeze's cable between Vancouver, British Columbia and Port Angeles, Washington). The Commission also approved, in part, Southern California Edison's proposal to construct and roll-in to its rate base the costs of a new trunk line designed to serve wind power generators.

Lastly, the Commission approved market-based transportation rates for niche services in the Rendevous pipeline certificate proceeding. This case represented the first time such an authorization was based on an ease of entry finding, which applies to circumstances without the large sunk costs of major construction, and can be an important factor in the Commission's market power analysis.

Performance Measurement	Performance Target	Result
Implementation of rate flexibility or incentives to encourage needed additions to energy infrastructure	Increase in the number of innovative or flexible rate designs in effect, by approving rate proposals or issuing policy statements providing rate flexibility or incentives needed for infrastructure additions	Target Met. During FY 2005, the Commission approved several rate proposals and issued a policy statement on independent transmission companies, which collectively accomplished the stated targets.

In Southwest Power Pool (SPP), the following pricing and cost allocation proposals were implemented to provide needed funding for new infrastructure:

- an experimental transmission service prepayment procedure allowing transmission customers who frequently use short-term transmission service to prepay for service, on a voluntary basis, in order to fund transmission expansion needed to permit the provision of requested short-term service;
- a regional cost allocation plan for transmission upgrades to maintain system reliability (Base Plan Upgrades), which splits the cost of network upgrades in excess of $100,000, on a 1/3-2/3 regional-zonal basis (i.e., 1/3 rolled into an SPP wide regional rate and 2/3 rolled into the zonal rate); and
- an aggregate transmission study process and cost allocation method to respond to requests for transmission service, under which SPP aggregates 4 months of transmission service requests and determines the required upgrades on an aggregate basis and allocates the costs among the requesters. For network transmission customers, SPP directly assigns the costs of network upgrades but also provides revenues/credits from subsequent transmission service that uses the excess capacity created by the upgrades (point- to-point customers' upgrade costs are priced under traditional higher of pricing).

In PJM Regional Transmission Organization (PJM), the Commission conditionally accepted a proposal by the RTO and its transmission owners to establish the general methodology to recover costs incurred under PJM's Regional Transmission Expansion Program (RTEP). The Commission found that the proposal would provide the transmission owners with the ability to fully recover all reasonably incurred costs under the RTEP and would provide the necessary incentives for transmission owners to build RTEP upgrades quickly.

In addition to the SPP and PJM proposals, the Commission:

- issued a June 2005 policy statement clarifying and removing barriers to the formation of independent transmission companies;
- processed applications by three utilities providing accounting for RTO integration and start-up costs to facilitate cost recovery and encourage investment in RTOs; and
- approved ITC Holdings Corp.'s restructuring proposal that allowed it to 'go public' and remain independent and qualify for favorable rate treatment, serving as an encouragement to other independent transmission companies which are likely to build badly needed transmission infrastructure and to operate their transmission facilities in a non-discriminatory and efficient manner.

Other Accomplishments

Pursuant to EPAct 2005, the Commission issued a Notice of Proposed Rulemaking (NOPR) on September 16, 2005, entitled "Repeal of the Public Utility Holding Company Act of 1935 and Enactment of the Public Utility Holding Company Act of 2005," to repeal the 70-year-old Holding Company Act (PUHCA), which established a regulatory regime overseen by the U.S. Securities and Exchange Commission (SEC), and replace it with a new regulatory regime involving access to holding company books and records by FERC and state utility regulators. PUHCA repeal will free up new avenues of capital investment in the electricity and gas industries to strengthen the country's energy infrastructure and support competitive markets.

Congress mandated that the new Holding Company Act (PUHCA 2005) take effect within six months of EPAct 2005 being signed into law. The Commission is required to finalize PUHCA 2005 rules and to report recommendations on any necessary technical and conforming statutory amendments to Congress. After PUHCA 2005 is effective, the Commission has 90 days to finalize a rule exempting certain holding company systems with qualifying facilities, exempt wholesale generators and foreign utility companies from the federal access to books and records provisions of PUHCA 2005. In its NOPR, the Commission addressed all rulemaking requirements of PUHCA 2005 and also requested comments on what SEC requirements under PUHCA should be maintained under PUHCA 2005. The Commission is also seeking comment on a proposal to remove its exempt wholesale generator rules, as they are unnecessary under PUHCA 2005 regulatory regime established by EPAct 2005.

Performance Measurement Data for Competitive Markets

Goal: Prevent Exercise of Market Power by Reliance on Effective Competition.

Performance Measurement	Performance Target	Result
Demonstrable improvements in regional competitive market structures	In any region of the country at least one of the following will occur: ➢ addition of a new or expansion of an existing RTO ➢ adoption by an RTO of additional market-oriented features, programs or rules ➢ in regions primarily without RTOs, an increase in the degree of transmission independence (ownership or control) from generation ➢ increase in the amount of competitive solicitation for supply ➢ improvement of open access tariff to reduce entry barriers of foster competition	Target Met. During FY 2005, the Commission accomplished several of the stated targets, including: ➢ the expansion of PJM; ➢ adding SPP and ISO-NE as RTOs; ➢ accepting new ISO-NE operating agreements; and ➢ the adoption of multiple rule and/or tariff revisions within several RTOs/ISOs.

For example:

- On October 1, 2004, the Commission granted full recognition to SPP as a RTO subject to limited compliance issues.
- On February 1, 2005, Independent Transmission System Operator - New England, Inc (ISO-NE) commenced operations as an RTO. In addition, ISO-NE and Maine Electric Power Company (MEPCO) entered into an agreement under which ISO-NE would operate MEPCO's transmission system.
- On May 1, 2005, PJM expanded by adding Virginia Electric and Power Company as a transmission owner to form PJM South. In addition, PJM adopted revisions to its OATT and restated operating agreement which would create a special membership to reduce the cost of participation of (smaller) Curtailment Service Providers that wish to participate in PJM's real-time economic load response program.

In Midwest Independent Transmission System Operator (Midwest ISO), several market rule changes and refinements were implemented that related to the start-up of its energy markets, including:

- refinements to its allocation process for assigning financial transmission rights;
- refinements to its creditworthiness policies and related invoicing, billing, and default provisions to promote a balance between finding a market participant creditworthy and the risk of default; and
- revisions to its tariff to implement a reactive power rate schedule that permits independent power producers to sell reactive power under the same terms and conditions as transmission owners, as well as proposals that allow compensation for the rescheduling of

generator outages and compensation for generators that are called on during emergency situations.

In New England, revisions to Market Rule 1 were adopted to implement:

- provisions that would allow the partial de-listing of capacity resources for sales to neighboring control areas;
- special provisions related to the dispatch and operation of the New England bulk power system during extreme cold weather conditions; and
- a test program for a seams reduction initiative involving short-notice intra-hour scheduling of energy between the New England and New York control areas.

In New York, New York Independent Transmission System Operator (NYISO) adopted revisions to implement:

- a comprehensive planning process for reliability;
- provisions that reduce the amount of collateral required by virtual transactions; and
- provisions to reduce the price volatility in NYISO's real-time market that is attributable to real-time forecasting uncertainties rather than to actual market conditions.

Also during FY 2005, the Commission took several steps to improve the OATT to reduce entry barriers or foster competition in energy markets. Specifically, the Commission:

- reaffirmed and clarified its procedures for large generators;
- proposed a new generator imbalance service schedule for intermittent generation resources, such as wind;
- issued final rules implementing standard procedures for the interconnection of small generators and large wind generators; and
- instituted a broad inquiry into whether and how the OATT needs reform in light of the changes in the electric utility industry since the OATT was instituted in 1996. The Commission also sought comment on whether it should collect certain generator information in order to help foster competition in the markets.

Performance Measurement	Performance Target	Result
Establishment of cost-effective elements of market design	Within 3 years of commencement of operation, approved RTO or ISO will implement, if cost effective: ➢ regional independent grid operation ➢ regional transmission planning process ➢ fair cost allocation for existing and new transmission ➢ market monitoring and market power mitigation ➢ spot markets to meet customers' real-time energy needs ➢ transparency and efficiency in congestion management ➢ firm transmission rights ➢ resource adequacy approaches	Target Not Met. Although the Midwest ISO planned to start its energy markets on December 1, 2004 (within three years of receiving RTO status), the Commission approved a four-month delay to permit additional time for software testing and market participant training. The updated April 1, 2005 date was met.

The Midwest ISO energy markets that started during FY 2005 include:

- firm transmission rights;
- market monitoring and mitigation;
- transitional resource adequacy plan;
- day-ahead and real-time energy markets; and
- transparent and efficient congestion management system using locational marginal pricing.

Performance Measurement	Performance Target	Result
Timeliness of processing proposed rulemakings adopting industry-wide business practice standards (North American Energy Standards Board (NAESB)) and proposed rulemakings related to reliability	Non-controversial rulemakings completed within 9 months of receipt of NAESB proposal, and controversial rulemakings completed within 12 months	Target Met. During FY 2005, the Commission completed three important actions that met the stated targets, including: ➢ issuing a final rule adopting the Wholesale Gas Quadrant's Version 1.7 business practice standards (within 4½ months of being proposed); ➢ issuing a NOPR which proposes criteria for the establishment of an Electric Reliability Organization (ERO) to enforce reliability standards under the regulatory review and oversight of the Commission; and ➢ issuing a policy statement on creditworthiness standards that reiterates policies articulated in recent cases decided by the Commission.

With regard to the ERO NOPR, entitled "Rules Concerning Certification of the Electric Reliability Organization; and Procedures for the Establishment, Approval and Enforcement of Electric Reliability Standards," the Commission proposed:

- regulations pertaining to the funding of the ERO;
- procedures governing enforcement actions by the ERO and the Commission;
- regulations for issuing periodic reports by the ERO on reliability assessment and adequacy;

- procedures under which the ERO may delegate authority to a regional entity to enforce reliability standards;
- criteria for the establishment of an ERO, an entity that will propose and enforce reliability standards for the bulk power system in the United States; and
- procedures for the establishment of regional advisory bodies that may advise the Commission, the ERO or a regional entity on governance and reliability standards, and propose fees within a region, or undertake other responsibilities designated by the Commission.

Other Accomplishments

In order to allow FERC jurisdictional electricity transmission providers and natural gas pipelines in the areas affected by Hurricanes Katrina and Rita to focus on recovery efforts instead of paperwork, the Commission issued four notices that waived specific aspects of its standards of conduct rules and extended deadlines for posting and record keeping requirements. The first three notices followed Hurricane Katrina, while the final notice was in anticipation of Hurricane Rita.

Notice Granting Extension of Time to Comply with Posting and Other Requirements, issued August 31, 2005

The Commission's Standards of Conduct regulations require that "Transmission providers must report to the Commission and post on the Open Access Same-time Information System (OASIS) or Internet website, as applicable, each emergency that resulted in any deviation from the standards of conduct, within 24 hours of such deviation." As a result of emergency conditions in the Gulf Coast area created by Hurricane Katrina, the Commission granted transmission providers an extension of time until September 30, 2005, to comply with posting and other requirements.

Notice Waiving Record Keeping Requirements, issued September 7, 2005

Due to the extreme nature of the Hurricane Katrina emergency, the Commission also waived, until September 16, 2005, the requirement by transmission providers to record and retain a record of each deviation of the standards of conduct. The Commission stated it would consider extending this waiver if the need continued.

Notice Granting Extension of Waiver of Record Keeping Requirements, issued September 16, 2005

The Commission granted Entergy Services' request on behalf of Entergy Operating Companies for an extension through September 30, 2005, for waiver of record keeping requirements due to the emergency conditions in the Gulf Coast area.

Notice Granting Extension of Time to Comply with Posting and Other Requirements, issued September 23, 2005

In anticipation of Hurricane Rita, the Commission granted additional extensions of time and waivers to comply with posting and other requirements through October 7, 2005, to transmission providers in the geographic areas potentially affected.

In addition to these notices, the Commission also extended filing deadlines in certain cases pending before the Commission involving companies affected by the hurricanes.

Performance Measurement Data for Market Oversight

Goal: Prevent Exercise of Market Power by Reliance on Effective Regulation.

Performance Measurement	Performance Target	Result
Enhance institutional capability for overseeing energy markets	The Electronic Quarterly Report of electric transactions will be fully functional.	Target Met. In addition to the fully functional Electric Quarterly Report (EQR) for electric transactions, the Commission also identified several key data requirements to analyze energy markets via its Market Monitoring Center (e.g., Dow Jones' real time data, Genscape's alert system data, U.S. Waterborne LNG Report, NE Power Data, CERA's energy advisory service, CoalDat, and AirDaily).
	The Commission will identify further key data requirements needed to analyze energy markets.	

The Commission is working with RTOs and ISOs to prepare more user friendly EQR member reports and to develop other reporting requirement modifications and clarifications, both as a means to reduce the burden and to increase the consistency of EQR filings.

Performance Measurement	Performance Target	Result
Percentage of processes that achieve consensual agreements	Maintain at or increase levels achieved in FY 2004	Target Met. The Administrative Law area maintained their FY 2004 success rate as 90.2% of cases achieved settlement in FY 2005. DRS increased their FY 2004 success rate as 95.8% of cases achieved settlement in FY 2005.

Of the 117 cases that were closed in the Administrative Law area in FY 2005, 102 cases qualified for settlement procedures (15 were terminated by initial decision). Of those 102 cases, 92 cases achieved settlement.

Of the 24 cases that were closed by DRS in FY 2005, 23 achieved settlement.

Performance Measurement	Performance Target	Result
Number of major rule violations for a particular set of business practices	None or Few	Target Not Met. During FY 2005, the Commission conducted 29 investigations, eight of which were settled. Although this result did not meet the "None or few" target, the performance measure and target do not reflect the true goal of the Commission's enforcement function, which is to investigate and remedy violations of the Commission's statutes, orders, and regulations. While the Commission acknowledges that "deterrence" is an important part of enforcement, we do not believe it is reasonable to assume that no violations will occur. In future years, this measure has been removed and replaced with better performance measures and targets to evaluate the enforcement function.

These investigations involved violations such as undue preference in violation of the FPA and NGA and the Standards of Conduct regulations. The settled investigations resulted in disgorgement of profits, penalties, and other payments totaling approximately $35 million. In addition to monetary penalties, compliance plans were put into place to help prevent future violations from occurring.

Performance Measurement Data for Management Initiatives

Performance Measurement	Performance Target	Result
Improved human capital processes	Implement selected human resources flexibilities provided by new SES Pay-for-Performance legislation	Target met. On April 7, 2005, the Commission received provisional certification to implement SES Pay-for-Performance for calendar year 2005 by demonstrating that our SES performance appraisal system made meaningful distinctions in pay and performance, demonstrated clear alignment to strategic goals, and included good measures of performance for each executive.

In December 2004, the Office of Personnel Management issued final regulations on the Performance-Based Senior Executive Service (SES) Pay System. With these new regulations, agencies that have certified performance appraisal systems for senior executives were permitted to pay their highest-performing SES members up to the rate of Level II of the Executive Schedule. As detailed above, the Commission met this target within 4 months of the final regulations being issued.

Performance Measurement	Performance Target	Result
Improved services to employees	Successful implementation of payroll services and integration with HR services	Target Met. In March 2005, the Commission successfully migrated its processing of payroll distributions to the National Finance Center. Also in March 2005, the Commission's Employee Maintenance Helpdesk was established to provide a central point of contact for all human resources and payroll related inquiries.

The transition to the National Finance Center occurred with less than a 1% margin of error and with no adverse impact on employees.

Performance Measurement	Performance Target	Result
Timeliness of virus file updates on servers and workstations	Updates within 24 hours from release by vendors	Target Met

The Commission's network is configured to obtain the latest virus (.dat) file updates twice per day. In addition, each server and workstation is configured to poll the master server for .dat file updates on an hourly basis. Therefore, once the master server receives a new virus signature, the .dat file updates are retrieved by all turned-on servers and workstations, typically within a 1 hour timeframe. In the event of a system failure (network or otherwise), hourly verifications take place until the system is updated.

Financial Performance Overview

As of September 30, 2005, the financial condition of the Commission was sound with sufficient funds to meet program needs and adequate control of these funds in place to ensure Commission obligations did not exceed budget authority. The Commission prepared its financial statements in accordance with the accounting standards codified in the Statements of Federal Financial Accounting Standards and with OMB Circular No. A-136, Financial Reporting Requirements.

Sources of Funds. The Commission receives an appropriation from Congress that is available until expended. The Commission's FY 2005 new budget authority was $210 million. This represents an increase in new budget authority of approximately about $5.6 million over FY 2004. Additional funds available to obligate in FY 2005 were $6.3 million from prior-year appropriations. The sum of all funds available to obligate in FY 2005 was $216.3 million. The Commission also receives an appropriation from Congress to pay states the fees it collected for the occupancy and use of public lands. The appropriation related to payments to states in FY 2005 and 2004 was $3 million.

Consistent with the requirements of the Omnibus Budget Reconciliation Act of 1986, as amended, the Commission collected fees to offset 100% of its budget authority in FY 2005.

Costs by Function. The Commission incurred costs of $222.9 million in FY 2005, which was an increase of $9.7 million over FY 2004. Approximately 71 percent of costs were used for salaries and benefits and the increase in FY 2005 salaries accounts for the majority of the increased costs over last year. The remaining 29 percent was used to obtain technical assistance for the Commission's principal regulatory programs, to cover operating expenses, (e.g., building rentals, transportation, printing, security services, supplies, office automation, and training), staff travel, and reimbursable work. The unobligated budget authority available at the end of FY 2005 was $8.9 million, which is an increase of $2.7 million over the FY 2004 amount of $6.2 million.

Costs by Function (millions)

Costs	FY 2005	FY 2004
Salaries and Benefits	$158.9	$138.5
Travel/Transportation	3.5	2.8
Rent/Comm/ Utilities	20.0	21.7
Contract Support	34.0	32.1
Printing/Supplies/Other	6.4	17.9
Reimbursable Work	.05	.2

Audit Results. The Commission received an unqualified audit opinion on its FY 2005 financial statements. This was the twelfth consecutive year the Commission has received an unqualified opinion. For FY 2005, no material weaknesses were identified by the audit.

Financial Statement Highlights. The Commission's financial statements summarize the financial activity and financial position of the agency. The financial statements, footnotes, and the balance of the required supplementary information appear in the financial section of this report. Analysis of the principal statements follows.

Analysis of the Balance Sheet

The Commission's assets were approximately $140.7 million as of September 30, 2005. This is an increase of $.4 million from the end of FY 2004. The assets reported in the Commission's Balance Sheet are summarized in the Asset Summary table.

Asset Summary (millions)

Asset	FY 2005	FY 2004
Fund Balance with Treasury	$111.3	$104.7
Accounts Receivables, Net	20.0	23.1
Property and Equipment, Net	9.3	8.3
Due from Regulated Entities	.1	4.2
Total Assets	$140.7	$140.3

The Fund Balance with Treasury represents the Commission's largest asset of $111.3 million as of September 30, 2005, an increase of $6.6 million from the FY 2004 September 30th balance. This balance represents appropriated funds, collected license fees, and other funds maintained at the Treasury until final disposition is determined. The increase from FY 2004 to FY 2005 is due mostly because of increased collections from disgorgement activities and the increase in carryover.

Accounts Receivable, Net, as of September 30, 2005, were $60.5 million net of an offsetting allowance for doubtful accounts of $40.5 million. The Commission collected more of its outstanding receivables in FY 2005 as compared to FY 2004, which accounts for the decrease.

The net book value of Property and Equipment, Net, was $9.3 million. The balance is comprised of equipment, furniture, leasehold improvements, and computer hardware and software. The Commission capitalized approximately $3 million of internally developed software in FY 2005. This in conjunction with the current year depreciation accounts for the net increase from the prior year.

The Due from Regulated Entities in the amount of $.1 million represents the adjustment made to properly report potential costs the Commission may need to bill in the future since the Commission is a full cost recovery agency. The decrease of $4.1 million is due to the full recovery of current year costs through annual charge assessments and the resolution of prior year appeals filed by industry regarding prior year annual charge assessments.

The Commission's liabilities were $121.3 million as of September 30, 2005. The Liabilities Summary table shows an increase in total liabilities of $3 million from the FY 2004 September 30, 2004 balance of $118.3 million.

Liabilities Summary (millions)

Liabilities	FY 2005	FY 2004
Accounts Payable	$9.4	$9.1
Other Liabilities	111.9	109.2
Total Liabilities	$121.3	$118.3

The difference between total assets and total liabilities, net position, was approximately $19.4 million as of September 30, 2005. The Net Position Summary table shows a decrease of $2.6 million from the FY 2004 year-end balance. The decrease is directly related to a decrease in Unexpended Appropriations, which is the amount of authority granted by Congress that has not been expended, and an increase in Cumulative Results of Operations, which represents the net results of operations since the Commission's inception.

Net Position Summary (millions)

Position	FY 2005	FY 2004
Unexpended Appropriations	$13.7	$17.5
Cumulative Results of Operations	5.7	4.5
Total Net Position	$19.4	$22.0

Analysis of the Statement of Net Cost

The Statement of Net Cost presents the net cost of the Commission's three strategic goals as identified in the Commission’s Strategic Plan. The purpose of this statement is to show separately the components of the net cost of operations that will provide information that can be linked to program performance under the Government Performance and Results Act of 1993 (GPRA) reporting to the cost of programs. The Commission's net cost of operations for FY 2005 was $.01 million, which is a decrease of $.06 million over the FY 2004 net cost of $.07 million. This decrease is a result of the Commission billing more of its reimbursable costs in FY 2005 than in FY 2004. Net costs by strategic goal are shown in the Net Cost of Operations table.

Net Cost Of Operations (millions)

Operation	FY 2005	FY 2004
Energy Infrastructure	$.009	$.05
Competitive Markets	.003	.01
Market Oversight	.002	.01

Analysis of Statement of Changes in Net Position

The Statement of Changes in Net Position reports the change in net position during the reporting period. Net position is affected by changes in its two components: Cumulative Results of Operations and Unexpended Appropriations. The decrease in Net Position of $2.8 million from FY 2004 to FY 2005 represents the net change in Cumulative Results and Unexpended Appropriations.

Analysis of the Statement of Budgetary Resources

The Statement of Budgetary Resources shows the sources of budgetary resources available and the status at the end of the period. It presents the relationship between budget authority and budget outlays, and reconciles obligations to total outlays. For FY 2005, the Commission had budgetary resources available of $219.3 million, the majority of which was derived from new spending authority. This represents an increase of $8.3 million over FY 2004 budgetary resources available of $211.0 million.

The status of budgetary resources includes obligations incurred of $210.3 million, or 96 percent of funds available. Similarly, FY 2004 obligations incurred were $204.7 million, 97 percent of funds available. Total net inflows for FY 2005 were $9.2 million, which represents a $6.2 million decrease from FY 2004 net inflows of $15.4 million.

Analysis of the Statement of Financing

The Statement of Financing is designed to provide the bridge between financial (proprietary) accounting in the Statement of Net Cost and budgetary accounting information in the Statement of Budgetary Resources by reporting the differences and reconciling the two statements. This reconciliation ensures that the proprietary and budgetary accounts in the financial management system are in balance. The Statement of Financing reconciles budgetary obligations incurred of $210.3 million to the net cost of operations of $.014 million by adding non-budgetary resources, and deducting costs not requiring resources and financing sources yet to be provided.

Analysis of the Statement of Custodial Activity

The Statement of Custodial Activity displays the total Custodial Revenue and the Disposition of Collections related to that revenue activity. This statement ensures that revenue of another agency is not reported on the Commission’s Statement of Net Cost so the revenue will not be reported twice. In FY 2005, the Commission reported $45.4 million in custodial activity compared to $23.9 million in FY 2004. The majority of the increase is due to the increase of approximately $22 million in civil penalties in FY 2005 over FY 2004.

Controls, Systems, and Legal Compliance

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

- Federal Managers' Financial Integrity Act of 1982;
- Federal Financial Management Improvement Act of 1996;
- Prompt Payment Act; and
- Debt Collection Improvement Act of 1996.

Integrity Act Statement

During fiscal year 2005, the Commission responded to the challenge of a changing energy industry as it becomes more competitive. Our strategic plan contains three primary Commission goals which reflect the Commission's vision of "dependable, affordable energy through sustained competitive markets." We are progressing on each goal and are tracking our achievements so that the real benefits of competition to consumers and the industry are not delayed. Our goals are: (1) Promote development of a robust energy infrastructure; (2) Prevent exercise of market power by reliance on effective competition; (3) Prevent exercise of market power by reliance on effective regulation.

To accomplish our goals, we must manage our resources efficiently and integrate our budget, business plan, performance measures, and management controls to improve performance and accountability. We have developed a business plan that outlines detailed objectives and resources for each goal and through this plan we track our progress. Problems that impede our progress continue to be brought to the attention of management and resolved within the Commission at the appropriate level. The auditors' FY 2004 report on the Commission's internal control structure disclosed no material weaknesses or reportable conditions and no instances of noncompliance with laws and regulations. We will continue to maintain a strong management control system.

The concept of reasonable assurance recognizes that management controls must be cost effective, and there is always some potential for errors or irregularities to go undetected. The results of the review indicate there is reasonable assurance that the management controls were working effectively, that our financial systems conform with government-wide standards, and that the program and administrative functions were performed in an economical and efficient manner consistent with applicable laws; property, funds and other resources were safeguarded against waste, loss, unauthorized use, or misappropriation; obligations and costs were proper; and accountability for assets was maintained.

Joseph T. Kelliher
Chairman
Federal Energy Regulatory Commission
September 2005

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

Management Control Review Program

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

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

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

FY 2005 Integrity Act Results

The Commission evaluated its management control systems for the fiscal year ending September 30, 2005. This evaluation provided reasonable assurance that the Commission’s management controls achieved their intended objectives. As a result, management concluded that the Commission did not have any material weaknesses in its programmatic or administrative activities.

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

FY 2005 Improvement Act Results

As of September 30, 2005, the Commission evaluated its financial management system to determine if it complied with applicable federal requirements and accounting standards required by the Improvement Act. We found that the Commission's financial management system was in substantial compliance with the Federal financial management system requirements, applicable Federal accounting standards and the U.S. standard general ledger at the transaction level. In making this determination, we undertook financial reporting tests of the system and reviewed entries at the transaction level, and determined compliance with Federal requirements and accounting standards required by the Improvement Act.

Prompt Payment. The Prompt Payment Act requires Federal agencies to make timely payments to vendors for supplies and services, to pay interest penalties when payments are made after the due date, and to take cash discounts when they are economically justified. For FY 2005, the Commission made 97% of its payments that were subject to the Prompt Payment Act on-time. The Commission incurred $390 in interest penalties in FY 2005, which was an increase over the FY 2004 amount of $247. The agency made 99% of its vendor payments electronically.

Debt Collection. The Debt Collection Improvement Act of 1996 was enacted to enhance the ability of the Federal Government to service and collect debts. The agency goal is to maintain the delinquent debt owed to the Commission at year-end at less than two percent of its current annual billings. Delinquent debt at the end of FY 2005 was $5.2 million, which was approximately two percent of its current annual billings. The Commission continues to aggressively pursue the collection of delinquent debt and continues to meet the requirement that all eligible delinquent debt over 180 days is referred to the U.S. Treasury for collection.

Possible Future Effects of Existing Events and Conditions

Certain hydroelectric licensees have filed appeals on two basic grounds. First, some licensees contend that the Commission uses flawed methodology to calculate the "other agency costs" (costs incurred by other federal agencies in administering Part I of the FPA) component of the licensees' annual charges. Second, some licensees dispute the dollar amount of the annual charges assessed by the Commission. The combined liability of these appeals total approximately $44 million as of September 30, 2005; this amount is included in the financial statements as revenue collected under protest. If the licensees ultimately prevail in their claims against the Commission, then the Commission might be obligated to grant legal or equitable relief not only to all appellants, but also to all other similarly situated licensees. If the Commission loses any of these cases, it would be liable for the amount(s) of the judgment(s) rendered against it. However, this contingent liability is fully funded and therefore poses no adverse or material future effect on the Commission's financial position.

Limitations of the Financial Statements

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

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Financial Section

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FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

Office of the
Executive Director

Letter from the Chief Financial Officer

I am pleased to present the Commission's comparative financial results for fiscal years 2005 and 2004. The Commission is continuing to make progress in achieving measurable improvements in its financial management practices. With the submission of this report we have successfully issued our Performance and Accountability Report in accordance with the Office of Management and Budget's requirements.

The Commission's financial statements provided in this report have been reviewed by independent auditors and received an unqualified opinion. During fiscal year 2005, we overcame the challenge of upgrading our core financial management system and increased our management control capabilities with the establishment of an internal audit function.

The Commission did not have any material weaknesses reported with regard to its financial management practices from previous years. We have addressed findings identified in the previous year's audit report and have enhanced review procedures in key areas related to these findings. In addressing these findings, we feel confident we have strengthened our internal control processes and practices and financial reporting capabilities. Moving forward, we will continue to set aggressive time tables for correcting audit findings within a year so we will meet our goal of effective financial management.

Our commitment is to manage our resources wisely so we may effectively regulate and oversee energy industries in the economic, environmental and safety interests of the American public. I believe you will find this Performance and Accountability Report demonstrates that the Commission takes this responsibility seriously and, through a sustained focus on results, is working diligently to ensure that resources are well managed. We look forward to continued improvement in meeting our commitment to the American people in the years to come.

Sincerely,

Thomas R. Herlihy
Chief Financial Officer
Federal Energy Regulatory Commission

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KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report

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

We have audited the accompanying balance sheets of the Federal Energy Regulatory Commission (the Commission) as of September 30, 2005 and 2004, and the related statements of net cost, changes in net position, budgetary resources, financing, and custodial activity, for the years then ended. The objective of our audits was to express an opinion on the fair presentation of these financial statements. In connection with our audits, we also considered the Commission's internal control over financial reporting and tested the Commission's compliance with certain provisions of applicable laws, regulations, and contracts that could have a direct and material effect on these financial statements.

Summary

As stated in our opinion on the financial statements, we concluded that the Commission's financial statements as of and for the years ended September 30, 2005 and 2004, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses under standards issued by the American Institute of Certified Public Accountants. However, we noted no matters involving the internal control and its operation that we considered to be material weaknesses.

The results of our tests of compliance with certain provisions of laws, regulations, and contracts disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards*, issued by the Comptroller General of the United States, or Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

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

Opinion on the Financial Statements

We have audited the accompanying balance sheets of the Federal Energy Regulatory Commission as of September 30, 2005 and 2004, and the related statements of net cost, changes in net position, budgetary resources, financing, and custodial activity, for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of September 30, 2005 and 2004, and its net costs, changes in net position, budgetary resources, reconciliation of net costs to budgetary obligations, and custodial activities, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The information in the Management's Discussion and Analysis is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America or OMB Circular No. A-136, *Financial Reporting Requirements*, Part A, *Form and Content of the Performance and Accountability Report*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Performance Report section and the Appendices are an integral part of the Commission's *Fiscal Year 2005 Performance and Accountability Report*. However, this information is not a required part of the financial statements and is presented for purposes of additional analysis. The information in the Performance Section and the Appendices has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we express no opinion on it.

Internal Control Over Financial Reporting

Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses under standards issued by the American Institute of Certified Public Accountants. Material weaknesses are conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control and its operation that we considered to be material weaknesses as defined above.

We did, however, note other matters that we reported to the management of the Commission in a separate letter dated November 15, 2005.

Compliance and Other Matters

The results of our tests of compliance with certain provisions of laws, regulations, and contracts described in the Responsibilities section of this report, exclusive of those referred to in *Federal Financial Management Improvement Act of 1996* (FFMIA), disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 01-02.

The results of our tests of FFMIA disclosed no instances in which the Commission's financial management systems did not substantially comply with the three requirements discussed in the Responsibilities section of this report.

(Continued)

Responsibilities

Management's Responsibilities

Management is responsible for the financial statements, including:

- Preparing the financial statements in conformity with accounting principles generally accepted in the United States of America;
- Preparing the Management's Discussion and Analysis (including the performance measures);
- Establishing and maintaining internal controls over financial reporting; and
- Complying with laws, regulations, and contracts, including FFMIA.

In fulfilling this responsibility, management is required to make estimates and judgments to assess the expected benefits and related costs of internal control policies. Because of inherent limitations in internal control, misstatements due to error or fraud may nevertheless occur and not be detected.

Auditors' Responsibilities

Our responsibility is to express an opinion on the fiscal year 2005 and 2004 financial statements of the Commission based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, and OMB Bulletin No. 01-02. Those standards and OMB Bulletin No. 01-02 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes:

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

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

In planning and performing our fiscal year 2005 audit, we considered the Commission's internal control over financial reporting by obtaining an understanding of the Commission's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in *Government Auditing Standards* and OMB Bulletin No. 01-02. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of our audit was not to provide assurance on the Commission's internal control over financial reporting. Consequently, we do not provide an opinion thereon.

As required by OMB Bulletin No. 01-02, in our fiscal year 2005 audit, with respect to internal control related to performance measures determined by management to be key and reported in the Management's

(Continued)

Discussion and Analysis and Performance Report sections, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions. Our procedures were not designed to provide assurance on internal control over reported performance measures and, accordingly, we do not provide an opinion thereon.

As part of obtaining reasonable assurance about whether the Commission's fiscal year 2005 financial statements are free of material misstatement, we performed tests of the Commission's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 01-02, including certain provisions referred to in FFMIA. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, and contracts applicable to the Commission. However, providing an opinion on compliance with laws, regulations, and contracts was not an objective of our audit and, accordingly, we do not express such an opinion.

Under OMB Bulletin No. 01-02 and FFMIA, we are required to report whether the Commission's financial management systems substantially comply with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA Section 803(a) requirements.

Distribution

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

KPMG LLP

November 15, 2005

FEDERAL ENERGY REGULATORY COMMISSION

Balance Sheets

As of September 30, 2005 and 2004

	2005	2004
Assets (note 3)		
Intragovernmental:		
Fund balance with Treasury (note 4)	$ 111,328,121	$ 104,689,587
Accounts receivable, net (note 5)	2,635,221	-
Total intragovernmental	113,963,342	104,689,587
Accounts receivable, net (note 5)	17,281,896	23,086,707
Property and equipment, net (note 8)	9,343,478	8,292,117
Other (note 6)	119,154	4,183,559
Total assets	$ 140,707,870	$ 140,251,970
Liabilities (notes 7 and 10)		
Intragovernmental:		
Accounts payable	$ 2,492,461	$ 2,709,493
Other intragovernmental liabilities (notes 7 and 10):		
Accrued payroll benefits	912,400	744,160
Resources transferable to Treasury and other Federal entities	14,898,128	17,320,540
Workers' compensation payable	539,555	568,456
Other	8,102	15,783
Total intragovernmental	18,850,646	21,358,432
Accounts payable	6,916,645	6,411,849
Other liabilities (notes 7 and 10):		
Accrued payroll and benefits	5,084,000	4,102,110
Revenue collected under protest	44,423,159	45,034,808
Resources transferable to other entities from disgorged funds	34,147,570	28,416,937
Accrued leave	10,280,921	10,450,527
Other	1,629,764	2,499,061
Total liabilities	121,332,705	118,273,724
Commitments and contingencies (notes 9 and 12)		
Net position:		
Unexpended appropriations	13,629,244	17,482,193
Cumulative results of operations	5,745,921	4,496,053
Total net position	19,375,165	21,978,246
Total liabilities and net position	$ 140,707,870	$ 140,251,970

The accompanying notes are an integral part of these statements

FEDERAL ENERGY REGULATORY COMMISSION

Statements of Net Cost

For the Years Ended September 30, 2005 and 2004

	2005	2004
Energy Infrastructure:		
Gross costs (Note 14)	$ 146,869,168	$ 142,866,643
Less earned revenue (Note 14)	146,859,935	142,818,635
Net program costs	$ 9,233	$ 48,008
Competetive markets:		
Gross costs (Note 14)	$ 44,041,530	$ 36,249,744
Less earned revenue (Note 14)	44,038,732	36,237,564
Net program costs	$ 2,798	$ 12,180
Market oversight:		
Gross costs (Note 14)	$ 32,012,348	$ 34,117,407
Less earned revenue (Note 14)	32,010,389	34,105,942
Net program costs	$ 1,959	$ 11,465
Total:		
Gross costs (Note 14)	$ 222,923,046	$ 213,233,794
Less earned revenue (Note 14)	222,909,056	213,162,141
Net program costs	$ 13,990	$ 71,653

The accompanying notes are an integral part of these statements

FEDERAL ENERGY REGULATORY COMMISSION

Statements of Changes in Net Position

For the Years Ended September 30, 2005 and 2004

	2005		2004	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
Beginning balances	$ 4,496,053	$ 17,482,193	$ 7,472,708	$ 14,802,030
Budgetary financing sources:				
Appropriations received	-	210,000,000	-	204,400,000
Appropriations used	213,852,949	(213,852,949)	201,656,613	(201,656,613)
Other adjustments - unexpended appropriations	-	-	-	(63,224)
Other financing sources:				
Transfers – out to Treasury without reimbursement	(223,758,625)	-	(211,585,030)	-
Imputed financing from costs absorbed by others	11,169,533	-	7,023,415	-
Total financing sources	1,263,857	(3,852,949)	(2,905,002)	2,680,163
Net cost of operations	(13,990)	-	(71,653)	-
Net change	1,249,868	(3,852,949)	(2,976,655)	2,680,163
Ending balances	$ 5,745,921	$ 13,629,244	$ 4,496,053	$ 17,482,193

The accompanying notes are an integral part of these statements

FEDERAL ENERGY REGULATORY COMMISSION

Statements of Budgetary Resources

For the Years Ended September 30, 2005 and 2004

	2005	2004
Budgetary resources:		
Budget authority, appropriations received	$ 2,968,924	$ 2,928,592
Unobligated balance, beginning of period	6,248,461	3,587,488
Spending authority from offsetting collections:		
Earned:		
Collected	210,025,317	204,630,453
Receivable from Federal sources	-	(110,834)
Change in unfilled customer orders:		
Advance received	-	(29,854)
Without advance from Federal sources	38,112	(12,953)
Total budgetary resources	$ 219,280,814	$ 210,992,894
Status of budgetary resources:		
Obligations incurred:		
Direct	$ 210,292,373	$ 204,491,778
Reimbursable	26,646	252,655
Subtotal	210,319,019	204,744,433
Unobligated balances available and apportioned	8,961,795	6,248,461
Total status of budgetary resources	$ 219,280,814	$ 210,992,894
Relationship of obligations to outlays (inflows):		
Obligated balance, net – beginning of period	$ 25,161,699	$ 24,212,895
Obligated balance, net – end of period		
Unfilled customer orders from Federal sources	(138,252)	(100,140)
Undelivered orders	4,802,932	11,294,227
Accounts payable	15,405,507	13,967,612
Total obligated balance, net - end of period	$ 20,070,187	$ 25,161,699
Outlays (inflows):		
Disbursements	215,372,420	203,919,415
Collections	(210,025,317)	(204,600,600)
Subtotal	5,347,103	(681,185)
Less: distributed offsetting receipts	(14,595,982)	(14,704,360)
Net inflows	$ (9,248,879)	$ (15,385,545)

The accompanying notes are an integral part of these statements

FEDERAL ENERGY REGULATORY COMMISSION

Statements of Financing

For the Years Ended September 30, 2005 and 2004

	2005	2004
Resources used to finance activities:		
Budgetary resources obligated:		
Obligations incurred	$ 210,319,019	$ 204,744,433
Less: spending authority from offsetting collections	(210,063,429)	(204,476,814)
Obligations, net of offsetting collections	255,590	267,619
Less: offsetting receipts	(14,595,982)	(14,704,360)
Net obligations	(14,340,392)	(14,436,741)
Other resources:		
Transfers-out, net of appropriations received	(13,758,625)	(7,185,030)
Imputed financing from costs absorbed by others	11,169,533	7,023,415
Net other resources used to finance activities	(2,589,092)	(161,615)
Total resources used to finance activities	(16,929,484)	(14,598,356)
Resources used to finance items not part of the net cost of operations		
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided	6,533,364	31,014
Resources that fund expenses recognized in prior periods	198,507	-
Budgetary offsetting receipts that do not affect the net cost of operations	14,595,982	14,704,360
Resources that finance the acquisition of assets	(3,697,908)	(188,748)
Payments to States	(2,968,924)	(2,991,816)
Total resources used to finance items not part of the net cost of operations	14,661,021	11,554,810
Total resources used to finance the net cost of operations	(2,268,463)	(3,043,546)
Components of the net cost of operations that will not require or generate resources in the current period:		
Components requiring or generating resources in the future periods:		
Increase in annual leave liability	-	690,165
Other	-	46,948
Total components of net cost of operations that will require or generate resources in future periods	-	737,113
Components not requiring or generating resources:		
Depreciation and amortization	2,627,684	2,428,289
Other	(345,231)	(50,203)
Total components of net cost of operations that will not require or generate resources	2,282,453	2,378,086
Total net cost of operations that do not require or generate resources in the current period	2,282,453	3,115,199
Net cost of operations	$ 13,990	$ 71,653

The accompanying notes are an integral part of these statements

FEDERAL ENERGY REGULATORY COMMISSION

Statements of Custodial Activity

For the Years Ended September 30, 2005 and 2004

	2005	2004
Sources of collections:		
Cash collections – annual charges	$ 48,436,049	$ 28,198,826
Accrual adjustment	(3,076,985)	(4,256,613)
Total custodial revenue (note 13)	45,359,064	23,942,213
Disposition of collections:		
Transferred to others:		
United States Army – Corps of Engineers	(4,926,352)	(6,627,009)
Department of Interior	(4,685,479)	(6,338,461)
United States Department of Treasury	(33,304,005)	(12,261,615)
Various states	(2,968,978)	(2,993,073)
Decrease in amounts yet to be transferred	525,750	4,277,945
Net custodial activity	$ -	$ -

The accompanying notes are an integral part of these statements

FEDERAL ENERGY REGULATORY COMMISSION
Notes to Financial Statements
September 30, 2005 and 2004

(1) Description of Reporting Entity

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

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

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

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

The Commission's activities are separated into the following three segments.

Energy Infrastructure

The Commission's overall objective is to encourage investment in the infrastructure needed to sustain energy markets by removing roadblocks, providing cost recovery clarity and welcoming innovative thinking about rates and use of new technology. By focusing on infrastructure, this segment covers many of the Commission's important traditional activities, for example, pipeline certificates, hydropower licenses and preliminary permits, compliance activities, environmental and other licensing conditions, dam safety inspections and most rate determinations.

Competitive Markets

Another Commission objective is to complete the transition to competitive energy markets as quickly and comprehensively as possible. This requires the growth of certain new institutions, particularly clearly defined and independent regional transmission organizations (RTOs), to make electric markets work. The Commission also needs to establish balanced, self-enforcing market rules in wholesale electric markets, and encourage continued efforts by industry groups to standardize reliability and business practice standards, promote the use of demand-side participation in energy markets, and establish regional transmission planning. Along with some traditional work in the area of rate determinations, this segment includes work on initiatives begun in the last couple of years such as RTOs and new policies for natural gas.

Market Oversight

The Commission also needs to ensure that competitive energy markets benefit the Nation over the long run. The Commission must offer the public and market participants credible assurance that the Commission will identify and remedy energy market problems to maintain just and reasonable rates. At the systemic level, the Commission needs to recognize problems when or before they develop and craft solutions quickly. The Commission must be able to police individual behavior in markets much more effectively than in the past. Work in this segment includes activities related to litigation, dispute resolution, complaints, mergers, and auditing.

Cost Recovery

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

Annual Charges

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

Hydropower

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

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

Gas, Electric, and Oil

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

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

Filing Fees

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

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

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

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

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

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

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

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

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

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

(b) Budgets and Budgetary Accounting

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

(c) Basis of Accounting

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

(d) Revenue and Financing Sources

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

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

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

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

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

(e) Fund Balance with Treasury

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

(f) Allowance for Doubtful Accounts

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

(g) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. The Commission capitalizes property (other than furniture) and equipment purchases with a cost greater than $25,000 and a total useful life exceeding two years. The Commission capitalizes furniture purchases with a cost greater than $50,000, and commercially purchased or internally developed software with a cost greater than $25,000. Depreciation is calculated based on an estimated useful life of 20 years for leasehold improvements, 10 years for furniture, 2 to 5 years for commercially purchased or internally developed software, and 5 years for all remaining assets. Expenditures for repairs and maintenance are charged to program costs as incurred.

(h) Liabilities

Liabilities represent amounts owed by the Commission as the result of transactions or events that have occurred as of year-end. Liabilities for which Congress has not appropriated funds are disclosed in note 10 as liabilities not covered by budgetary resources.

(i) Revenue Collected Under Protest

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

(j) Collections Due to States

The Commission disburses 50% of the fees it collects from licensees for the occupancy and use of public lands to affected states in the year following collection. These collections are initially deposited into the Treasury's miscellaneous receipts fund.

(k) Accrued Leave

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

(l) Workers' Compensation Payable

The Federal Employees Compensation Act (FECA) provides income and medical cost protection to cover federal civilian employees injured on the job, employees who have incurred a work-related occupational disease and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for the Commission's employees under FECA are administered by the United States Department of Labor (DOL) and are ultimately paid by the Commission. The workers' compensation payable represents billings from DOL that are unpaid at year-end. An actuarial estimate of unbilled claims is recorded by DOE at the departmental level and was not separately calculated for the Commission.

(m) Disgorged Funds

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

(n) Net Position Accounts

Net position account balances consist of the following components:

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

Cumulative results of operations – Represents the Commission's net results of operations since inception, including (1) the amount in the Special Receipts fund balance with Treasury,

(2) the cost of property and equipment acquired that has been financed by appropriations, less accumulated depreciation, and (3) the amount of appropriated funding that will be needed in future periods to liquidate liabilities incurred through the current fiscal year. Funding for these items is generally received in the year that amounts become due and payable.

(o) Tax Status

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

(p) Use of Estimates

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

(q) Changes in Presentation

Certain FY 2004 amounts have been reclassified to conform to the FY 2005 presentation requirements prescribed by OMB Circular No. A-136.

(3) Non-Entity Assets

Non-entity assets at September 30, 2005 and 2004 consisted of:

		2005		**2004**
Intragovernmental:				
Accounts receivable	$	2,590,005	$	-
Fund balance with Treasury:				
Collections due to states		55		1,257
Revenue collected under protest		44,423,159		45,034,808
Disgorged funds		29,130,478		18,399,845
Miscellaneous receipts held in suspense		1,511,426		2,497,804
Special receipts fund		7,222,919		7,222,919
Other		8,102		122,793
Total Intragovernmental		84,886,145		73,279,426
Accounts receivable, net		13,610,269		22,254,689
Total non-entity assets		98,496,414		95,534,115
Total entity assets		42,211,456		44,717,855
Total assets	$	140,707,870	$	140,251,970

(4) Fund Balance with Treasury

Fund balances with Treasury at September 30, 2005 and 2004 consisted of:

	2005	2004
Fund balances:		
Appropriated funds	$ 29,031,981	$ 31,410,161
Revenue collected under protest	44,423,159	45,034,808
Disgorged funds	29,130,478	18,399,845
Special receipts fund	7,222,919	7,222,919
Other	1,519,583	2,621,854
Total	$ 111,328,121	$ 104,689,587
Status of fund balance with Treasury:		
Unobligated balance:		
Available	$ 8,961,795	$ 6,248,461
Unavailable	82,296,139	73,279,427
Obligated balance not yet disbursed	20,070,187	25,161,699
Total	$ 111,328,121	$ 104,689,587

(5) Accounts Receivable, net

Entity and nonentity accounts receivable at September 30, 2005 and 2004 consisted of:

	2005		
	Annual Charges	**Other**	**Total**
Entity			
Uncollected billings	$ 8,988,231	$ 45,847	$ 9,034,078
Uncollected intragovernmental billings	26,482	18,734	45,216
Allowance for doubtful accounts	(5,353,234)	(9,217)	(5,362,451)
Total entity accounts receivable, net	3,661,479	55,365	3,716,843
Nonentity			
Uncollected billings	10,788,572	37,915,612	48,704,184
Uncollected intragovernmental billings	2,590,005	-	2,590,005
Allowance for doubtful accounts	(2,565,096)	(32,528,819)	(35,093,915)
Total non-entity accounts receivable, net	10,813,481	5,386,793	16,200,274
Total accounts receivable, net	$ 14,474,960	$ 5,442,158	$ 19,917,117

	2004		
	Annual Charges	**Other**	**Total**
Entity			
Uncollected billings	$ 6,990,365	$ 22,343	$ 7,012,708
Uncollected intragovernmental billings	-	-	-
Allowance for doubtful accounts	(6,169,717)	(10,973)	(6,180,690)
Total entity accounts receivable, net	820,648	11,370	832,018
Nonentity			
Uncollected billings	14,389,068	42,596,266	56,985,334
Uncollected intragovernmental billings	-	-	-
Allowance for doubtful accounts	(2,169,205)	(32,561,440)	(34,730,645)
Total non-entity accounts receivable, net	12,219,863	10,034,826	22,254,689
Total accounts receivable, net	$ 13,040,511	$ 10,046,196	$ 23,086,707

(6) Other Assets

Other assets at September 30, 2005 and 2004 consisted of:

	2005	**2004**
Due from regulated entities	$ 94,687	$ 4,155,134
Advances to others	24,467	28,425
Total other assets	$ 119,154	$ 4,183,559

(7) Other Liabilities

Other liabilities at September 30, 2005 and 2004 consisted of:

	2005		
	Non-Current	**Current**	**Total**
Intragovernmental			
Accrued payroll and benefits	$ -	$ 912,400	$ 912,400
Resources transferable to Treasury and other Federal entities	-	14,898,128	14,898,128
Miscellaneous receipts transferable to Treasury	-	8,102	8,102
Workers' compensation	271,675	267,880	539,555
Total Intragovernmental other liabilities	271,675	16,086,510	16,358,185
Non-intragovernmental			
Accrued payroll and benefits	-	5,084,000	5,084,000
Revenue collected under protest	44,423,159	-	44,423,159
Resources transferable to other entities from disgorged funds	34,147,570	-	34,147,570
Accrued leave	-	10,280,921	10,280,921
Other:			
Refunds and other amounts due	-	1,627,278	1,627,278
Collections due to states	-	2,486	2,486
Total non-intragovernmental other liabilities	78,570,729	16,994,685	95,565,414
Total other liabilities	$ 78,842,404	$ 33,081,195	$ 111,923,599

	2004		
	Non-Current	**Current**	**Total**
Intragovernmental			
Accrued payroll benefits	$ -	$ 744,160	$ 744,160
Resources transferable to Treasury and other Federal entities	-	17,320,540	17,320,540
Miscellaneous receipts transferable to Treasury	-	15,783	15,783
Workers' compensation	274,268	294,188	568,456
Total Intragovernmental other liabilities	274,268	18,374,671	18,648,939
Non-intragovernmental			
Accrued payroll and benefits	-	4,102,110	4,102,110
Revenue collected under protest	45,034,808	-	45,034,808
Resources transferable to other entities from disgorged funds	28,416,937	-	28,416,937
Accrued leave	-	10,450,527	10,450,527
Other:			
Refunds and other amounts due	-	2,497,804	2,497,804
Collections due to states	-	1,257	1,257
Total non-intragovernmental other liabilities	73,451,745	17,051,698	90,503,443
Total other liabilities	$ 73,726,013	$ 35,426,369	$ 109,152,382

Resources transferable to Treasury represents future collections on accounts receivable that will be forwarded to Treasury upon receipt.

Collections due to states represents future collections on accounts receivable that will be forwarded to the states upon receipt.

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

Refunds and other amounts due represents monies that ultimately will be returned to entities due to overpayments of prior billings.

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

(8) Property and Equipment, Net

Property and equipment and related accumulated depreciation at September 30, 2005 and 2004 consisted of:

	2005		
	Acquisition Amount	**Accumulated depreciation**	**Net**
Equipment	$ 5,346,313	$ 4,222,436	$ 1,123,877
Furniture	9,070,773	8,932,371	138,402
Leasehold improvements	9,491,415	4,706,399	4,785,016
ADP software	14,589,358	11,293,174	3,296,183
Total	$ 38,497,859	$ 29,154,381	$ 9,343,478

	2004		
	Acquisition amount	**Accumulated depreciation**	**Net**
Equipment	$ 5,074,381	$ 3,770,729	$ 1,303,652
Furniture	9,070,773	8,025,742	1,045,031
Leasehold improvements	9,491,415	4,231,828	5,259,587
ADP software	11,321,496	10,637,649	683,847
Total	$ 34,958,065	$ 26,665,948	$ 8,292,117

(9) Building Lease

The General Services Administration (GSA) enters into lease agreements for government buildings and maintains those lease agreements. The Commission pays GSA a standard level users charge for the annual rental of building space, of which Commission Headquarters is in Washington, DC and several other regional offices are located in various parts of the country. The standard level users charge approximates the commercial rental rates for similar properties. The Commission generally does not execute an agreement with GSA; the Commission, however, is normally required to give 30-120 days notice to vacate. Expenses incurred for building leases amounted to $19.7 million and $19.5 million for fiscal years ended September 30, 2005 and 2004, respectively.

Real Property Operating Leases

Fiscal Year	GSA
2006	$ 22,506,019
2007	23,923,133
2008	24,585,898
2009	25,289,909
2010	26,191,846
Beyond 2010	109,848,711
Total future minimum lease payments	$ 232,345,516

(10) Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources at September 30, 2005 and 2004 consisted of:

	2005	2004
Intragovernmental - other liabilities:		
Workers' compensation payable	$ 539,555	$ 568,456
Total intragovernmental	539,555	568,456
Nonintragovernmental - other liabilities:		
Accrued leave	10,280,921	10,450,527
Total liabilities not covered by budgetary resources	$ 10,820,476	$ 11,018,983

(11) Pension Expense

Commission employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). Employees participating in CSRS contribute 7% of their basic pay to the plan, and the Commission makes a matching contribution. For employees participating in the FERS program, the Commission makes a contribution of 10.7% of basic pay.

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

The actuarial present value of accumulated benefits, assets available for benefits, and unfunded pension liability of CSRS and FERS is not allocated to individual departments and agencies and is, therefore, not disclosed by the Commission. Total pension expense paid by the Commission for both plans for fiscal years 2005 and 2004 was approximately $14.3 million and $10.0 million, respectively. During fiscal years 2005 and 2004, an additional $11.2 million and $7.0 million, respectively, of pension and life and health insurance expense was recognized by the Commission for amounts that will ultimately be funded through the Office of Personnel Management. This amount is also recorded as an imputed financing source.

(12) Contingencies

Certain hydroelectric licensees have filed appeals on two basic grounds. First, some licensees contend that the Commission uses flawed methodology to calculate the "other agency costs" (costs incurred by other Federal agencies in administering Part I of the FPA component of the licensees' annual charges). Second, some licensees dispute the dollar amount of the annual charges assessed by the Commission. The combined liability of these appeals, unasserted claims, and monies held in the Commission's escrow account for parking and other refunds total $44.4 million and $45.0 million as of September 30, 2005 and 2004, respectively; those amounts are included herein as revenue collected under protest. If the licensees ultimately prevail in their claims against the Commission, then the Commission might be obligated to grant legal or equitable relief not only to all appellants, but also to all other similarly situated licensees.

In addition, the Commission has a Freedom of Information Act case pending in the United States District Court for the District of Columbia where the probability of success for the claimants is reasonably possible. The amount of any monetary relief at this time is unknown. Also, the Commission has an Equal Employment Opportunity Commission case pending where the claimant's likelihood of success is reasonably possible. The claimant is seeking $300,000 in monetary relief plus attorney fees.

(13) Custodial Activity

The Commission currently bills regulated companies annual charges as a custodian for certain Federal agencies, including the United States Army Corps of Engineers, the Department of Interior's Bureau of Reclamation, and Treasury. The receivables are maintained by the Commission, and the collections are processed directly to each Federal agency on a monthly basis. In addition to the annual charges billed yearly, penalty and administrative costs are assessed on past-due bills and remitted to the Treasury when received. For fiscal years 2005 and 2004, these custodial transactions totaled approximately $45.4 million and $23.9 million, respectively.

(14) Intragovernmental Costs and Exchange Revenue

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

Intragovernmental costs and exchange revenue as of September 30, 2005 and 2004 consisted of:

Regulation	**2005**	**2004**
Energy infrastructure:		
Intragovernmental costs	$ 39,199,121	$ 35,527,777
Public costs	107,670,047	107,338,866
Total energy infrastructure costs	$ 146,869,168	$ 142,866,643
Intragovernmental earned revenue	$ 34,257	$ 79,332
Public earned revenue	146,825,678	142,739,303
Total energy infrastructure earned revenue	$ 146,859,935	$ 142,818,635
Competitive markets:		
Intragovernmental costs	$ 11,757,356	$ 9,014,510
Public costs	32,284,174	27,235,234
Total competitive markets costs	$ 44,041,530	$ 36,249,744
Intragovernmental earned revenue	$ 10,275	$ 20,129
Public earned revenue	44,028,457	36,217,435
Total competitive markets earned revenue	$ 44,038,732	$ 36,237,564
Market oversight:		
Intragovernmental costs	$ 8,544,314	$ 8,484,245
Public costs	23,468,034	25,633,162
Total market oversight costs	$ 32,012,348	$ 34,117,407
Intragovernmental earned revenue	$ 7,467	$ 18,945
Public earned revenue	32,002,922	34,086,997
Total market oversight earned revenue	$ 32,010,389	$ 34,105,942

(15) Apportionment Categories of Obligations Incurred

Apportionment categories of obligations incurred as of September 30, 2005 and 2004 consisted of:

	2005	**2004**
Category A:		
Direct	$ 210,292,373	$ 204,491,778
Reimbursable	26,646	252,655
Total obligations incurred	$ 210,319,019	$ 204,744,433

Category A apportionments distribute budgetary resources by fiscal quarters.

(16) Explanation of Differences Between Liabilities Not Covered by Budgetary Resources and Components Requiring or Generating Resources in Future Periods

Liabilities that are not covered by realized budgetary resources and for which there is not certainty that budgetary authority will be realized, such as enactment of an appropriation, are considered liabilities not covered by budgetary resources. These liabilities totaling $10.8 million and $11.0 million on September 30, 2005 and 2004, respectively, are discussed in Note 10, Liabilities Not Covered by Budgetary Resources. Decreases in these liabilities result from current year budgetary resources that were used to fund expenses recognized in prior periods. Increases in these liabilities represent unfunded expenses that were recognized in the current period. These increases represent components of current period net cost of operations that will require or generate budgetary resources in future periods. Any decreases represent resources that fund expenses recognized in the prior period. The changes in liabilities not covered by budgetary resources are comprised of the following:

Fiscal years ended September 2005 and 2004:

	2005	2004
Components requiring or generating resources in future periods:		
Increase in workers' compensation payable	$ -	$ 46,948
Increase in accrued annual leave liability	-	690,165
Total components requiring or generating resources in future periods	$ -	$ 737,113

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

The Commission had no differences between the Statement of Budgetary Resources and the Budget of the United States as of September 30, 2004. The statement can be reconciled to the President's budget by combining both of the budgets for Federal Energy Regulatory Commission (89-0212-0-1-176) and Payments to States under Federal Power Act (89-5105-0-2-806). The reconciliation as of September 30, 2005 is not presented, because the submission of the FY 2007 budget occurs after publication of these financial statements. The Commission's Budget Appendix can be found under the Department of Energy on the OMB website (http://www.whitehouse.gov/omb/budget) and will be available in early February 2006.

Performance Report

(Unaudited)

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Introduction

In accordance with GPRA, the Commission developed its Strategic and Business Plans, as well as its performance measures, to ensure it is fulfilling its mission. When comparing the planned and actual performance according to the guidelines set forth in Section 230 of OMB Circular No. A-11, the Commission:

- determined that its performance results are complete and reliable based on the fact that results are listed for every performance measure and target, that decision-makers use the information contained in the results "on an ongoing basis in the normal course of their duties," and that the information contained in the results are derived via internal tracking mechanisms.
- identified no "significant or material" performance shortfalls based on the fact that none of the Commission's unmet performance measures or targets had an adverse effect on overall program performance.
- made no adjustments to its FY 2006 performance plan as a result of its FY 2005 performance results.

In addition to the FY 2005 performance results that were highlighted in the Management's Discussion and Analysis, the tables on the following pages include the Commission's complete performance measurement data for fiscal years 2002 through 2006.

Performance Measurement Data for Energy Infrastructure

FY 2002		
Performance Measurement	**Performance Target**	**Result**
Percentage of cases completed in specified time	85% of cases completed within specified time frames: ➢ cases that involve no precedential issues and are unprotested, 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 ➢ cases requiring a major environmental assessment or environmental impact statement, 480 days	Number of days to complete 85% of the cases: ➢ 119 days for Category 1 ➢ 188 days for Category 2 ➢ 293 days for Category 3 ➢ 475 days for Category 4
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	All six major onshore projects were inspected at least once every four weeks
Increase the percentage of licenses issued for applications using alternative licensing process (ALP)	2% increase over FY 2001	9.4% increase over FY 2001
Percentage of filings addressing the development of increased capacity	25% of all relicense cases using ALP or other collaborative process	26% of licenses issued resulted in an increase in capacity; 27% of licenses issued based upon collaborative process (ALP) resulted in an increase in capacity
Percentage of high- and significant-hazard potential dams meeting all current structural safety standards	Percentage remains uniformly high	94% of high- and significant-hazard potential dams met all current structural safety standards
Evaluate and improve effectiveness of required environmental enhancement and mitigation measures	Conduct 5 site visits to evaluate effectiveness	Conducted 5 site visits and evaluated the effectiveness of the targeted environmental mitigation measures
	Hold 2 regional meetings with stakeholders	Held 3 outreach meetings, i.e., shoreline management workshop in August 2002, American Fisheries Society meeting in August 2002, and water quality workshop in September 2002
	Initiate annual reports to evaluate the effectiveness of this effort	Issued 2 reports titled “Mitigation Effectiveness Studies at the FERC; An Overview"; and “Mitigation Effectiveness Studies at the FERC: Draft Water Quality Report.”
Percentage of high- and significant-hazard potential dams inspected annually	100% of qualifying dams inspected annually	100% of high- and significant-hazard potential dams inspected in FY 2002
Percentage of high- and significant-hazard potential dams in compliance with emergency action plan requirements	100% of qualifying dams in compliance	100% of high- and significant hazard potential dams in compliance with emergency action plan requirements
Update and add new chapters to the Engineering Guidelines, as appropriate	Complete revisions to Chapter 3 Gravity Dams	Chapter 3 – Gravity Dams and Chapter 8 – Hydrology were completed
Complete development of the dam performance monitoring program	Performance monitoring program established	Performance monitoring program was established and a pilot program was implemented

FY 2003		
Performance Measurement	**Performance Target**	**Result**
Percentage of natural gas pipelines with approved Order No. 637 compliance filings	100% of pipelines subject to Order No. 637	By the end of FY 2003, the Commission issued orders approving and establishing effective dates for 92 out of a total 94 (98%) pending Order No. 637 compliance filings. The two pipeline filings that were not completed were Northern Natural Gas Pipeline Company, Docket No. RP00-404, and El Paso Natural Gas Co., Docket No. RP00-336. The Northern Natural Order is scheduled for the October 22, 2003 Commission agenda. Action on the Order No. 637 compliance issues in El Paso are delayed pending resolution of pre-existing capacity allocation issues. Those allocation issues need to be resolved before the Commission can move forward on the Order No. 637 compliance issues.
Statutory cases by workload category	All cases competed by statutory action date	Of the nearly 3,000 statutory items whose due date fell in FY 2003, 99.7% were completed by the statutory action date.
Merger and qualifying facilities (QF) workload (regulatory cases)	80% of cases completed by regulatory deadline	Approximately 325 QF filings were received in FY 2003. Of these 325, 9 filings were applications for Commission QF certification or re-certification. The Commission completed 100% of the applications for certification or re-certification within 90 days specified in the Commission's regulations (18 C.F.R. § 202.207(b) (3) (2003)). Orders were issued in response to all 9 applications, 3 of which were issued pursuant to delegated authority and 6 of which were Commission issued orders. No merger applications were received in FY 2003.
Number of cases requiring additional remedial action	Less than 20% of all cases processed in FY 2003 require additional remedial action	The Commission received no merger applications in FY 2003; therefore, we have no results to report for this performance measure.
Implement generic policy on Large Generator Interconnections and Small Generator Interconnections	Issue final rules on both policies in FY 2003	The Large Generator Interconnection final rule was issued on July 24, 2003, and became effective on October 20, 2003. The Small Generator Notice of Proposed Rulemaking was also issued on July 24, 2003. The final rule will be issued in FY 2004.
Percentage of pipeline certificate cases completed in specified time frames	85% of cases completed within the following time frames: ➢ unprotested cases that involve no precedential issues, 159 days ➢ protested cases that involve no precedential issues, 304 days ➢ cases of first impression or containing larger policy implications, 365 days ➢ cases requiring a major environmental assessment or environmental impact statement, 480 days	➢ 148 days for Category 1 ➢ 193 days for Category 2 ➢ 272 days for Category 3 ➢ 469 days for Category 4

FY 2003		
Performance Measurement	**Performance Target**	**Result**
Timely processing of filings seeking recovery of security and safety expenses in jurisdictional rates	Process filings: ➢ within 30 days for gas and oil rate filings ➢ within 60 days for electric filings	The following filings were acted on in FY 2003: RP02-129-000, Southern LNG ***Filed:*** December 21, 2001 ***Order Issued:*** January 31, 2002 (Suspension order setting case for hearing) ***Case settled:*** Letter order issued October 10, 2002, accepting a settlement and closing out the case. ***Target:*** While this case was not acted on within 30 days, action did meet our statutory guidelines as we acted prior to the proposed effective date of February 1, 2002. The suspension order was dated January 31, 2002; the case was settled in early FY 2003. IS03-457, Plantation Pipe Line Co. ***Filed:*** July 31, 2003 ***Order Issued:*** August 29, 2003 ***Target:*** Met IS03-475, West Shore Pipe Line Co. ***Filed:*** August 12, 2003 ***Order Issued:*** September 30, 2003 ***Target:*** While this case was not acted on within the 30-day target, it met our statutory guidelines as we acted prior to the proposed effective date of October 1, 2003.
Percentage of filings addressing the development of increased hydropower capacity	25% of all relicense cases using ALP	29% of licenses issued based on the collaborative process resulted in an increase in capacity.
Increase non-federal hydropower capacity	Complete license amendments proposing increased capacity/generation in less than 12 months	5 amendments authorizing an increase in capacity were processed in less than 8 months.
Percentage of hydropower licenses approved within specified time frames	75% of licenses approved within the following time frames: ➢ ALP median case, less than 16 months ➢ Traditional median case, less than 43 months	➢ 100% of the ALP, or collaboratively prepared license applications, were completed within 15 months when external factors (i.e., water quality certificate, Coastal Zone Management reviews) did not delay processing. Of the pending cases in which collaboratively prepared amendments to license applications were filed and were not delayed by external factors, 80% were completed within 16 months after receipt of the settlement. ➢ For traditionally prepared license applications for which no external factors contributed to the delay, 77% of the cases were processed in less than 43 months.
Inspect each major onshore pipeline project at least once every four weeks during ongoing construction activity	100% of qualifying projects inspected per established schedule	All 7 major onshore pipeline projects were inspected at least once every 4 weeks during ongoing construction activity.
Increase the percentage of hydropower licenses issued using ALP	2% increase over FY 2002	13% increase over FY 2002
Percentage of high- and significant-hazard-potential dams inspected annually	100% of high- and significant-hazard-potential dams inspected annually	100% of high- and significant-hazard-potential dams were inspected.

FY 2003		
Performance Measurement	**Performance Target**	**Result**
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	95% of high- and significant-hazard-potential dams met all current structural safety standards
Percentage of high- and significant-hazard-potential dams in compliance with EAP requirements	100% of qualifying dams in compliance with EAP requirements	100% of qualifying dams were in compliance with EAP requirements
Evaluate and improve the effectiveness of required environmental enhancement and mitigation measures in hydropower licenses	Conduct 5 site visits	Conducted 5 site visits and evaluated the effectiveness of the targeted environmental mitigation measures.
	Hold 2 regional meetings with stakeholders	Held 3 regional outreach meetings with stakeholders, i.e., 2 shoreline management outreach meetings in Wisconsin and South Carolina, and a water quality mitigation effectiveness outreach meeting in New York.
	Disseminate 2 environmental effectiveness reports	Disseminated 2 environmental effectiveness reports: "Mitigation Effectiveness Studies at the Federal Energy Regulatory Commission: Final Water Quality Report"; and "Mitigation Effectiveness Studies at the Federal Energy Regulatory Commission: Draft Fish Passage Report".
Update and add new chapters to the Engineering Guidelines, as appropriate	Issue new or revised Engineering Guidelines chapters, as appropriate	Developed and issued a new Engineering Guidelines chapter on the Dam Safety Performance Monitoring Program.

FY 2004		
Performance Measurement	**Performance Target**	**Result**
Inspect each major onshore pipeline project at least once every four weeks during ongoing construction activity	100% of qualifying projects inspected per established schedule	All three major onshore projects were inspected at least once every four weeks.
Percentage of relicense filings based upon ALP's	25% of all relicense cases using ALP	45% of the relicense applications filed during FY2004 used ALP.
Complete implementation process of Large Generator Interconnection Policies	By year end, process 90% of all compliance tariff filings submitted by July 31	89% of the 87 compliance tariff filings were completed by the end of FY 2004. The remainder involve cases where additional time was needed to evaluate protests and unique compliance issues, and will be completed by the end of first quarter of FY 2005. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance.
Percentage of final NEPA documents, required for hydropower license applications filed after FY 2002, completed within specified time frames	75% of final NEPA documents prepared for licenses approved within the following time frames: ➢ ALP case, less than 16 months ➢ TLP case, less than 24 months	➢ 83% of final NEPA documents were issued within 16 months of the date ALP license applications were deemed complete. ➢ 100% of final NEPA documents were issued within 24 months of the date TLP license applications were deemed complete.

FY 2004		
Performance Measurement	**Performance Target**	**Result**
Percent of final NEPA documents based upon comprehensive settlement agreements completed within specified time frames	75% of final NEPA documents prepared for final comprehensive license settlement agreements are completed within 12 months	100% of final NEPA documents were issued within 12 months of the date final settlement agreements were filed with the Commission.
Percentage of pipeline certificate cases completed in specified time frames	85% of cases completed within the following time frames: ➢ unprotested cases that involve no precedential issues, 159 days ➢ protested cases that involve no precedential issues, 304 days ➢ cases of first impression or containing larger policy implications, 365 days ➢ cases requiring a major environmental assessment or environmental impact statement, 480 days	85% of the cases were completed in: ➢ 111 days for unprotested cases that involve no precedential issues; ➢ 190 days for protested cases that involve no precedential issues; ➢ 217 days for cases of first impression or containing larger policy implications; ➢ 448 days for cases requiring a major environmental assessment or environmental impact statement.
Implement generic policy on Small Generator Interconnection	Issue final rule	Although the Commission expected to issue a final rule by the end of FY 2004, we delayed development and issuance in response to ongoing stakeholder activity to reach a consensus on important technical and legal issues. The extension for stakeholders to submit additional comments will ensure broad industry consensus on the final rule. This, in turn, will speed the ability to implement the requirements of the final rule we now plan to issue in FY 2005. These procedures and agreements, when issued, will provide certainty about the costs market participants will bear and the terms and conditions that will affect interconnection to the electric transmission system thereby hastening the interconnection process.
Statutory cases by workload category	All cases competed by statutory action date	Over 99.6% of the 2,900 statutory cases were completed by the required date. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance.
Process qualifying facilities workload (regulatory cases)	100% of cases processed by regulatory deadline	100% of QF certification or re-certification applications were completed within the regulatory 90-day time frame prescribed in 18 CFR § 292.207(b)(3)(i).
Evaluate and improve the effectiveness of required environmental enhancement and mitigation measures in hydropower licenses	➢ Conduct 5 site visits ➢ Hold 2 outreach meetings with stakeholders ➢ Disseminate 2 environmental effectiveness reports	➢ 100% completed ➢ 100% completed ➢ Disseminated two reports
Update and add new chapters to the Engineering Guidelines, as appropriate	Issue new or revised Engineering Guidelines chapters, as appropriate	Although no updates or new chapters were added, the Commission developed substantial portions of two new chapters that will be issued in FY 2005: ➢ Seismicity; and ➢ Penstock and Water Conveyance Facilities.

FY 2004		
Performance Measurement	**Performance Target**	**Result**
Establish clear cost recovery process for transmission investment in each region	Allow flexibility to ensure utilities or pipelines have sufficient revenue stream to recover investment costs and provide rate certainty for customers	The Commission approved over 100 applications, including 42 in the Western U.S. alone, that ensured rate recovery for utilities and provided additional rate certainty to customers. The Commission also approved 11 applications filed under NGA section 311 to establish rates for interstate gas transportation services provided over intrastate and Hinshaw pipeline systems and another 11 applications by Western U.S. interstate pipelines to establish rate recovery for additional gas infrastructure investment. In the liquefied natural gas (LNG) industry, the Commission provided significant investment recovery certainty by issuing orders establishing initial rates for three proposed LNG import terminal facility projects: ➢ Tractebel Calypso; ➢ AES Ocean Express; and ➢ Trunkline LNG.
Update the FERC Security Program for Hydropower projects as appropriate	Make program changes as appropriate	Although no security program changes were made, the Commission continued to coordinate with DHS and other Federal dam owners to ensure the adequacy of the current program.
Percentage of high- and significant-hazard-potential dams inspected annually	100% of high- and significant-hazard-potential dams inspected annually	100% of high- and significant-hazard potential dams were inspected.
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	95% of high- and significant-hazard-potential dams met all current structural safety standards.
Percentage of high- and significant-hazard-potential dams in compliance with EAP requirements	100% of qualifying dams in compliance with EAP requirements	99.8% of qualifying dams were in compliance with EAP requirements. The two dams that were not in compliance (because of overdue EAP filings) were promptly issued non-compliance letters and are being closely monitored to bring them back into compliance as soon as possible.
Recovery of companies' prudently incurred costs to safeguard the reliability and security of energy transportation and supply infrastructure	Timely processing of filings seeking recovery of security and safety costs in jurisdictional rates by statutory action date	All 17 oil pipeline applications to either establish or revise security cost recovery mechanisms or charges were processed within the 30-day statutory period. In addition, both of the gas pipeline applications to recover security-related costs as part of a general rate increase were processed by statutory action date.
	Encourage innovative proposals to recover prudently incurred security costs	Commission staff has met, and continues to meet, with industry representatives, such as the Association of Oil Pipe Lines, to develop innovative recovery methods that reflect the diversity of rate designs, services and system configurations of companies that have identified a need for additional security measures.

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

FY 2005		
Performance Measurement	**Performance Target**	**Result**
Timeliness of processing requests for cost recovery, new services, or changes to existing services	100% of all cases processed by statutory action date	Target Not Met. Almost 99.9% of the more than 3,000 statutory cases were completed by the statutory action date. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance.
Timeliness of Commission Opinions, to provide ratepayers with regulatory certainty with respect to rates set for hearing	85% of all Commission Opinions issued within 12 months of Briefs Opposing Exceptions to Initial Decisions on rates set for hearing	Target Met. During FY 2005, 100% of Commission Opinions were issued within 12 months of the Briefs Opposing Exceptions to Initial Decisions on rates set for hearing.
Timeliness of resolving cost recovery proposals for new infrastructure, to provide investors with regulatory certainty	85% of all merits orders accepting, modifying, or rejecting timely filed proposals, including time for hearing, ADR, or settlement judge participation, issued by date requested by applicant to meet its construction/financing schedule	Target Met. During FY 2005, The Commission issued 95% of the 224 merits orders to resolve cost recovery proposals for new infrastructure by requested date or, in the case of gas pipeline certificate applications, contributed rate inserts to allow timely completion.
Implementation of rate flexibility or incentives to encourage needed additions to energy infrastructure	Increase in the number of innovative or flexible rate designs in effect, by approving rate proposals or issuing policy statements providing rate flexibility or incentives needed for infrastructure additions	Target Met. During FY 2005, the Commission approved several rate proposals and issued a policy statement on independent transmission companies, which collectively accomplished the stated targets.
Participation with NERC in reliability readiness reviews over next 3 years to ensure grid reliability	One-third of the Nation's control areas reviewed with NERC annually	Target Met. During FY 2005, the Commission participated in 35 of the 44 NERC scheduled control area audits, which exceeds one-third of the Nation's approximately 100 control areas. This result is based on an estimate since NERC continues to re-define what constitutes a "control area." In future years, the Commission is no longer basing its performance on the number of "control areas," but rather on "load capacity."
Timeliness of processing proposals to recover prudently incurred costs to improve the reliability of the transmission grid	100% of all filings, including innovative proposals, seeking recovery of reliability costs in transmission rates processed by the statutory action date	Target Not Met. The Commission processed 99.7% (313 out of 314) of these filings by the statutory action date during FY 2005. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance.
Clarity and enforceability of reliability rules, with effective penalties for non-compliance	Assess each region's reliability rules and penalties to determine whether they specify reliability violations and include enforceable and effective penalties	Target met. After assessing the reliability rules of the six existing RTOs/ISOs in various regions of the country, the Commission determined that the rules specify reliability violations and include enforceable and effective penalties.
	Require each new RTO or ISO to address reliability considerations prior to becoming operational	Target Met. Prior to becoming operational, each of the six existing RTOs/ISOs addressed reliability considerations.
Enhance reliability oversight by creating a new reliability division	Division operational by end of fiscal year	Target met. The Commission's Reliability Division was operational in October 2004.

FY 2005		
Performance Measurement	**Performance Target**	**Result**
Timeliness of processing proposals to recover prudently incurred costs to safeguard the security and safety of energy transportation and supply infrastructure	100% of all filings, including innovative proposals, seeking recovery of security and safety costs in jurisdictional rates processed by statutory action date	Target Met. The Commission processed 100% of the fourteen oil pipeline and three gas pipeline filings by the statutory action date.
Evaluate the effectiveness of Commission required resources protection measures, and disseminate information on the results.	Conduct a workshop and disseminate one report on the results of the evaluation.	Target Met. During FY 2005, the Commission conducted a workshop on shoreline management and issued a report on its evaluation of recreation mitigation effectiveness.
Maintain environmental quality at hydropower projects.	Resource protection measures constructed and implemented according to license requirements.	Target Met. Environmental inspections during FY 2005 indicated that all resource protection measures at inspected projects were constructed and implemented according to license articles.
Enhance dam safety	100% of high- and significant-hazard-potential dams inspected annually	Target Met. During FY 2005, the following percentage of dams met the stated targets: ➢ 100% ➢ 95% ➢ 100%
	Percentage of high- and significant-hazard-potential dams meeting all current structural safety standards remains uniformly high	
	100% of qualifying dams in compliance with EAP requirements	
Timely handling of CEII without disrupting requesters' participation rights in other proceedings	No requester's failure to obtain CEII in a timely manner will affect requester's ability to participate effectively in a proceeding	Target Met. The Commission received no complaints from requesters regarding their ability to participate effectively in a proceeding during FY 2005.
Prevent unauthorized access to security-related documents	No instances of unauthorized access to security-related documents	Target Met. During FY 2005, the Commission did not have an instance of unauthorized access to security-related documents reported.
Number of instances of improved regulation to facilitate security and emergency response	Number of specific measures (e.g., number of security surcharge requests approved and gas allocation principles set)	Target Met. During FY 2005, the Commission improved regulation to facilitate security and emergency responses by: ➢ approving all security surcharge requests received from oil pipelines; ➢ approving recovery of software costs to meet security requirements for an electric public utility; ➢ approving surcharges to recover capital costs (including costs to enhance security) for two natural gas pipelines; and ➢ issuing notices in response to Hurricanes Katrina and Rita, waiving certain reporting requirements and non-statutory deadlines for specified periods.

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of qualifying, major, onshore-pipeline projects inspected during ongoing construction activity	100% of projects inspected at least once every four weeks	Office of Energy Projects

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of pipeline certificate cases with no precedential issues completed	➢ 90% of unprotected cases within 159 days of filing ➢ 90% of protested cases within 304 days of filing	Office of Energy Projects
Percentage of pipeline certificate cases of first impression or containing larger policy implications completed	90% within 365 days of filing	Office of Energy Projects
Percentage of pipeline certificate cases requiring a major environmental assessment or environmental impact statement completed	90% within 480 days of filing	Office of Energy Projects
Percentage of qualifying LNG plants inspected during ongoing construction activity	100% of plants inspected quarterly	Office of Energy Projects
Percentage of LNG import terminals inspected	100% inspected annually	Office of Energy Projects
Percentage of LNG peak-shaving terminals inspected	50% inspected annually	Office of Energy Projects
Percentage of ILP pre-filing notices for NOI/PAD and initial scoping document issued	85% within 60 days of NOI/PAD filing	Office of Energy Projects
Percentage of ILP pre-filing scoping meetings and site visits completed	85% within 90 days of NOI/PAD filing	Office of Energy Projects
Percentage of ILP pre-filing study plan determinations completed	85% within 315 days of NOI/PAD filing	Office of Energy Projects
Percentage of final NEPA documents issued for ALP/TLP cases with settlement agreements	85% within 12 months	Office of Energy Projects
Percentage of final NEPA documents issued for ALP/TLP cases without settlement agreements	85% within 24 months	Office of Energy Projects
Percentage of non-independent transmission provider open access transmission tariffs that have standard generator interconnection procedures in compliance with Order No. 2003 and small generator final rule	75% by September 30, 2006	Office of Markets, Tariffs and Rates / Office of the General Counsel
Percentage of regional planning process elements (e.g., stakeholder involvement, cost allocation, technological innovation, and congestion reduction) implemented in each region	50%	Office of Markets, Tariffs and Rates
Percentage of cases for cost recovery, new services, or changes to existing services processed	➢ 100% of NGA Section 4 cases in 30 days ➢ 100% of FPA Section 205 cases in 60 days	Office of Markets, Tariffs and Rates / Office of the General Counsel
Percentage of rate cases set for hearing completed according to the established schedule	➢ 75% of Track I cases in 29.5 weeks ➢ 75% of Track II cases in 47 weeks ➢ 75% of Track III cases in 63 weeks	Office of Administrative Law Judges / Office of Administrative Litigation
Percentage of rate cases set for hearing that achieve partial or complete consensual agreement	75%	Office of Administrative Law Judges / Office of Administrative Litigation

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of Commission Opinions issued once Briefs Opposing Exceptions to Initial Decisions are filed	90% within 12 months	Office of Markets, Tariffs and Rates / Office of the General Counsel
Percentage of merit orders accepting, modifying, or rejecting timely filed cost recovery proposals for new infrastructure submitted (including time for hearing, ADR, or settlement judge participation)	95% by applicant request date	Office of Markets, Tariffs and Rates / Office of the General Counsel
Number of innovative or flexible rate designs in effect to encourage energy infrastructure development	Increase over FY 2005	Office of Markets, Tariffs and Rates
Timeliness of issuing environmental licensing requirements	Licensing responsibility letters sent within 45 business days of license issuance date	Office of Energy Projects
Percentage of NEPA documents completed for projects utilizing the Pre-filing Processes	85% within 8 months of determining a pipeline or LNG facility application complete	Office of Energy Projects
Percentage of NERC reliability readiness reviews in which FERC participates	➢ 100% of the Reliability Coordinators ➢ 80% of the Nation's total load capacity (by Control Area)	Office of Markets, Tariffs and Rates
Issue final rule on Electric Reliability Organization (ERO) certification and mandatory reliability standards enforcement	Final rule issued within 180 days of enactment of reliability legislation	Office of Markets, Tariffs and Rates / Office of the General Counsel
Formalize working relationship with NERC to facilitate consistent treatment of reliability standards throughout North America	Execute MOA/MOU by September 30, 2006	Office of Markets, Tariffs and Rates
Develop and hold international workshops to increase bi-national coordination in preparation of an international ERO	Conduct two workshops by September 30, 2006	Office of Markets, Tariffs and Rates
Percentage of merit orders accepting, modifying, or rejecting timely filed proposals to recover prudently incurred reliability costs submitted (including time for hearing, ADR, or settlement judge participation)	95% by applicant request date	Office of Markets, Tariffs and Rates / Office of the General Counsel
Percentage of new RTOs or ISOs performing reliability functions included in Orders No. 2000 or No. 888, respectively	100%	Office of Markets, Tariffs and Rates / Office of the General Counsel
Conduct review of existing RTOs or ISOs to ensure that reliability rules specify what constitutes a reliability violation and include effective and enforceable penalties consistent with NERC standards	100% reviewed by September 30, 2006	Office of Markets, Tariffs and Rates / Office of the General Counsel
Percentage of merit orders accepting, modifying, or rejecting timely filed proposals to recover prudently incurred safety and security costs submitted (including time for hearing, ADR, or settlement judge participation)	95% by applicant request date	Office of Markets, Tariffs and Rates / Office of the General Counsel
Percentage of high- and significant-hazard-potential dams inspected annually	100%	Office of Energy Projects

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of high- and significant-hazard-potential dams that either meet all current structural safety standards or are undergoing investigation or remediation	100%	Office of Energy Projects
Percentage of qualifying dams that either comply with EAP requirements or are conducting follow-up action(s) on outstanding item(s)	100%	Office of Energy Projects
Number of instances of unauthorized access to Critical Energy Infrastructure Information (CEII)	No instances	Office of the General Counsel
Number of complaints from CEII requesters on inability to participate in a proceeding due to failure to obtain CEII in a timely manner	No complaints	Office of the General Counsel

Performance Measurement Results for Competitive Markets

FY 2002		
Performance Measurement	**Performance Target**	**Result**
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	In its Annual Performance Report for Fiscal Year 2001, the Commission acknowledged the ineffectiveness of this performance measurement to evaluate the agency's success at developing energy markets. New measurements will be in effect for FY 2003 with attributes the Commission perceives to be necessary for markets to function.
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	With the end of Enron Online and Dynegy Direct, wholesale energy services largely shifted toward stronger, higher-quality services, including the New York Mercantile Exchange (NYMEX) and the Intercontinental Exchange (ICE). Enron Online and Dynegy Direct were not exchanges, but extensions of Enron's and Dynegy's marketing efforts. Consequently, they were susceptible to the credit weaknesses of their owners. Exchanges like NYMEX and ICE have better approaches to managing credit risk, and consequently are better for the industry. For example, NYMEX extended its credit clearing ability to certain over-the-counter natural gas and electricity trades. On October 22, 2002, NYMEX announced that it had cleared more than $1.1 billion of these deals since inception of the service on May 31, 2002. In addition, on June 17, 2002, NYMEX and the Chicago Mercantile Exchange (CME) introduced their e-miNY natural gas contracts that handle smaller volumes than standard NYMEX natural gas contracts, extending the reach of exchange-traded futures contracts to smaller energy companies. E-miNY contracts are traded on CME's GLOBEX electronic trading platform. ICE began over-the counter clearing as well, in March 2002. On November 7, 2002, ICE announced that total cleared notional value of natural gas contracts in the United States had surpassed $10 billion. Success of these higher-quality products is a positive sign for energy markets.
Volume of financial risk-hedging transactions, e. g. futures contracts	Viable financial markets provide critical support for physical markets	Futures contracts for natural gas have shown promise in 2002, strengthening to what appears to be record levels. To date, however, there has been no attempt to revive electric futures markets in the U.S.

FY 2002		
Performance Measurement	**Performance Target**	**Result**
➢ 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	➢ Reasonable range of suppliers should lead to competitive pricing ➢ Participation indicates confidence in market rules and oversight	Several significant energy marketers have announced either plans to exit the energy trading business, or consideration of exit. Generally sited reasons include financial underperformance and credit concerns. The resulting contraction can have negative effects on liquidity in energy markets. Companies that have announced complete or partial exits from energy trading in recent months include large players like: ➢ American Electric Power ➢ Aquila ➢ Dynegy ➢ El Paso Companies considering exit include ➢ Allegheny ➢ CMS Some players have announced interest in entering as well, including the Bank of America.
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	Price differences that have been associated with external events in 2002 included: ➢ The Leona fire in California in September 2002 caused a key transmission path to be taken out of service, and caused price differences between Northern and Southern California. ➢ Hurricanes in the Gulf (Isidore and Lilli) caused temporary price increases in natural gas prices in September, but prices returned to normal levels after the storms. ➢ Natural gas pipeline capacity into New York City is sometimes constrained, causing significant price increases. Price increases occurred at the end of July 2002 and early in August, with prices rising to a daily midpoint price of $7.65. Although these price increases were related to capacity constraints on the pipeline system, they were nevertheless unusual for the season and are still being investigated to assess their cause. ➢ Natural gas prices in Florida have spiked due to capacity problems that are exacerbated by lack of storage capacity. These price increases have occurred under higher load conditions or when Operational Flow Orders have limited pipeline capacity.
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	TLR events have not decreased in 2002. This is one of the issues that the Commission is addressing in the Standard Market Design rulemaking.

FY 2002		
Performance Measurement	**Performance Target**	**Result**
Level of price volatility and changes in price volatility in electricity and gas	Changes in price patterns over time can reveal underlying market conditions	Futures price information indicates a slight lowering of price volatility for natural gas since June 2002, in comparison to 2001. From June to September, 30-day volatilities for the near-month contract have ranged from 40 to 70, compared with 80 to 100 during the last quarter of 2001. Without futures prices, similar calculations cannot be made for electricity; however, volatility has clearly dropped from pre 2002 levels.
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	This performance measure is intended to gauge the extent to which arbitrage is causing prices to clear across regions – if arbitrage is effective, price difference should narrow. For 2002, this measure was studied by examining price difference identifying causes that were preventing arbitrage from being effective, or conducting further study to identify causes. These analyses of external conditions are described above under the performance measure for the responsiveness of prices to external conditions.
Increased use of market hub services in natural gas and electricity	➢ Increased usage of market infrastructure indicates market depth and liquidity ➢ Increased electronic commerce reduces transactions costs and allows broader market participation	Use has been affected negatively by contraction in the industry (see performance measure 1 of this section).
Growth of electronic services for the commodity and/or transportation		Higher quality options have replaced lower quality options and are showing some strength (see performance measure 3 of this section).
Increased economic transmission distance		Growth in RTOs and the associated development of regional markets in the Midwest (MISO) and through additions to Pennsylvania-New Jersey-Maryland (PJM) have begun to provide the basis for the needed market infrastructure. PJM has added one additional utility as part of PJM west and is beginning the process of adding AEP and other utilities. MISO has begun operation and is planning the development of markets along the lines of the Commission's Standard Market Design (SMD.) In addition, there are designs being discussed among MISO and PJM for the operation of a joint market. These developments will begin to reduce the transactions costs of participation in a broader power market.
Amount of load covered by regional institutions	20% increase over FY 2001	Performance target achieved.
Amount of load with congestion management systems	20% increase over FY 2001	Performance target achieved.

FY 2002		
Performance Measurement	**Performance Target**	**Result**
Investment in generation and transmission	Investment should be adequate to meet market needs	There has been substantial growth of generation capacity in 2002. Nationwide, approximately 71,000 megawatts of electricity capacity is expected to be added in 2002, on top of around 42,000 megawatts added in 2001. The total capacity added in these two years (113,000 MW) is greater than the total capacity added from 1990 to 1999 (87,000 MW.) At the same time, many future projects have been cancelled or tabled as a result of lower prices in forward markets and the financial problems of many companies. The current outlook is for adequate generation supplies in the near term, but an uncertain outlook in the longer term that will require continued assessment. Transmission investment increased in 2002 compared with previous years, roughly in proportion to the growth in generation. Thus, transmission capacity remains adequate for basic reliability and to accommodate the basic needs of interconnecting new generation capacity. However, there has been no evidence that transmission capacity has been expanded to address the needs of a changing market structure.
Number of wholesale service options available	Increase	Prior to FY 2002, the Commission believed tracking the number of wholesale service options available would provide a measure for increased pricing efficiency. This indicator became invalid once the Commission began advancing competitive markets through development of a standard market design. When a standard market design (SMD) is implemented, electric markets will have a strong long-term basis for providing customers with the very real and significant benefits that come from competition. After the country is required to adopt some form of SMD, new measurements will be developed to track its success (e.g., lowering costs through standardized features, etc.).

FY 2003		
Performance Measurement	**Performance Target**	**Result**
Percentage of country covered by approved RTOs or ISOs (percentage of electricity load)	70% of electricity load in regions where we have jurisdiction	59% of load in jurisdictional areas under an RTO/ISO.
Enhanced regulatory support for market institutions	Creation of OMOI	OMOI established
	Creation of market performance indicators	Market performance indicators created with an ongoing process to add or delete metrics as appropriate.

FY 2003		
Performance Measurement	**Performance Target**	**Result**
Timely processing of proposed rulemakings adopting consensus industry-wide business practice and reliability standards (North American Energy Standards Board (NAESB) and North American Electric Reliability Council (NERC))	Benchmarks to be established in FY 2003	Target is established for FY 2004 as follows: Non-controversial rulemakings completed within 9 months/controversial rulemakings completed within 12 months of external party action. ➢ During October 2002, NAESB filed natural gas industry standards with the Commission. The Commission codified the standards, on which all segments of the natural gas industry had reached consensus, in its Regulations in a Final Rule issued in March 2003, five months after submission. ➢ In June 2003, NAESB filed creditworthiness standards on which all segments of the natural gas industry participants were able to reach consensus; NAESB also reported additional proposed creditworthiness standards on which consensus was not reached. Action is pending on the creditworthiness standards.
Timely processing of RTO filings	Benchmarks to be established in FY 2003	Upon review, we have concluded that it is impractical to put to put into effect an average processing time for filings as dissimilar in scope, complexity, and number of issues needing resolution as are RTO filings. For example, it took 26 months to grant RTO status to PJM (Pennsylvania-New Jersey-Maryland); 11 months for Midwest ISO. A sampling of other RTO filings or petitions for declaratory orders also revealed significant variances in processing times, as shown below: ➢ SeTrans – Filed on 6/27/02; Commission issued initial order on 10/9/02 (less than 4 months). (SeTrans has not yet formally requested authority to form, or to operate an RTO.) ➢ RTO West – filed on 10/16/00; first order was issued on 4/26/01 (over 6 months); order on Stage 2 issued on 9/18/02 (23 months). ➢ WestConnect – filed on 10/16/01; order issued on 10/10/02 (12 months) (Neither RTO West nor WestConnect has filed a Section 205 requesting RTO status). ➢ Cal ISO – filed on 6/1/01; no order has been issued in this proceeding.

FY 2003		
Performance Measurement	**Performance Target**	**Result**
RTO/ISO wholesale market design includes demand-response features	Measure increasing percentage of operating RTOs and ISOs with demand response programs	During FY 2003, four ISOs/RTOs (Cal ISO, NYISO, PJM, and ISO New England) operated demand response programs, and one RTO which does not yet run any energy market (Midwest ISO) did not. Since these four RTOs/ISOs operated demand response programs in FY 2002, there was no increase in the percentage of operating RTOs and ISOs during FY 2003. Nevertheless, throughout the year, FERC has encouraged and approved improvements in both the number and design of demand response in PJM, NYISO and ISO-NE. For example, FERC supported the New England Demand Response Initiative, a broad stakeholder process in New England, to provide a detailed assessment of ISO demand response programs and to develop recommended improvements.
Establish RTOs/ISOs with sufficient market monitoring and mitigation measures in place	Fewer complaints about rates in RTOs filed with the Commission	➢ In FY 2002, 19 complaints were filed against ISO/RTOs (ISO-NE 10, NYISO 5, and CAISO 4). ➢ In FY 2003, 6 complaints were filed against ISO/RTOs (ISO-NE/NEPOOL 3, NYISO 1, CAISO 1, and PJM 1). While complaints are fewer when comparing FY 2002 and 2003, we do not expect this to be the case in the future; rather, we anticipate more complaints as numbers of participants increase, and as RTOs mature beyond current stages. We will review this performance target for appropriateness. Focusing on the number of complaints about rates in RTOs does not highlight the fact that market monitoring units exist in all RTOs/ISOs and that they work together with the Commission to evaluate market performance and identify problems with proposed and existing market rules, market operations, and individual participant behavior.
Adopt market design standards for wholesale electric markets	Issue final Standard Market Design rule	In April 2003, the Commission issued a White Paper in the Standard Market Design proceeding that emphasized its strong commitment to customer-based, competitive wholesale power markets, while underscoring an increasingly flexible approach to regional needs and outlining step-by-step elaborations of its key market design proposal. The Commission intends to focus on the formation of RTOs and on ensuring that all independent transmission organizations have sound wholesale market rules. The final rule will allow implementation schedules to vary depending on local needs and will allow for regional differences. During the remainder of FY 2003, the Commission continued its dialogue on market design by holding a number of regional conferences to exchange ideas with stakeholders.

FY 2004		
Performance Measurement	**Performance Target**	**Result**
Timely processing of filings to establish RTOs, ISOs, or Independent Transmission Companies (ITCs)	All filings processed within 6 months of filing, or before applicant's proposed effective date (whichever is later)	All three proposals to establish or expand an RTO that were filed in FY 2004 were processed within six months. In addition, three more electric utilities (First Energy, Ameren, and Northern Indiana Public Service) were added to the Midwest ISO in advance of the requested action dates.
Timely processing of proposed rulemakings adopting consensus industry-wide business practice and reliability standards (North American Energy Standards Board (NAESB) and North American Electric Reliability Council (NERC))	Non-controversial rulemakings completed within 9 months and controversial rulemakings completed within 12 months	In February 2004, the Commission issued a Notice of Proposed Rulemaking to adopt creditworthiness business practice standards developed by NAESB, as well as other standards developed by the Commission. The final rule for this controversial rulemaking is scheduled to be issued within the target 12-month time frame.
Establish cost-effective elements of the wholesale electric market platform within 3 years of RTO/ISO approval	For each approved RTO or ISO, additional wholesale market platform elements will be added: ➢ Regional independent grid operation; ➢ Regional transmission planning process; ➢ Fair cost allocation for existing and new transmission; ➢ Market monitoring and market power mitigation; ➢ Spot markets to meet customers' real-time energy needs; ➢ Transparency and efficiency in congestion management; ➢ Firm transmission rights; and ➢ Resource adequacy approaches.	The Commission approved new, or redesigned, cost-effective market elements for each of the six approved RTOs or ISOs, enhancing market operations efficiency.
All markets have in place rules that permit and encourage qualified demand response participation on an equal basis with supply	All RTOs and ISOs have rules, permitting demand response participation in RTO/ISO-controlled markets, in place and approved by the Commission within 1 year of commencing day-ahead markets	ISO NE, NY ISO and PJM RTO have market rules permitting, and operate, demand response programs that allow customers and load serving entities to participate (bid) in energy and capacity markets. In addition, enhancements to the market rules and demand response programs are in development or have already been filed with the Commission. On August 6, 2004, the Commission accepted a demand response mechanism framework as part of the Midwest ISO's open access transmission tariff. Although the Commission required further specification of certain aspects of the mechanism, the revisions will be filed well in advance of the March 1, 2005, date the Midwest ISO is scheduled to commence its day-ahead market. The CA ISO, through its Participating Load Program (Supplemental and Ancillary Services), manages a demand response program that allows loads to participate as price-responsive demand in the CA ISO Non-Spinning Reserves, Replacement Reserves, and Supplemental Energy markets.

FY 2004		
Performance Measurement	**Performance Target**	**Result**
Facilitate construction of electric infrastructure by providing investor confidence of probable cost recovery	Issue Final Policy Statement, "Pricing Policy for Efficient Operation and Expansion of Transmission Grid"	As the Commission considers whether additional incentives may induce a more effective infrastructure response, a final policy statement has not been issued. However, the Commission in effect accomplished this measure by approving incentives – similar to those suggested in the proposed policy statement – in individual cases where companies have formed RTOs.
Encourage State representatives to establish multi-state regional organizations (e.g., Regional State Committees (RSCs))	Meet at least annually with state representatives in each region	The Commission hosted and/or participated in numerous meetings with state representatives from each region with existing RTOs or ISOs.
Advance well-functioning markets that deliver the benefits of competition	Complete revisions to interim market-based ratemaking policy	In orders issued in AEP Power Marketing, Inc., et al., 107 FERC & 61,018 (2004), order on reh'g,108 FERC 61,026 (2004), the Commission adopted a new interim generation market power analysis to be applied to market-based rate applications.

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

FY 2005		
Performance Measurement	**Performance Target**	**Result**
Transition existing regulatory constructs into competitive markets	Approval of an energy market that minimizes cost shifts while preserving existing contractual rights and creating efficiency gains	Target Met. As mentioned in the previous performance result, Midwest ISO commenced operation of its regional energy markets on April 1, 2005, in accordance with the terms of its recently approved Transmission and Energy Markets Tariff. The markets are designed to provide for an optimal dispatch of all generation resources within the region based on a security constrained economic dispatch which will enable Midwest ISO to ensure that all load requirements in its region are met reliably and efficiently. In addition, the Commission approved a California ISO proposal to resolve existing transmission contract rights. The proposal removed a major impediment to completion and implementation of California ISO's market redesign by specifying scheduling rights under the contracts and holding the contract holders financially harmless from congestion costs.
Movement toward competitive markets in each region, including greater interregional coordination of broader, more efficient, and non-discriminatory energy markets	Increase in: ➢ coordination of joint operating agreements between RTOs or an RTO and neighboring non-member utilities ➢ new, independent regional transmission providers ➢ new product markets within RTOs or ISOs ➢ RTO membership through the integration of the transmission facilities of additional transmission owners	Target Met. During FY 2005, Midwest ISO and PJM entered into a Joint Operating Agreement (JOA) to coordinate the market-to-market operations between the entities pending implementation of the joint and common market which is under development. In addition to the JOA, the Commission conditionally accepted a utility-to-utility interconnection agreement between Indiana Michigan Power Company, a PJM transmission owner, and Northern Indiana Public Service Company, a Midwest ISO transmission owner. Lastly, Midwest ISO also entered into joint operating and/or coordination agreements with Southwest Power Pool (SPP), Mid-Continent Area Power Pool (MAPP), Tennessee Valley Authority (TVA), and Manitoba-Hydro to coordinate market-to-nonmarket seams resulting from the start of its energy markets. In New England, the Commission accepted a transmission operating agreement between ISO-NE and Maine Electric Power Company (MEPCO) in which MEPCO granted ISO-NE authority to operate its 345 kV intertie between Central Maine Power Company and Bangor Hydro Electric Company, thus integrating MEPCO into the New England Control Area.
Existence of RTO/ISO rules that encourage qualified demand response participation on an equal basis with supply options	All RTOs and ISOs have rules that do not inhibit demand response participation in RTO/ISO-controlled markets within 1 year of commencing day-ahead markets	Not applicable. During FY 2005, no RTO/ISO-controlled market was within one-year of its day-ahead markets commencing date.

FY 2005		
Performance Measurement	**Performance Target**	**Result**
Demonstrable improvements in regional competitive market structures	In any region of the country at least one of the following will occur: ➢ addition of a new or expansion of an existing RTO ➢ adoption by an RTO of additional market-oriented features, programs or rules ➢ in regions primarily without RTOs, an increase in the degree of transmission independence (ownership or control) from generation ➢ increase in the amount of competitive solicitation for supply ➢ improvement of open access tariff to reduce entry barriers of foster competition	Target Met. During FY 2005, the Commission accomplished several of the stated targets, including: ➢ the expansion of PJM; ➢ adding SPP and ISO-NE as RTOs; ➢ accepting new ISO-NE operating agreements; and ➢ the adoption of multiple rule and/or tariff revisions within several RTOs/ISOs.
Timeliness of processing market-based rate filings to advance well-functioning markets that deliver the benefits of competition	100% of all market-based ratemaking filings processed within statutory deadline	Target Met. During FY 2005, 100% of the 434 market-based ratemaking filings were completed by the statutory deadline.
Percentage of market-based rates triennial review cases resolved	Resolve 80% of triennial review cases using the new generation market power screens within 1 year of the order on rehearing on the new screens	Target Met. During FY 2005, over 98% (342 out of 346) of market-based rates triennial review cases were completed.
Timeliness of corporate application orders	100% of all section 203 applications processed within 90 days of the date comments are filed	Target Not Met. During FY 2005, over 99% (124 out of 125) of the section 203 corporate applications were processed by the target completion date. The remaining application was completed in 93 days with the delay due to the applicant's failure to file the required concurrent petition for declaratory order. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance.
Timeliness of processing proposed rulemakings adopting industry-wide business practice standards (North American Energy Standards Board (NAESB)) and proposed rulemakings related to reliability	Non-controversial rulemakings completed within 9 months of receipt of NAESB proposal, and controversial rulemakings completed within 12 months	Target Met. During FY 2005, the Commission completed three important actions that met the stated targets, including: ➢ issuing a final rule adopting the Wholesale Gas Quadrant's Version 1.7 business practice standards (within 4½ months of being proposed); ➢ issuing a NOPR which proposes criteria for the establishment of an Electric Reliability Organization (ERO) to enforce reliability standards under the regulatory review and oversight of the Commission; and ➢ issuing a policy statement on creditworthiness standards that reiterates policies articulated in recent cases decided by the Commission.
Removal of barriers to entry into wholesale power markets for renewable energy resources	Approval of tariff provisions, both for transmission and generator interconnection, that grant all energy sources an opportunity to compete in the wholesale market	Target Met. During FY 2005, both the Small Generator Interconnection and the Wind Generation final rules were issued. In addition, the wind tariff services NOPR (Imbalance Provisions for Intermittent Resources) was issued.

FY 2005		
Performance Measurement	**Performance Target**	**Result**
Frequency of meetings with multi-state regional organizations (Regional State Committees) to resolve regional policy and planning issues	Participate in at least one meeting annually with multi-state organizations established for each approved RTO/ISO	Target Met. The Commission hosted and/or participated in numerous meetings with state representatives from each region.
Frequency of meetings to support development of robust customer demand-side participation in energy markets	In areas where there is no opportunity for robust customer demand-side participation in energy markets, meet with appropriate state commission officials at least annually to discuss demand response issues	Target Met. In June 2005, the Commission co-sponsored a National Town Meeting on Demand Response, which included state participation and live web casts to state commissions throughout the U.S. In addition, the Commission conducted a September 2005 technical conference with California state officials.
Provide timely resolution of third-party complaints	Issue initial order on 80% of all third-party complaints within 60 days of filing and 90% of all requests meeting fast-track requirements within prescribed time frame	Target Not Met. During FY 2005, 50% (30 of 60) of initial orders were issued within 60 days. The reasons for the difference include: ➢ extension requests by the parties; ➢ complainants withdrawal of complaints; ➢ deferral requests by the parties to pursue settlement; and ➢ the 60th day falling on a weekend or holiday. This performance target was set at an approximate level, and the deviation from that level, while not slight, had no effect on overall program performance.

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of filings to establish RTOs, ISOs, or Independent Transmission Companies (ITCs) processed	100% within 6 months of filing or before applicants' proposed effective date (whichever is later)	Office of Markets, Tariffs and Rates / Office of the General Counsel
RTO / ISO establishment of cost-effective market design elements per Order No. 2000	Within three years of commencement of operation, each approved RTO or ISO will implement (if cost effective): ➢ firm transmission rights ➢ resource adequacy approaches ➢ regional independent grid operation ➢ regional transmission planning process ➢ market monitoring and market power mitigation ➢ transparency and efficiency in congestion management ➢ spot markets to meet customers' real-time energy needs ➢ fair cost allocation for existing and new transmission	Office of Markets, Tariffs and Rates
Demonstrable improvements in regional competitive market transparency and independence	In each region of the country, there will be: ➢ RTO expansion or creation ➢ increase in competitive solicitation for supply ➢ RTO adoption of additional market-oriented features, programs or rules ➢ improvement of open access tariff to reduce entry barriers or foster competition ➢ increase in the degree of transmission independence (ownership or control) from generation in regions primarily without RTOs	Office of Markets, Tariffs and Rates

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Movement toward competitive markets in each region, including greater interregional coordination of broader, more efficient, and non-discriminatory energy markets	Increase in: ➢ new product markets within RTOs or ISOs ➢ new, independent regional transmission providers ➢ coordination between RTOs or between RTOs and neighboring non-member utilities ➢ RTOs membership through the integration of transmission facilities of additional transmission owners	Office of Markets, Tariffs and Rates
Promote efficient trade across RTO and utility boundaries through the implementation of new rate designs	Eliminate multiple, or "pancaked" transmission rate charges at one additional RTO seam	Office of Markets, Tariffs and Rates
Transition existing regulatory constructs into competitive markets	Approve an additional energy market that minimizes cost shifts while preserving existing contractual rights and creating efficiency gains	Office of Markets, Tariffs and Rates
Increased presence at RTOs, to improve relationships with and knowledge of existing RTOs	Creation and staffing of an office at one existing RTO each year and at any new RTO within 6 months of commencement of operations	Office of Markets, Tariffs and Rates
Percentage of Section 203 applications processed	98% within 90 days of the comments filing date	Office of Markets, Tariffs and Rates / Office of the General Counsel
Percentage of market-based rate filings processed	100% within 60 days of filing date	Office of Markets, Tariffs and Rates / Office of the General Counsel
Improve cost effectiveness of expenses associated with ISO / RTO functions and market activities	Establish accounting rule changes to accommodate increased transparency of expenses and specific characteristics of ISO / RTOs and functional business segments that allow for meaningful examination of cost effectiveness of products and services	Office of Markets, Tariffs and Rates
Percentage of competitive energy markets and market institution cases set for hearing completed according to the established schedule	➢ 75% of Track I cases in 29.5 weeks ➢ 75% of Track II cases in 47 weeks ➢ 75% of Track III cases in 63 weeks	Office of Administrative Law Judges / Office of Administrative Litigation
Percentage of competitive energy markets and market institution cases set for hearing that achieve partial or complete consensual agreement	75%	Office of Administrative Law Judges / Office of Administrative Litigation
Percentage of RTOs and ISOs with rules that do not inhibit demand response participation in RTO/ISO-controlled markets	100% within 1 year of commencing day-ahead markets	Office of Markets, Tariffs and Rates
Conduct meetings to support development of robust customer demand-side participation in energy markets in areas where it does not exist	Meet at least annually to discuss demand response issues with appropriate state commission officials	Office of Markets, Tariffs and Rates
Percentage of pending market-based rates triennial review cases resolved	Initial action taken on 80% of cases by June 21, 2006	Office of Markets, Tariffs and Rates / Office of the General Counsel
Percentage of proposed NAESB business practice standards rulemakings completed	➢ 100% of non-controversial rulemakings within 9 months ➢ 100% of controversial rulemakings within 12 months	Office of Markets, Tariffs and Rates / Office of the General Counsel

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Develop open access tariff modifications to increase competitive market opportunities of alternative energy technologies (including wind generation)	Issue open access tariff final rule	Office of Markets, Tariffs and Rates / Office of the General Counsel
Percentage of initial orders issued on third-party complaints	➢ 80% within 60 days ➢ 95% within 180 days	Office of Markets, Tariffs and Rates / Office of the General Counsel
Percentage of initial orders issued on fast track third-party complaints	90% within prescribed time frame	Office of Markets, Tariffs and Rates / Office of the General Counsel

Performance Measurement Results for Market Oversight

FY 2002		
Performance Measurement	**Performance Target**	**Result**
Number of requests and referrals for ADR services	25% increase over FY 2001	**DRS:** There were 52 requests in FY 2001, and 51 requests in FY 2002. This represents a slight decrease. However, this amount also reflects an increase in the DRS non-case projects and development of stakeholder programs. The 51 requests or active cases include simple inquiries about ADR[1], cases in which persons eventually indicated that they were not interested in using ADR, cases referred to Enforcement Hotline, and ongoing cases.
Percentage of customers satisfied with ADR processes	85%	**OALJ/OAL:** Participants report near 100% satisfaction with ADR procedures. Satisfaction is indicated by calls from participants and by the increase in ADR procedures. **DRS:** 90% (21 out of 23 completed cases). Note: This includes 10 cases that were begun prior to FY 2002 but completed in FY 2002. It does not include simple inquiries about ADR (6), cases in which persons eventually said they were not interested in using ADR (7), cases referred to Enforcement Hotline (1), or cases that were ongoing into FY 2003 (14).
Percentage of processes that achieve consensual agreements ➢ ADR processes ➢ Cases set for litigation resolved, at least in part, through consensual agreement	➢ 25% increase over FY 2001 ➢ 5% increase over FY 2001	**OALJ/OAL**: Settlements were achieved in 69 out of 79 cases through ADR procedures. **During FY-2002:** 69 out of 79 cases (86.3%) were completed through ADR. **In FY-2001:** 62 out of 77 cases were completed through ADR (80.5%) **DRS:** 20 of 23 cases (87%) that were completed in FY 2002 achieved settlement. Note: This includes 10 cases that were begun prior to FY 2002 but completed in FY 2002. It does not include simple inquiries about ADR (6), cases in which persons eventually said they were not interested in using ADR (7), cases referred to Enforcement Hotline (1), or cases that were ongoing into FY 2003 (14).
Number of market monitoring institutions and systems	Increase over FY 2001	Performance target achieved.

1 ADR 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.

FY 2002		
Performance Measurement	**Performance Target**	**Result**
Number of public utilities separating ownership or operation of transmission facilities from generation	Increase over FY 2001	Performance target achieved.
Percentage of cases in time frames ➢ ADR processes completed ➢ litigated cases reaching initial decision	➢ 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	**ADR Cases – OALJ/OAL**: 69 cases were completed by settlement: 4 out of 69 cases were settled within 60 days (5.8%). 11 out of 69 cases sere settled within 100 days (15.9%). 18 out of 69 cases were settled within 150 days (26%). 11 out of 69 cases were settled within 200 days (16%). 25 out of 69 cases were settled after 200 days (36%). **ADR Cases - DRS :** Of 23 completed cases: 5 were completed within 60 days (21% total). 7 more were completed within 100 days (52% total). 1 more was completed within 150 days (57% total). 2 more were completed within 200 days (60% total). The remaining 8 were completed in over 200 days. **Litigated Cases – OALJ/OAL:** **Track I Cases** – Standard processing Time = 29.5 weeks – None during FY-2002. **Track II Cases** – Standard Processing time = 47 weeks – FY-2002 average Processing Time 32.5 weeks **Track III Cases** – Standard Processing Time = 63 weeks – FY-2002 Average 39.42 weeks **Complaint Cases** – FY-2002 Complaints All took > 60 days to resolve.

FY 2003		
Performance Measurement	**Performance Target**	**Result**
Enhance institutional capability for overseeing energy markets	Establish the Office of Market Oversight and Investigations	Complete
	Publish regular summer and winter Seasonal Market Assessments	Reported winter 2002-2003 and summer 2003 assessments in formal presentations to the Commission and published on Commission's website.
	Develop metrics/indicators of gas and electric market performance measures	Developed 5 standard metrics for electric markets that agreed with market monitoring units.
Top to bottom review of all existing information systems to monitor markets	Complete entire review	The complete review has been delayed until FY 2004.

FY 2003		
Performance Measurement	**Performance Target**	**Result**
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	Complete
Timeliness of audits	Complete 90% of audits on time	Target achieved
Development of market expertise	Training on market issues for 40% of OMOI and 20% of OMTR, OGC, and other staff	OMOI: 50% of OMOI staff received training explicitly related to markets. OMTR: Target met through a combination of formal and informal training opportunities available to or required of OMTR staff. Examples of informal training: attendance at events sponsored by OMOI such as presentations by guest speakers with market expertise and courses on the operations of ISOs in New York and New England; market development discussions at selected Commission meetings which are aired live as well as videotaped for later viewing; access to material relevant to Commission conferences posted on the web site; speakers brought in by group managers to discuss various topics—including market-related issues—at their group meetings; and hands-on training conducted in our divisions.
	Hiring of staff with market expertise	Hiring target achieved
	Issuance of market assessment products and data analysis demonstrating market understanding	Produced comprehensive market surveillance report for each closed Commission meeting (every two to three weeks); seasonal assessments; and daily market reports for Commission staff. Also analyzed key issues in detail, for example, natural gas spike and energy price index reaction.
Establishment of protocols between the Commission and independent market monitoring units of RTOs	All approved RTOs	Target achieved
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	Since the Commission received no merger requests in FY 2003, it has no results to report for this performance measure.
Timeliness of Hotline calls resolutions	Resolve 80% within 1 week of initial contact	74% of Hotline calls were closed by the end of the two-week period in which they were received during FY 2003.
Timeliness of formal complaints resolutions	Complete 80% within target time frames for various paths for resolution of complaints as specified by the Commission	**OALJ/OAL:** Issued six initial decisions on complaints set for hearing. 84% were completed within expected targets (4 out of 6). OALJ also handled 17 additional complaints; 12 settled; 5 were either returned to the Commission for further action or set for hearing before a judge (no targets were set for those cases while in settlement mode).

FY 2003		
Performance Measurement	**Performance Target**	**Result**
Percentage of customers satisfied with ADR processes	85%	**DRS:** 14 of 20 cases (70%) that were completed in FY 2003 achieved settlement.
Number of requests and referrals for ADR services	Maintain at or increase levels achieved in FY 2001	**DRS:** 38 requests or active cases were initiated in FY 2003. This number includes simple inquiries about ADR, cases in which persons eventually indicated that they were not interested in using ADR, cases referred to Enforcement Hotline, and cases that are ongoing into FY 2004. Note: There were 51 requests in FY 2002, and 38 requests in FY 2003. While this represents a decrease in cases, the DRS efforts devoted to outreach projects have increased dramatically by comparison.
Percentage of cases in time frames ➢ ADR processes completed ➢ litigated cases reaching initial decision	➢ 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	**ADR Cases – OALJ/OAL:** 76 cases were successfully completed through the use of ADR: ➢ 2 cases completed in < 60 days (2.6%) ➢ 10 cases completed in < 100 days (13%) ➢ 15 cases completed in <150 days (20%) ➢ 14 cases completed in < 200 days (18%) ➢ 35 cases completed in >200 days **ADR Cases – DRS:** 20 cases completed through the use of ADR: ➢ 8 cases completed in < 60 days (40%) ➢ 2 cases completed in < 100 days (10%) ➢ 5 cases completed in < 150 days (25%) ➢ 3 cases completed in < 200 days (15%) ➢ 2 cases completed in > 200 days (10%) **Litigated Cases – OALJ/OAL:** ➢ Track I Cases: Standard processing time = 29.5 weeks. FY 2003 Average processing time = 24.3 weeks ➢ Track II Cases: Standard processing time = 47 weeks. FY 2003 Average processing time = 38.4 weeks ➢ Track III Cases: Standard processing time = 63 weeks. FY 2003 Average processing time = 46.2 weeks **Regular Complaints – OGC:** 97%

FY 2003		
Performance Measurement	**Performance Target**	**Result**
Percentage of processes that achieve consensual agreements	Maintain at or increase levels achieved in FY 2001	**OALJ/OAL:** 112 cases were closed in OALJ. Out of the 112 cases, 16 cases were terminated by initial decision, leaving 94 cases where ADR was used. Of the 94 cases, settlement was achieved in 76 cases (81% success). Settlement was not successful in 18 of the 94 cases. **DRS:** 14 of 20 cases (70%) that were completed in FY 2003 achieved settlement. Note: This includes 7 cases that were begun prior to FY 2003 but completed in FY 2003. It does not include simple inquires about ADR (1), cases in which persons eventually said they were not interested in trying ADR or ADR was determined to be inappropriate (11), cases referred to Enforcement Hotline (3), or cases that were ongoing into FY 2004 (14).

FY 2004		
Performance Measurement	**Performance Target**	**Result**
Enhance institutional capability for overseeing energy markets	Improve metrics/indicators of gas and electric market performance measures	Staff developed standard performance metrics for all RTO/ISO markets that, beginning in calendar year 2004, became a part of the annual reporting done by the market monitoring units of each RTO/ISO. Additionally, a Daily Scorecard of metrics is posted on the Commission's intranet indicating daily gas and electric prices, weather, and gas futures.
Development of market expertise	30% of OMOI staff have energy market experience gained through direct activity in those markets.	30% of OMOI staff have gained energy market expertise by engaging in energy market activities such as: ➢ attending RTO/ISO conferences and workshops; ➢ participating in monthly conference calls with MMUs; ➢ attending weekly OMOI oversight meetings on energy markets; and ➢ attending training sessions.
Track Performance of Natural Gas and Electric Markets	Issue Market Surveillance Reports to the Commission twice each month	In accordance with the change in the Commission Meeting schedule – from once every two weeks to once every three weeks – the Surveillance Report schedule changed from twice each month to 16 times each year – once every three weeks not including August. Therefore, the 16 Surveillance Reports that were completed, in effect, accomplish this measure's original intent. In addition, these reports were redacted and presented to Commission staff and multiple external stakeholders, including state public utilities.

FY 2004		
Performance Measurement	**Performance Target**	**Result**
Assess Performance of Natural Gas and Electric Markets	Publish regular summer and winter Seasonal Market Assessments, State of the Market Reports, and other reports as conditions warrant.	➢ The Winter Energy Market Assessment, published in November 2003, reported on the upcoming winter heating season. ➢ The State of the Markets Report, published in January 2004, analyzed the state of the energy markets for an 18-month span. ➢ The Summer Energy Market Assessment, published in June 2004, reported on the upcoming summer cooling season. ➢ The Commission also published, in May 2004, the results of an investigation into the January 2004 New England gas price spike.
Timeliness of corporate application orders	Process all section 203 applications within 90 days of the date comments are filed	➢ 98% (158 out of 162) of the section 203 corporate applications were completed by the target completion date. The four applications that were not completed within a 90-day period raised fundamental policy issues and protests that required additional time to evaluate. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance.
Timeliness of industry wide financial audits	Complete 90% of audits within 120 days	➢ 88% of the financial audits (22 out of 25) that were opened and closed this fiscal year were completed within the 120 day timeframe. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance.
Timeliness of Hotline call resolutions	Resolve 80% within 1 week of initial contact	72% of all Hotline matters were resolved within 2 weeks of initial contact. Although the target called for most resolutions to occur in 1 week, Hotline information is only collected on a bi-weekly basis. Future performance measures were previously revised to account for this process change. In addition, this performance target was set at an approximate level, and the deviation from that level is slight.
Timeliness of formal complaint resolutions	Complete 80% within target time frames for various paths for resolution of complaints as specified by the Commission	➢ Issued three initial decisions on complaints set for hearing, all within the established deadlines. ➢ The Commission also handled eight additional complaints, though no targets were set for their completion due to their complexity. Of those eight: ➢ four were settled; ➢ two were returned to the Commission for further action or set for hearing before a judge; ➢ one was dismissed; and ➢ one was withdrawn.

FY 2004		
Performance Measurement	**Performance Target**	**Result**
Percentage of processes that achieve consensual agreements	Maintain at or increase levels achieved in FY 2001	**OALJ/OAL:** Of the 113 cases closed in FY 2004, 29 cases were terminated by initial decision, leaving 84 cases where ADR was used. Of those 84 cases, settlement was achieved in 90% (76) of the cases. This was greater than the 80% rate achieved in FY 2001. **DRS:** Of the 24 cases[2] that were completed in FY 2004, 86% (21) of the cases achieved settlement. This was slightly less than the 90% rate achieved in FY 2001. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance.
Number of requests and referrals for ADR services	Maintain at or increase levels achieved in FY 2001	There were 54 requests or active cases in FY 2004, 2 more than in FY 2001. This number includes simple inquiries about ADR, cases in which persons eventually indicated that they were not interested in using ADR or ADR was deemed inappropriate, and cases that are ongoing into FY 2005.
Percentage of customers satisfied with ADR processes	85%	86% of the cases (21 out of 24) that were completed in FY 2004 achieved settlement.

2 This includes 9 cases that began prior to FY 2004 but were completed in FY 2004, but does not include simple inquiries about ADR (8), cases in which persons eventually said they were not interested in trying ADR or ADR was determined to be inappropriate (10), or ongoing cases (12).

FY 2004		
Performance Measurement	**Performance Target**	**Result**
Percentage of cases in time frames ➢ ADR processes completed ➢ litigated cases reaching initial decision	➢ 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 ➢ 95% of complex litigated cases within 329 days ➢ 95% of exceptionally complex cases within 441 days ➢ 95% of regular complaints within 60 days	**ADR Cases[3] – OALJ/OAL:** 76 cases were successfully completed through the use of ADR: ➢ 4 of the 76 cases (5%) were completed in < 60 days; ➢ 13 of the 76 cases (17%) were completed in < 100 days; ➢ 20 of the 76 cases (26%) were completed in < 150 days; ➢ 36 of the 76 cases (47%) were completed in < 200 days; and ➢ 40 cases (53%) were completed in > 200 days. **ADR Cases[2] - DRS:** 24 cases were successfully completed through the use of ADR: ➢ 9 of the 24 cases (37%) were completed in < 60 days; ➢ 12 of the 24 cases (50%) were completed in < 100 days; ➢ 14 of the 24 cases (58%) were completed in < 150 days; ➢ 16 of the 24 cases (67%) were completed in < 200 days; and ➢ 8 cases (37%) were completed in > 200 days. **Litigated Cases – OALJ/OAL:** ➢ Track I Cases: No Track I cases during FY 2004. ➢ Track II Cases: FY 2004 Average processing time was 324 days. ➢ Track III Cases: FY 2004 Average processing time was 448 days. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance. **Regular Complaints – OGC:** 95%

FY 2005		
Performance Measurement	**Performance Target**	**Result**
Enhance institutional capability for overseeing energy markets	The Electronic Quarterly Report of electric transactions will be fully functional. The Commission will identify further key data requirements needed to analyze energy markets.	Target Met. In addition to the fully functional Electric Quarterly Report (EQR) for electric transactions, the Commission also identified several key data requirements to analyze energy markets via its Market Monitoring Center (e.g. Dow Jones' real time data, Genscape's alert system data, U.S. Waterborne LNG Report, NE Power Data, CERA's energy advisory service, CoalDat, and AirDaily).

3 As the results show, the performance targets for ADR cases are unrealistic. These cases are very complex, multi-party, multi-issue cases that involve lengthy, often heated, negotiations over hotly contested issues and/or millions of dollars. Given the Commission's success rate, we do not feel that the deviation from the target level had an adverse affect on the overall performance of this program. Future targets for this performance measure will be reviewed and/or revised.

FY 2005		
Performance Measurement	**Performance Target**	**Result**
Development of market expertise	MMUs will produce standardized market metrics. The Commission will use standard metrics developed by the MMUs to develop a balanced scorecard to determine how well energy markets are working	Target Met. During FY 2005, the Commission completed the development of 13 standardized market metrics and used those metrics to analyze and report on how well the energy markets are working in the State of the Markets report and the MMU Metrics paper.
Enhance the Commission's and public's understanding of energy markets	Issue Market Surveillance Reports to the Commission in conjunction with the Commission's public meeting schedule. Publish Market Assessments, State of the Market Reports, and other reports as conditions warrant.	Target Met. In conjunction with the Commission's public meeting schedule, fifteen Market Surveillance Reports were completed in FY 2005. In addition, the Commission published a Winter and Summer Seasonal Assessment Report (November 2004 and May 2005, respectively) along with its June 2005 State of the Markets report.
Identify and remedy market problems	Provide analysis and recommendations on major market problems.	Target Met. During FY 2005, analysis and recommendations on major market problems were provided at Closed Commission meetings via Market Surveillance Reports. The problems included EIA's storage reporting process, major weather disturbances (e.g., Hurricanes Katrina and Rita), and pre-summer markets issues in California and the West.
Timeliness of industry wide financial audits	Complete 90% of audits within 120 days	Target Not Met. During FY 2005, none of the financial audits were completed within the 120 day targeted timeframe. This was due to the increasing complexities and management oversight of the audits, and due to a stricter interpretation of the audit timeframe (e.g., total days under audit as opposed to audit field-work days). In future years, this target has been narrowed to require a report to the Commission within 120 days of the audit Commencement Letter.
Timeliness of Hotline call resolutions	Close 60% within 2 weeks of initial contact	Target Met. During FY 2005, 74% of Hotline calls were closed within 2 weeks of initial contact.
Timely resolution of allegations of market misconduct	Resolution within established timeframes for FERC investigations and litigation, as posted on the Commission internet site	Target Met. Of the 5 cases under this performance measure in FY 2005, three cases were settled; one case is pending Commission consideration of the global Enron proceeding; and one case terminated by initial decision within the established timeframe, which varies from case-to-case based on the outlook of the Chief Judge and the Commission.

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

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Frequency of Market Surveillance Reports issued to the Commission	Report issued for each public Commission meeting	Office of Market Oversight and Investigations
Frequency of Market Snapshot Reports issued to State Public Utility Commissions	Quarterly	Office of Market Oversight and Investigations
Number of regions receiving the Market Snapshot Reports	Increase over FY2005	Office of Market Oversight and Investigations
Publish an annual State of the Markets Report	Complete by June 30, 2006	Office of Market Oversight and Investigations
Publish public market reports (including summer and winter seasonal assessments)	At least 2 reports	Office of Market Oversight and Investigations

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Number of Daily Energy Reports distributed to Commission staff	At least 225	Office of Market Oversight and Investigations
Timeliness of verification of EQR submissions	Within 10 business days of submission	Office of Market Oversight and Investigations
Review EQR submissions for completeness and contact companies that make up at least 80% of reported revenue for incomplete submissions	Within 10 business days of submission	Office of Market Oversight and Investigations
Conduct follow up reviews of companies that make up at least 80% of reported revenue on exercise of market power or market manipulation	Within 60 days of final submission	Office of Market Oversight and Investigations
Timeliness of reporting to Commission on important market events	Analysis complete within 60 days of event	Office of Market Oversight and Investigations
Number of corporate profiles completed	At least 10	Office of Market Oversight and Investigations
Percentage of Hotline calls resolved	60% within 2 weeks of initial contact	Office of Market Oversight and Investigations
Percentage of non-environmental disputes sent to ADR resolved	75% within 120 days	Dispute Resolution Service
Number of ADR requests and referrals to the Dispute Resolution Service	Minimum number of requests and referrals equal to FY 2005	Dispute Resolution Service
Favorable Dispute Resolution Service customer satisfaction	80% customer satisfaction rate	Dispute Resolution Service
Percentage of market manipulation cases set for hearing completed according to the established schedule	➢ 75% of Track I cases in 29.5 weeks ➢ 75% of Track II cases in 47 weeks ➢ 75% of Track III cases in 63 weeks	Office of Administrative Law Judges / Office of Administrative Litigation
Percentage of market manipulation cases set for hearing that achieve partial or complete consensual agreement	75%	Office of Administrative Law Judges / Office of Administrative Litigation
Timeliness of reporting to the Commission on operational audits	85% reported to the Commission within 120 days of Commencement Letter	Office of Market Oversight and Investigations
Percentage of operational audit recommendations issued and implemented	85%	Office of Market Oversight and Investigations
Timeliness of reporting to the Commission on financial audits	85% reported to the Commission within 120 days of Commencement Letter	Office of Market Oversight and Investigations
Percentage of financial audit recommendations issued and implemented	85%	Office of Market Oversight and Investigations
Timeliness of reporting to the Commission on Standards of Conduct compliance audits	85% reported to the Commission within 120 days of Commencement Letter	Office of Market Oversight and Investigations
Percentage of enforcement investigations completed	75% within one year	Office of Market Oversight and Investigations

Performance Measurement Results for Management Initiatives

FY 2002		
Performance Measurement	**Performance Target**	**Result**
Number of documents and filings available and received electronically	10% increase over FY 2001	➢ The percent of qualified documents received electronically increased from 11.6% to 34.38% ➢ Number of filings received in FY 2001 was 1,968; in FY 2002 we reach 8,903.
Reliability of IT infrastructure services	➢ 98% network availability ➢ 33% annual PC replacement ➢ 98% Internet site availability	➢ 98.5% network availability ➢ 33% annual PC replacement ➢ 99.5% Internet site availability
Percentage of agenda items issued within 5 working days of a Commission meeting	100%	100%
Percentage of electric notices issued within 5 working days of receipt of filing	95%	95%
Unqualified opinion on annual financial statements	Unqualified opinion	Commission received an unqualified opinion on its FY 2001 financial statements
Monitor manage-to-budget concept	Track biweekly; review quarterly	Performed bi-weekly updates to manage-to-budget spreadsheets used by managers to track spending, and reviewed status 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	➢ Collected 98% of the annual charges assessed in FY 2002 within 45 days of billing ➢ Processed 100% of payments electronically ➢ 92% increase ➢ All contracts were advertised online ➢ All contracts were performance-based
Increase diversity of staff in high grades	Increase diversity in GS-14, GS-15, and SES positions by 10% over current baseline	Increased the number of minorities in GS-14, GS-15 and SES positions by five (or 6 percent).
Number of new hires from recruitment program	Meet the Commission's need for new talent through targeted recruitment, with 50% at entry levels	Exceeded 50% target level by 2%. Of the 103 permanent hires in FY 2002, 54 were entry level recruits. Met the Commission's need for new talent through targeted recruitment.
Staff participation in learning and development programs	➢ Expand leadership development program ➢ Implement development plans for 20% of staff ➢ Initiate employee rotational development program	➢ Completed 360-degree feedbacks with senior staff ➢ Developmental plans for all new Federal Career Intern Program (FCIP) interns ➢ Draft proposal for a pilot rotational development program in OED
Periodic manager-staff discussions about performance accomplishments and improvements	Expand to 3 major offices the program for quarterly discussions on performance objectives	Made available to major offices the program for quarterly discussions on performance objectives. Completed the program in two offices.
Percentage of awards presented for helping accomplish specific Commission goals	More than 50% of awards for quality service based on accomplishments supporting strategic objectives	The target level was met. Based on the responses regarding FY 2002 incentive awards more than 50% of awards were given for quality service based on accomplishments supporting strategic objectives.

FY 2003		
Performance Measurement	**Performance Target**	**Result**
Number of new hires from recruitment program	Attract new talent through targeted recruitment, with 50% at entry levels	Exceeded target level by 2%. Of the 60 permanent hires in targeted positions in FY 2003, 31 were entry level recruits. Met the Commission's need for new talent through targeted recruitment.
New staff from summer intern program	Hire 30% of participants into permanent positions	Exceeded target level by 3%. Of the 33 summer interns eligible to be hired, 11 were hired into permanent positions.
Increase diversity of staff in high grades	Continue increasing diversity in GS-14, GS-15 and SES positions	Increased the number of women and minorities in GS-14, GS-15 and SES positions by 35 (18%). Of the 35, 13 (37%) were minorities.
Encourage knowledge sharing	Conduct informal training workshops	Conducted 184 informal training workshops in 5 offices.
Improved executive performance	Implement 360 degree assessment of senior staff	Completed 360 degree assessments for 129 supervisors and managers, including senior staff. Completed targeted individual executive coaching sessions.
Percentage of transactions accepted electronically	95% of transactions accepted electronically	57% of all documents received were eligible to be e-filed; 53% of the documents eligible to be e-filed were actually e-filed; 33% of all documents received (paper and electronic) were e-filed. We expect to have 95% of transactions eligible to be accepted electronically in December 2003.
Percentage of e-issuance versus paper	90% of Commission documents issued electronically	100%
Improved Web site	Redesigned Web site	The redesigned web site, sponsored by the Office of External Affairs, was deployed in August, 2003.
	99% availability	The site was 99% available in FY 2003 based on contract performance evaluation server availability reporting by FERC IT Support Services contractor.
Timeliness of getting public documents online	99% within 24 hours of receipt or issuance	➢ 99% of FERC issuances are available online within 24 hours or less. ➢ 99% of electronic submissions to FERC are published within 24 hours of review by the Office of the Secretary. ➢ 99% of paper submissions to FERC are published within 48 hours.
Network availability	99%	File and Printer servers (where all Office Automation applications and network drives reside) were available for use 99.93% of the Prime Period of Maintenance (PPM). The PPM is defined as the 11 hour period from 7:00 a.m. to 6:00 p.m. on all days the FERC is open for business.

FY 2003		
Performance Measurement	**Performance Target**	**Result**
Standard office automation platform and PC rate of refresh	33%	During this performance period, in an effort to reduce costs, the replace cycle has been changed from 3 years to 3.5 years. During this period 335 CPUs were replaced that were 3.5 years or older. All primary FERC workstations are now newer than 3.5 years old. The performance measure should reflect the new 28.5% target.
Timeliness of virus definition files updates on servers and workstations	Updates within 24 hours from release by vendors	The performance target has been met. We currently have our servers set up to Auto Update each morning at 1 a.m. for any Virus Engine Updates and at 2 a.m. for any DAT (virus definition file) Updates. They are set to update daily and to scan local drives 'On Access' and boot sectors and floppy drives on shutdown. Updates are received via the internal FERC 'McAfee/NetShield' FTP server which in turn is getting the updates straight from the secure Network Associates, Inc. (NAI) site. We update to this server and use it as an internal update point for security and ease of configuration. All workstations are configured to check virus update from FTP server hourly.
Improved integration of work processes and electronic filing	Refresh integrated filing, docket, and document management system	Software releases of the FERC eFiling system were deployed in FY 2003 that increased the types of documents accepted electronically, improved the interface used by stakeholders to submit documents electronically, and improved the integration with the FERC document management system, eLibrary, and the FERC Online eRegistration system. A business case for the Activity Management Tracking System (ATMS) is under review by the FERC Online Executive Steering Committee. ATMS will allow FERC to align FTE time reporting with business planning goals and objectives. Two releases of the FERC document management system, eLibrary, were deployed that improved systems availability, reliability, and usability as documented in weekly reporting by the FERC IT Support Services Contractor and reflected in comments received through customer surveys. eSubscription, a facility that allows stakeholders to receive email notifications and document links whenever a document is received or issued in a case to which they subscribe, was deployed and has improved the work processes of external and internal stakeholders.

FY 2003		
Performance Measurement	**Performance Target**	**Result**
IT system changes to comply with enterprise IT architecture and configuration management practices	Implement 98% reviews	Although an Enterprise IT Architecture has not been completed for FERC, 100% of configuration changes are reviewed and approved or rejected by the FERC DCIO Configuration Control Board. All change requests and approvals are documented in the FERC configuration management library.
Monitoring of manage-to-budget (MTB) process	Bi-weekly tracking of office salary levels and quarterly review of salary levels between CFO and Office Directors	The Commission met its performance target of bi-weekly tracking of the MTB process. However, the quarterly reviews between the CFO and Office Directors did not take place. This was due to the open and constant communication between the Division of Budget and the individual office MTB points-of-contact. As a result, managers were able to make quicker and more informed decisions on the resources within their particular program. No issues were raised during these discussions that necessitated involvement from the CFO or Office Directors.
Timeliness of annual charges collections	Within 45 days of billing	The Commission collected 74% of the total dollar value of current year annual charge billings within the 45 day billing period; however, by the close of the fiscal year, the Commission collected 96% of the total dollar value of current year billings.
Invoices paid by electronic funds transfer	98%	The Commission processed over 99% of its disbursements via electronic funds transfer.
Accuracy and completeness of annual financial statements	Unqualified opinion	The Commission received an unqualified opinion on its FY 2002 financial statements.
Percentage of contracts performance-based	100%	100% of all contracts were performance based.
Percentage of contracts advertised online	100%	100% of all competitive contract requirements advertised in the Fed Biz Ops.

FY 2004		
Performance Measurement	**Performance Target**	**Result**
Number of new hires from recruitment program	Attract new talent through targeted recruitment, with 50% at entry levels	66% of all hires were at entry-levels
New staff from summer intern program	Hire 30% of participants into permanent positions	25% of summer interns were hired into permanent positions This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance.
Increase diversity of staff in high grades	Continue increasing diversity in GS-14, GS-15 and SES positions	The net increase of 21 staff into high grade positions included 3 minorities (14%) and 7 women (33%).

FY 2004		
Performance Measurement	**Performance Target**	**Result**
Improved executive performance	➢ Implement 360 degree assessment of senior staff ➢ Expand training in leadership and management skills	➢ Completed 360 degree assessments & feedback; ➢ Implemented and completed FERC-wide training for all new supervisors; ➢ Developed a Leadership & Management Development Program; and ➢ Initiated an Executive coaching pilot program.
Mentoring program	Implement FERC-wide mentoring program for all employees	Although still being developed, the program's scheduled completion date is November 2004. This performance target was set for an approximate date, and the deviation from that date is slight. This difference had no effect on overall program performance.
Average IT costs per FTE	Below industry average for Federal agencies	Performance target achieved
Percentage of transactions accepted electronically	95% of transactions accepted electronically	The Commission received 75.7% of qualified documents (25,343 out of 33,469) electronically. Qualified documents represent 57% of the total documents (33,469 out of 59,114) submitted to the Commission in FY 2004. Although we did not meet the target level, the deviation had no effect on overall program performance. Besides submitting transactions electronically, parties have the option to submit transactions via digital media (i.e. CD). In addition, the percentage represents an increase over the FY 2003 result of 53%.
Improved Internet Website	99% availability	Performance target achieved
Timeliness of getting public documents online	99% within 24 hours of receipt or issuance	97.3% of public documents were available online within 24 hours of receipt or issuance. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance.
Improved reliability and availability of FERRIS	Increase customer satisfaction 25% over FY 2003	87.5% customer satisfaction rate
Network availability	99%	Performance target achieved
Desktop reliability	Increase reliability by 5% per year	Performance target achieved
Standard office automation platform and PC rate of refresh	33%	Performance target achieved
Timeliness of virus file updates on servers and workstations	Updates within 24 hours from release by vendors	92% of updates were completed within 24 hours of release. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance.

FY 2004		
Performance Measurement	**Performance Target**	**Result**
Implementation of Federal Information Security Management Act (FISMA) for small agencies	95%	Overall, the Commission had a 93% performance rating according to the FISMA OMB metric. According to the Putman scorecard, the Commission had an 84% performance rating and moved from an F to a solid B. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance.
Develop Communications Plan	Increase number of proactive interactions with the Press, Elected Officials, and Industry by 25%	Increased the number of Press releases by 16%, the number of briefings with Elected Officials (i.e. Senate and House of Representatives) by 1%, but decreased the number of Industry interactions by 38%. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance.
Redesign Internet Website	Make internet site more useful and user-friendly	Implemented new features (i.e. Public Event Calendar and Energy Projects Database) that are extremely popular with users.
Engage Stakeholders	Provide 50 presentations to government or other groups of stakeholders	The Commission made a total of 94 presentations – in a variety of forums – to numerous stakeholders throughout FY 2004.
Report Market Conditions	Publish regular summer and winter Seasonal Market Assessments, and other reports as conditions warrant	➢ The Winter Energy Market Assessment, published in November 2003, reported on the upcoming winter heating season. ➢ The State of the Markets Report, published in January 2004, analyzed the state of the energy markets for an 18-month span. ➢ The Summer Energy Market Assessment, published in June 2004, reported on the upcoming summer cooling season. ➢ The Commission also published, in May 2004, the results of an investigation into the January 2004 New England gas price spike.
Discussions with State regulatory bodies on Commission policies and actions	Formal, effective interactions between FERC and state officials on policy issues	The Commission held 23 different meetings with State regulators.
Expand discussions with Canada and Mexico	Formal interaction with Canadian and Mexican regulators on policy issues	The Commission held or participated in 10 different meetings with Canadian and/or Mexican officials on issues related to infrastructure, reliability, and other policy initiatives.
Foster communication with States and Governors on infrastructure	Hold infrastructure conferences in each region	The Commission held one infrastructure conference in the Northeast.
Outreach to stakeholder groups to encourage use of conflict resolution mechanisms	Increase number of outreach opportunities with stakeholders by 25%	The 64 outreach opportunities during FY 2004 represent an 8% increase over FY 2003.

FY 2004		
Performance Measurement	**Performance Target**	**Result**
Maintain liaison with market monitors in RTOs and ISOs	Meet at least twice annually with RTO and ISO market monitors	Commission staff meets regularly with market monitors early in the winter heating season (usually in December) and the summer cooling season (usually in June) and also participates in monthly conference calls with RTO/ISO market monitors.
Monitoring of manage-to-budget process	Bi-weekly tracking of office salary levels and quarterly review of salary levels between CFO and Office Directors	Manage-to-budget (MTB) information was tracked and provided to office contacts on a bi-weekly basis. However, ongoing reviews and discussions between the Budget Division, individual office MTB contacts, and the Chief Financial Officer did not necessitate the need for quarterly reviews with Office Directors.
Monitoring of business plan	➢ Clarity of fit between projects, activities, and objectives ➢ Periodic monitoring of completions and adjustments to plan and related resources	➢ In order to better align work and resources between the various goals and objectives of the Commission, several changes were made to the Business Plan in FY 2004. This increased the logical arrangement and clarity of projects and activities within the Commission's goals and objectives. ➢ The Business Plan was updated twice during FY 2004 to adjust workload completions and reflect resource reallocations based on workload priority changes.
Timeliness of annual charges collections	Collect 98% of outstanding receivables within 45 days of billing	97% of annual charge collections were made within 45 days of billing. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance.
Invoices paid by electronic funds transfer	98%	Over 99% of invoices were paid by electronic funds transfer.
Percentage of payments accomplished without error	98%	Over 99% of payments were accomplished without error.
Accuracy and completeness of annual financial statements	Unqualified opinion	Performance target achieved
Percentage of contracts performance-based	100%	Performance target achieved
Percentage of contracts advertised online	100%	76% of contracts were advertised on-line. The deviation from the performance target is not significant and had no effect on overall program performance. The contracts that were not advertised on-line were sole source contracts for highly technical and specialized personnel primarily in the reliability and dam safety program areas.

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

FY 2005		
Performance Measurement	**Performance Target**	**Result**
Improved employee morale	Conduct baseline FERC-wide employee survey; identify issues and conduct follow-up survey; set improvement targets for follow-up survey in FY 2006	Target Met. Based on the analysis of a baseline Commission-wide employee survey conducted in early FY 2005, specific survey issues were identified and addressed (through action plans) by the Commission and each office. In accordance with a FY 2006 NDAA requirement, a follow-up survey is planned that will address and include those issues identified in the FY 2005 baseline survey (including improvement targets).
Improved services to employees	Successful implementation of payroll services and integration with HR services	Target Met. In March 2005, the Commission successfully migrated its processing of payroll distributions to the National Finance Center. Also in March 2005, the Commission's Employee Maintenance Helpdesk was established to provide a central point of contact for all human resources and payroll related inquiries.
Average IT costs per FTE	Below industry average for federal agencies	Target Met. The Commission's FY 2005 average IT cost per FTE of $12,154 is below the FY 2005 industry average for federal agencies of $14,590.
Percentage of transactions accepted electronically	95% of transactions accepted electronically	Target Not Met. The Commission received 80.2% of qualified documents (27,934 out of 34,817) electronically. Qualified documents represented about 56% of the total documents submitted to the Commission in FY 2005. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance since parties have the option to submit transactions via digital media (i.e. CD) rather than hard-copy form. In addition, the percentage represents an increase over the FY 2004 result of 75.7%.
Improved Internet Website	99% availability	Target Met. The Commission did not experience a major Internet outage in FY 2005, with average uptime reported at 100% (per contractor FY 2005 self-evaluation reports).
Timeliness of getting public documents online	99% within 24 hours of receipt or issuance	Target Not Met. During FY 2005, 96.6% of all documents presented to the Commission's eLibrary operations staff were published within 24 hours. Of the documents the Commission receives or issues electronically, 99.88% were published within 24 hours. As the volume of electronic filings increases, the current 96.6% will rise. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance.
Improved reliability and availability of FERRIS	Increase customer satisfaction 25% over FY 2003	Target Met. During FY 2005, customer feedback from the eLibrary Helpdesk showed that 100% of customers felt they received a high quality of service.

FY 2005		
Performance Measurement	**Performance Target**	**Result**
Network availability	99%	Target Met. The Commission did not experience a major network outage in FY 2005, with average uptime reported at 100% (per contractor FY 2005 self-evaluation reports).
Desktop reliability	Increase reliability by 5% per year	Target Met. Compared to FY 2004 , the number of PC breakdowns (or re-images) during FY 2005 reduced by 9.2% from 54 re-images to 49 re-images. With no means to capture positive reliability data (e.g. reliability increases from FY 2004 to FY 2005), the current performance measure and target do not appear in future performance plans.
Standard office automation platform and PC rate of refresh	33%	Target Met. The Commission's FY 2005 upgrade percentage was 37%.
Timeliness of virus file updates on servers and workstations	Updates within 24 hours from release by vendors	Target Met
Implementation of Federal Information Security Management Act (FISMA) for small agencies	95%	Target Met. According to the Putnam scorecard, the measurement used to grade implementation of FISMA, the Commission earned a 100% (or A) rating for FY 2005.
Development of initial enterprise architecture	Complete by October 30, 2004	Target Met. The Commission's IT Enterprise Architecture was completed and in place by October 31, 2004.
Develop Communications Plan	Increase number of proactive interactions with the Press, Elected Officials, and Industry by 25%	Target Met. In FY 2005, the total number of proactive interactions increased by 27.6%.
Redesign Internet Website	Make internet site more useful and user-friendly	Target Met. In addition to several new user-friendly features, the Commission added eleven new project- / initiative-targeted web pages during FY 2005.
Engage Stakeholders	Provide 50 presentations to government or other groups of stakeholders	Target Met. The Commission provided over 70 presentations to government and/or other stakeholder groups during FY2005.
Discussions with State regulatory bodies on Commission policies and actions	Formal, effective interactions between FERC and state officials on policy issues	Target Met. The Commission participated in 61 different meetings with state officials during FY 2005.
Foster communication with States and Governors on infrastructure	Hold infrastructure conferences in each region	Target Not Met. The Commission held a total of seven infrastructure related conferences during FY 2005 in the Northeast, Western, Appalachian, and Rocky Mountain regions. This performance target was set at an approximate level, and the deviation from that level is slight. The Commission's inability to hold a conference in each region did not have an effect on overall program performance.
Maintain liaison with market monitors in RTOs and ISOs	Meet at least twice annually with RTO and ISO market monitors	Target Met. The Commission met with RTO and ISO market monitors twice during FY 2005, both at Commission-hosted conferences (December 2004 and July 2005).

FY 2005		
Performance Measurement	**Performance Target**	**Result**
Outreach to stakeholder groups to encourage use of conflict resolution mechanisms	Increase number of outreach opportunities with stakeholders by 25%	Target Met. The 83 active projects in FY 2005 represent a 29.7% increase over the 64 projects in FY 2004.
Support further discussions with Canada and Mexico	Formal interaction with Canadian and Mexican regulators on policy issues	Target Met. The Commission held or participated in 20 different meetings with Canadian and/or Mexican officials on issues related to infrastructure, reliability, and other policy initiatives during FY 2005.
Monitoring of manage-to-budget process	Bi-weekly tracking of office salary levels and quarterly review of salary levels between CFO and Office Directors	Target Not Met. Due to the National Finance Center processing of payroll distributions migration in March 2005, bi-weekly tracking information was briefly delayed. In addition, ongoing reviews and discussions between the Budget Division, individual office contacts, and the Chief Financial Officer did not necessitate the need for quarterly reviews with Office Directors. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance.
Monitoring of business plan	➢ Clarity of fit between projects, activities, and objectives ➢ Periodic monitoring of completions and adjustments to plan and related resources	Target Met. Both of the business plan updates that took place during FY 2005 accomplished the stated targets. A final FY 2005 update will be completed during the first week in November.
Timeliness of annual charges collections	Collect 98% of outstanding receivables within 45 days of billing	Target Not Met. The Commission received 92.7% of its annual charge collections within 45 days of billing. This performance target was set at an approximate level, and the deviation from that level is slight. Since the collections during the 45-day period off-set the Commission's FY 2005 appropriation and the Commission received 97.3% of its annual charge collections prior to the end of FY 2005, this difference had no effect on overall program performance,
Invoices paid by electronic funds transfer	98%	Target Met. The Commission paid 99% of its invoices via electronic funds transfer during FY 2005.
Percentage of payments accomplished without error	98%	Target Not Met. The Commission made 97% of its payments without error during FY 2005. This performance target was set at an approximate level, and the deviation from that level is slight. Since all incorrect payments were recovered via internal or Department of Treasury collection actions, this difference had no effect on overall program performance.
Accuracy and completeness of annual financial statements	Unqualified opinion	Target Met. The Commission received an unqualified opinion on its FY 2004 financial statement audit.

FY 2005		
Performance Measurement	**Performance Target**	**Result**
Percentage of contracts performance-based	85%	Target Met. Of the 118 procurement actions that required a performance-based statement of work, 100% were awarded as performance-based.
Percentage of contracts advertised online	85%	Target Met. Of the 3 procurement actions eligible for advertising, 100% were advertised online.

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of summer interns hired into permanent positions	30%	Office of Executive Director
Percentage of new hires that are at entry-level	50%	Office of Executive Director
Number of Senior Professional staff involved in on-campus recruitment	Increase over FY 2005	Office of Executive Director
Implement entry-level Professional Development Program	Complete by September 30, 2006	Office of Executive Director
Percentage of minorities among summer-intern and entry-level positions	Increase over FY 2005	Office of Executive Director
Percentage of minorities among senior-level positions (GS-14, GS-15, SL, and SES positions)	Increase over FY 2005	Office of Executive Director
Implement Commission-wide Business Requirements guidelines	Complete by September 30, 2006	Office of Executive Director
Percentage of employees that receive at least 40 hours of training	100%	Office of Executive Director
Percentage of new supervisors (those with < 2 years experience) that receive at least 40 hours of management and/or leadership training	100%	Office of Executive Director
Federal Protective Service rating on evacuations and shelter-in-place procedures	Rating of satisfactory or above	Office of Executive Director
Reliability of IT infrastructure	99% network availability rate	Office of Executive Director
Timeliness of virus file updates upon notification	➢ Headquarters updated within 24 hours ➢ Regional Offices updated within 48 hours	Office of Executive Director
FISMA compliance according to the Putnam scorecard	Grade of "A"	Office of Executive Director
Integrate the Business Plan, CPIC process, and IT architecture into the Commission's Enterprise Architecture	Complete by September 30, 2006	Office of Executive Director
Percentage of approved IT initiatives with supporting documentation per the Commission's CPIC process	100%	Office of Executive Director

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Establish earned value management schedule and cost performance indices for all major projects	Complete by September 30, 2006	Office of Executive Director
Develop and implement automated Business plan	Complete by September 30, 2006	Office of Executive Director
Percentage of qualified-procurements that are performance-based	100%	Office of Executive Director
Percentage of qualified-procurements that are advertised on-line	100%	Office of Executive Director
Percentage of total procurement dollars awarded to small, women-owned, and minority businesses	5% increase over FY 2005	Office of Executive Director
Percentage of invoices paid via electronic funds transfer	99%	Office of Executive Director
Percentage of payments in compliance with Prompt Payment Act deadlines	100%	Office of Executive Director
Percentage of payments made without error	100%	Office of Executive Director
Timeliness of collecting accounts receivable	90% of invoices collected by due dates	Office of Executive Director
Complete and accurate annual financial statements	Unqualified opinion on audited financial statements	Office of Executive Director
Percentage of filings capable of being received electronically	95%	Office of the Secretary
Percentage of Commission orders approved during open meetings issued	99% within 5 business days	Office of the Secretary
Percentage of Commission orders approved by notational vote issued	99% within 1 business day of adoption date	Office of the Secretary
Percentage of legally required notices issued	95% within 3 business days of being posted on eLibrary	Office of the Secretary
Percentage of speeches or presentations to external stakeholder groups	➢ 20% to Infrastructure groups ➢ 50% to Competitive Markets groups ➢ 30% to Oversight and Investigation groups	Office of External Affairs
Percentage of press releases on important agency actions issued	95% within 24 hours of order being issued	Office of External Affairs
Percentage of responses to international delegation meeting requests	➢ 60% within 3 business days ➢ 100% within 5 business days	Office of External Affairs
Percentage of responses to public inquiries	➢ 60% within 3 business days ➢ 100% within 5 business days	Office of External Affairs
Percentage of agency actions and time-sensitive content posted on the FERC Internet Website	95% within 1 hour of order being issued	Office of External Affairs

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Timeliness of notices to NEB (Canada) and CRE (Mexico) of FERC activities pursuant to Memorandum of Understanding	Within 1 business day	Office of External Affairs
Timeliness of regional hearings or conferences email notifications sent to State officials and Governors	Within 1 business day	Office of External Affairs
Submit FY 2005 Annual Report to Congress	Complete by June 30, 2006	Office of External Affairs
Submit FY 2005 international exchange and training activity data to U.S. Department of State	Complete by April 1, 2006	Office of External Affairs
Submit FY 2005 FOIA Annual Report to Department of Justice	Complete by February 1, 2006	Office of External Affairs
Submit FY 2005 Information Quality Agency Annual Report to OMB	Complete by January 1, 2006	Office of External Affairs

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Appendix A

Organizational Chart

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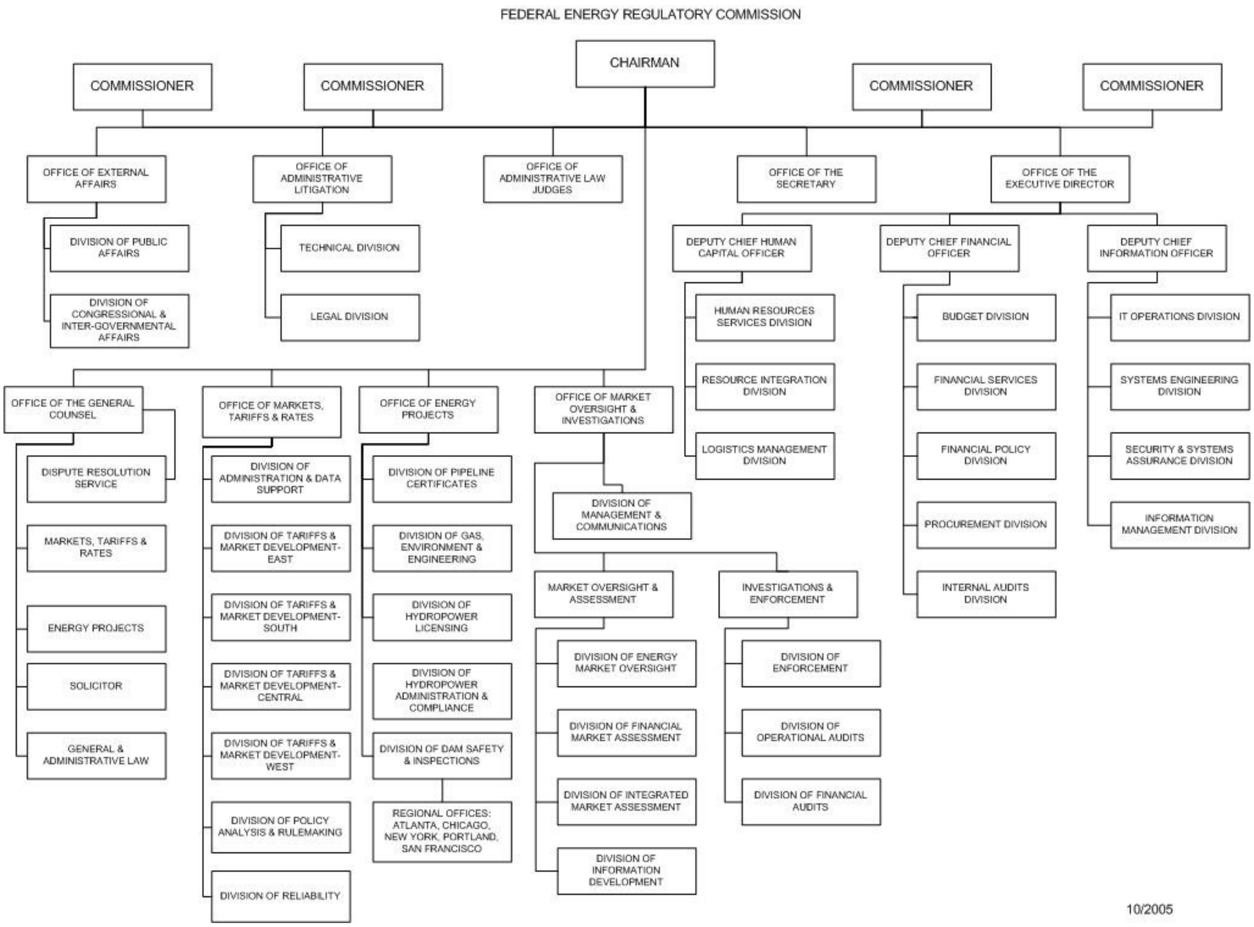
FEDERAL ENERGY REGULATORY COMMISSION
CHAIRMAN
COMMISSIONER
COMMISSIONER
COMMISSIONER
COMMISSIONER
OFFICE OF EXTERNAL AFFAIRS
DIVISION OF PUBLIC AFFAIRS
DIVISION OF CONGRESSIONAL & INTER-GOVERNMENTAL AFFAIRS
OFFICE OF ADMINISTRATIVE LITIGATION
TECHNICAL DIVISION
LEGAL DIVISION
OFFICE OF ADMINISTRATIVE LAW JUDGES
OFFICE OF THE SECRETARY
OFFICE OF THE EXECUTIVE DIRECTOR
DEPUTY CHIEF HUMAN CAPITAL OFFICER
HUMAN RESOURCES SERVICES DIVISION
RESOURCE INTEGRATION DIVISION
LOGISTICS MANAGEMENT DIVISION
DEPUTY CHIEF FINANCIAL OFFICER
BUDGET DIVISION
FINANCIAL SERVICES DIVISION
FINANCIAL POLICY DIVISION
PROCUREMENT DIVISION
INTERNAL AUDITS DIVISION
DEPUTY CHIEF INFORMATION OFFICER
IT OPERATIONS DIVISION
SYSTEMS ENGINEERING DIVISION
SECURITY & SYSTEMS ASSURANCE DIVISION
INFORMATION MANAGEMENT DIVISION
OFFICE OF THE GENERAL COUNSEL
DISPUTE RESOLUTION SERVICE
MARKETS, TARIFFS & RATES
ENERGY PROJECTS
SOLICITOR
GENERAL & ADMINISTRATIVE LAW
OFFICE OF MARKETS, TARIFFS & RATES
DIVISION OF ADMINISTRATION & DATA SUPPORT
DIVISION OF TARIFFS & MARKET DEVELOPMENT-EAST
DIVISION OF TARIFFS & MARKET DEVELOPMENT-SOUTH
DIVISION OF TARIFFS & MARKET DEVELOPMENT-CENTRAL
DIVISION OF TARIFFS & MARKET DEVELOPMENT-WEST
DIVISION OF POLICY ANALYSIS & RULEMAKING
DIVISION OF RELIABILITY
OFFICE OF ENERGY PROJECTS
DIVISION OF PIPELINE CERTIFICATES
DIVISION OF GAS, ENVIRONMENT & ENGINEERING
DIVISION OF HYDROPOWER LICENSING
DIVISION OF HYDROPOWER ADMINISTRATION & COMPLIANCE
DIVISION OF DAM SAFETY & INSPECTIONS
REGIONAL OFFICES: ATLANTA, CHICAGO, NEW YORK, PORTLAND, SAN FRANCISCO
OFFICE OF MARKET OVERSIGHT & INVESTIGATIONS
DIVISION OF MANAGEMENT & COMMUNICATIONS
MARKET OVERSIGHT & ASSESSMENT
DIVISION OF ENERGY MARKET OVERSIGHT
DIVISION OF FINANCIAL MARKET ASSESSMENT
DIVISION OF INTEGRATED MARKET ASSESSMENT
DIVISION OF INFORMATION DEVELOPMENT
INVESTIGATIONS & ENFORCEMENT
DIVISION OF ENFORCEMENT
DIVISION OF OPERATIONAL AUDITS
DIVISION OF FINANCIAL AUDITS
10/2005

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Appendix B

Strategic Plan

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Federal Energy Regulatory Commission
Strategic Plan FY 2005 – FY 2008

7/26/2005

Vision

Reliable, affordable energy through reliance on competition and effective regulation.

Mission

The Federal Energy Regulatory Commission regulates and oversees energy industries in the economic, environmental, and safety interests of the American public.

Goals and Objectives

Goal 1: Promote Development of a Robust Energy Infrastructure.

Objective 1.1: Expedite Development of Energy Infrastructure Projects.

- Implement the infrastructure provisions of the Energy Policy Act of 2005.
- Make final decisions on proposed projects in a timely manner, consistent with statutory mandates and due process, and continue to seek improvements in the Commission's processing of project applications.
- Enforce power plant interconnection rules.
- Implement integrated licensing and pre-filing processes and interagency agreements facilitating hydropower licensing, pipeline and storage certification and LNG facility authorization.
- Encourage regional electric system planning to meet reliability, security and market needs.

Objective 1.2: Encourage Investment in Energy Infrastructure.

- Maintain high level of regulatory certainty in Commission policies.
- Establish pricing policies that encourage investment in electric generation and transmission, natural gas pipelines, LNG import facilities, gas storage, and oil pipelines.
- Ensure that revenue levels and rate designs for regulated company services are just and reasonable and support long-term competitive markets.
- Encourage balanced innovative proposals that provide incentives for appropriate infrastructure investment.

Objective 1.3: Address Landowner and Environmental Concerns Fairly.

- Encourage potential applicants for licenses or certificates to utilize the Commission's collaborative pre-filing process.
- Incorporate reasonable environmental conditions into permits, licenses and certificates and regulate compliance with conditions.

Objective 1.4: Protect the Reliability, Security and Safety of the Energy Infrastructure.

- Oversee the development and enforcement of mandatory grid-reliability standards to protect the bulk power supply.
- Regulate the safety of hydropower projects and LNG import facilities licensed by the Commission.
- Serve as lead Federal agency on siting and authorization of LNG import facilities, hydropower facilities, and interstate natural gas pipelines and storage facilities.
- Work with other agencies and industry to address and improve infrastructure security.
- Allow prompt recovery of prudently-incurred expenses to safeguard and enhance the reliability, security and safety of the energy infrastructure.

Goal 2: Prevent Exercise of Market Power by Reliance on Effective Competition.

Objective 2.1: Promote Effective Competition in Electric and Gas Markets.
- Promote effective competition in wholesale power markets in regions with and without voluntary, organized markets.
- Encourage the reduction or elimination of seams between organized markets.
- Support creation of regional state committees to advise RTOs and ISOs.
- Promote transparency of competitive electric and gas markets.
- Ensure that mergers and jurisdictional facility sales are consistent with the public interest.

Objective 2.2: Establish Clear Market Rules to Govern Electric Markets.
- Reform transmission open access policy to prevent undue discrimination and preference.
- Reform market-based ratemaking policy to prevent exercise of market power and provide regulatory certainty.
- Provide regulatory certainty through clear market rules and case specific decisions.
- Prevent undue preference and self dealing in affiliate transactions.
- Encourage the development of business rules and practices that maximize market efficiency, ease market entry and reduce transactions costs, relying on NAESB, NERC and the RTO/ISOs where appropriate.
- Promote development of policies that accommodate effective demand response programs.
- Remove unduly discriminatory barriers to entry affecting renewable energy.

Goal 3: Prevent Exercise of Market Power by Reliance on Effective Regulation.

Objective 3.1: Vigilant and Effective Oversight of Market Operations.
- Strengthen the Commission's ability to perform market monitoring.
- Encourage effective RTO and ISO market monitoring units, as permitted by law.
- Identify and remedy problems with market structure and operations, and periodically review market rules for consistency with long-term market development.
- Assess market and infrastructure conditions and incorporate analysis into Commission decisions.

Objective 3.2: Firm but Fair Enforcement of Commission Rules.
- Improve the Commission's enforcement capabilities.
- Implement the market power and enforcement provisions of the Energy Policy Act of 2005.
- Investigate statutory and rule violations, imposing penalties where appropriate and promptly terminating investigations when no violations are identified.
- Encourage settlements to resolve disputes in an expeditious manner.
- Act swiftly on complaints, using administrative litigation as needed to determine factual issues.
- Encourage self-reporting of violations by regulated entities and improve processes to allow regulated entities to seek clarifications of Commission rules.

Management Initiatives Supporting all Goals and Objectives

Human Capital
- Implement the Human Capital Plan to meet challenges of new Commission roles and changing workforce demographics.
- Use the right mix of internal workforce and contracted services from the private sector to meet the agency's statutory mandates efficiently and effectively.

Information Technology
- Complete the implementation of e-government initiatives to expedite interactions with customers.
- Build effective electronic workload/time-management and case-processing systems to expedite work processes.

Agency Resources
- Integrate budget, business plan, and performance measurement to improve performance and accountability.
- Generate accurate and timely financial information to support operating, budget, and policy decisions.

Communication
- Reach out to groups affected by agency actions in a timely manner.
- Build strong partnerships with all stakeholders, legislators and regulators.

Appendix C

Statutory Authority

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As mentioned in Management's Discussion and Analysis, below is a listing of federal statutes applicable to the Commission. Links to these statutes are available on the Commission's website at www.ferc.gov under Legal Resources.

General
Title 18 Chapter I of the Code of Federal Regulations (CFR)
Americans with Disabilities Act (ADA)
Department of Energy Organization Act
Electric Consumers Protection Act (ECPA)
Electronic Freedom of Information Act of 1996
Energy Policy Act of 2005
Energy Policy Act of 1992
Federal Power Act
Information Technology Management Reform Act of 1996 (ITMRA/Clinger-Cohen Act)
Public Utility Holding Company Act of 1935 (PUHCA)
Public Utility Regulatory Policies Act of 1978 (PURPA)
Power Plant & Industrial Fuel Use Act
Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA)

Environmental
Clean Air Act
Clean Water Act
Coastal Zone Management Act
Endangered Species Act
16 USC 661, Fish and Wildlife Coordination Act
National Environmental Policy Act (NEPA)
National Historic Preservation Act
Rivers and Harbors Act
Wild and Scenic Rivers Act

Natural Gas
Alaska Natural Gas Pipeline Act of 2004
Alaska Natural Gas Transportation Act of 1976
Natural Gas Act of 1938
Natural Gas Policy Act of 1978
Natural Gas Wellhead Decontrol Act of 1989 (NGWDA)
Outer Continental Shelf Lands Act (OCSLA)

Oil
Oil Pipeline Regulatory Reform
Interstate Commerce Act

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Appendix D

Acronym Glossary

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Acronym	Full Description	Page Reference(s)
ADR	alternative dispute resolution	14, 71, 74, 89-90, 92-93, 95-96, 98-99
ALP	alternative licensing process	64, 66-67, 70, 73
Bcf	billion cubic-feet	14
CAISO	California Independent Transmission System Operator	80-81
CEII	critical energy infrastructure information	72, 75
DOE	U.S. Department of Energy	3, 47, 49-51
DRS	Dispute Resolution Service	5, 21, 89-90, 92-93, 95-96, 98
EAP	Emergency Action Plan	67, 69, 72, 75
EIA	Energy Information Administration	97
EPAct 2005	Energy Policy Act of 2005	4, 10, 12-13, 16
EQR	Electric Quarterly Report	21, 96, 99
ERO	Electric Reliability Organization	19-20, 74, 85
FPA	Federal Power Act	4-5, 7, 22, 30, 47-48, 58, 73
FPC	Federal Power Commission	3, 47
FTE	full-time equivalent	5, 7, 102, 104, 108
GPRA	Government Performance and Results Act of 1993	26, 63
ILP	integrated licensing process	70, 73
ISO	Independent Transmission System Operator	8-10, 17-19, 21, 70-71, 74, 78-87, 91, 93, 106, 109, 122
ISO-NE	Independent Transmission System Operator - New England, Inc	17, 81, 83-85
LNG	liquefied natural gas	4, 12, 14, 21, 66, 69, 73-74, 96, 121
MEPCO	Maine Electric Power Company	17, 84
Midwest ISO	Midwest Independent Transmission System Operator	17, 19, 78, 80-84
MMcf/d	million cubic-feet per day	14
MMU	Market Monitoring Unit	93, 97
MOA	Memorandum of Agreement	74
MOU	Memorandum of Understanding	74
NAESB	North American Energy Standards Board	19, 80, 82, 85, 87, 122
NEPA	National Environmental Policy Act of 1969	4, 13, 67-68, 70, 73-74

Acronym	Full Description	Page Reference(s)
NERC	North American Electric Reliability Council	71, 74, 80, 82, 122
NGA	Natural Gas Act of 1938	4, 7, 22, 69, 73
NOI	Notice of Intent	73
NOPR	Notice of Proposed Rulemaking	16, 19, 85
NYISO	New York Independent Transmission System Operator	18, 81
OASIS	Open Access Same-time Information System	20
OATT	Open Access Transmission Tariff	8, 17-18
OMB	Office of Management and Budget	3, 23, 31, 49, 52, 60, 63, 105, 113
PAD	pre-application document	73
PJM	PJM Regional Transmission Organization	15-17, 78, 80-85
PUHCA	Public Utility Holding Company Act of 1935	16
PUHCA 2005	Public Utility Holding Company Act of 2005	16
RTO	Regional Transmission Organization	8-10, 15-17, 19, 21, 47, 70-71, 74, 78-87, 91, 93, 106, 109, 122
SEC	U.S. Securities and Exchange Commission	16
SPP	Southwest Power Pool	15-17, 83-85
TLP	traditional licensing process	67, 70, 73