FEDERAL ENERGY REGULATORY COMMISSION

FY 2013 Congressional Performance Budget Request

Chairman Jon Wellinghoff

February 2012

TABLE OF CONTENTS 

THE FEDERAL ENERGY REGULATORY COMMISSION'S MISSION

Reliable, Efficient, and Sustainable Energy for Consumers

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

Fulfilling this mission involves pursuing two primary goals:

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

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

Proposed Appropriation Language

For necessary expenses of the Federal Energy Regulatory Commission to carry out the provisions of the Department of Energy Organization Act (42 U.S.C. 7101 et seq.), including services as authorized by 5 U.S.C. 3109, the hire of passenger motor vehicles, and official reception and representation expenses not to exceed $3,000, $304,600,000, to remain available until expended: Provided, That notwithstanding any other provision of law, not to exceed $304,600,000 of revenues from fees and annual charges, and other services and collections in fiscal year 2013 shall be retained and used for necessary expenses in this account, and shall remain available until expended: Provided further, That the sum herein appropriated from the general fund shall be reduced as revenues are received during fiscal year 2013 so as to result in a final fiscal year 2013 appropriation from the general fund estimated at not more than $0.

Full Cost Recovery

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

	FY 2011 Actual	FY 2012 Estimate	FY 2013 Request
Appropriation	$ 298,000,000	$ 304,600,000	$ 304,600,000
Offsetting Collections	(298,000,000)	(304,600,000)	(304,600,000)
Net Appropriation	**$ -**	**$ -**	**$ -**

****

FY 2013 Request Summary

The Federal Energy Regulatory Commission (FERC or the Commission) requests $304,600,000 to support an estimated 1,480 full-time equivalents (FTEs) for fiscal year (FY) 2013. This request will support FERC in its reliability and critical infrastructure protection standards development and compliance processes; infrastructure siting and inspection responsibilities; enforcement efforts; and policy reforms related to competitive energy markets and regulatory policies, including removal of barriers to renewable resources and advanced technologies.

Resources by Strategic Goals and Objectives

Strategic Goal and Objective (Dollars in thousands)		FY 2011 Actual	FY 2012 Estimate	FY 2013 Request	Percent Change FY 2012 to FY 2013
Goal 1: Just and Reasonable Rates, Terms and Conditions	**Funding**	**$ 162,007**	**$ 166,546**	**$ 167,123**	**0.3%**
	FTEs	**830**	**840**	**829**	**-1.3%**
Objective 1.1: Regulatory and Market Means	Funding	$ 120,883	$ 124,041	$ 124,298	0.2%
	FTEs	618	623	615	-1.3%
Objective 1.2: Oversight and Enforcement	Funding	$ 41,124	$ 42,505	$ 42,825	0.8%
	FTEs	212	217	214	-1.4%
Goal 2: Infrastructure	**Funding**	**$ 130,343**	**$ 138,054**	**$ 137,477**	**-0.4%**
	FTEs	**637**	**660**	**651**	**-1.4%**
Objective 2.1: Infrastructure Development and Siting	Funding	$ 70,211	$ 74,578	$ 73,754	-1.1%
	FTEs	335	341	336	-1.5%
Objective 2.2: Safety	Funding	$ 31,282	$ 32,347	$ 32,579	0.7%
	FTEs	161	163	161	-1.2%
Objective 2.3: Reliability	Funding	$ 28,850	$ 31,129	$ 31,144	0.0%
	FTEs	141	156	154	-1.3%
TOTAL	**Funding**	**$ 292,350**	**$ 304,600**	**$ 304,600**	**0.0%**
	FTEs	**1,467**	**1,500**	**1,480**	**-1.3%**

Resources by Regulated Industry

Regulated Industry (Dollars in thousands)		FY 2011 Actual	FY 2012 Estimate	FY 2013 Request	Percent Change FY 2012 to FY 2013
Electric	Funding	$ 152,679	$ 159,177	$ 159,500	0.2%
	FTEs	774	799	790	-1.1%
Hydro	Funding	$ 67,547	$ 71,232	$ 70,475	-1.1 %
	FTEs	329	334	329	-1.5%
Natural Gas	Funding	$ 64,861	$ 66,912	$ 67,297	0.6%
	FTEs	327	330	325	-1.5%
Oil	Funding	$ 7,263	$ 7,279	$ 7,328	0.7%
	FTEs	37	37	36	-2.7%
TOTAL	**Funding**	**$ 292,350**	**$ 304,600**	**$ 304,600**	**0.0%**
	FTEs	**1,467**	**1,500**	**1,480**	**-1.3%**

OBJECT CLASS TABLE (Dollars in Thousands)							
			FY 2011 Actual		FY 2012 Estimate		FY 2013 Request
11.9	Personnel Compensation	$	167,146	$	171,809	$	175,375
12.1	Benefits		46,252		47,949		48,836
13.0	Benefits for Former Personnel		27		-		-
	Sub Total, Personnel Compensation & Benefits	**$**	**213,424**	**$**	**219,758**	**$**	**224,211**
21.0	Travel and Transportation of Persons		3,654		3,912		3,863
22.0	Transportation of Things		12		5		5
23.1	Rental Payments to GSA		21,556		23,512		23,600
23.2	Rental Payments to Others		501		622		646
23.3	Communications, Utilities & Misc. Charges		1,879		2,035		2,062
24.0	Printing and Reproduction		1,914		2,076		2,073
25.1	Advisory and Assistance		7,698		10,123		8,612
25.2	Non-Federal		5,665		5,933		5,284
25.3	Federal		1,652		1,842		1,724
25.4	Operation & Maintenance of Facilities		1,827		1,581		1,622
25.7	Operation & Maintenance of Equipment		28,140		29,383		27,271
26.0	Supplies and Materials		1,857		2,106		2,294
31.0	Equipment		2,003		1,602		1,051
32.0	Leasehold Improvements		523		-		200
41.0	Grants, Subsidies & Contributions		51		60		54
42.0	Insurance Claims and Indemnities		(8)		52		31
	TOTAL, OBLIGATIONS	**$**	**292,350**	**$**	**304,600**	**$**	**304,600**
	GROSS BUDGET AUTHORITY	**$**	**292,350**	**$**	**304,600**	**$**	**304,600**
	Offsetting Receipts	**$**	**(292,350)**	**$**	**(304,600)**	**$**	**(304,600)**
	NET BUDGET AUTHORITY	**$**	**-**	**$**	**-**	**$**	**-**

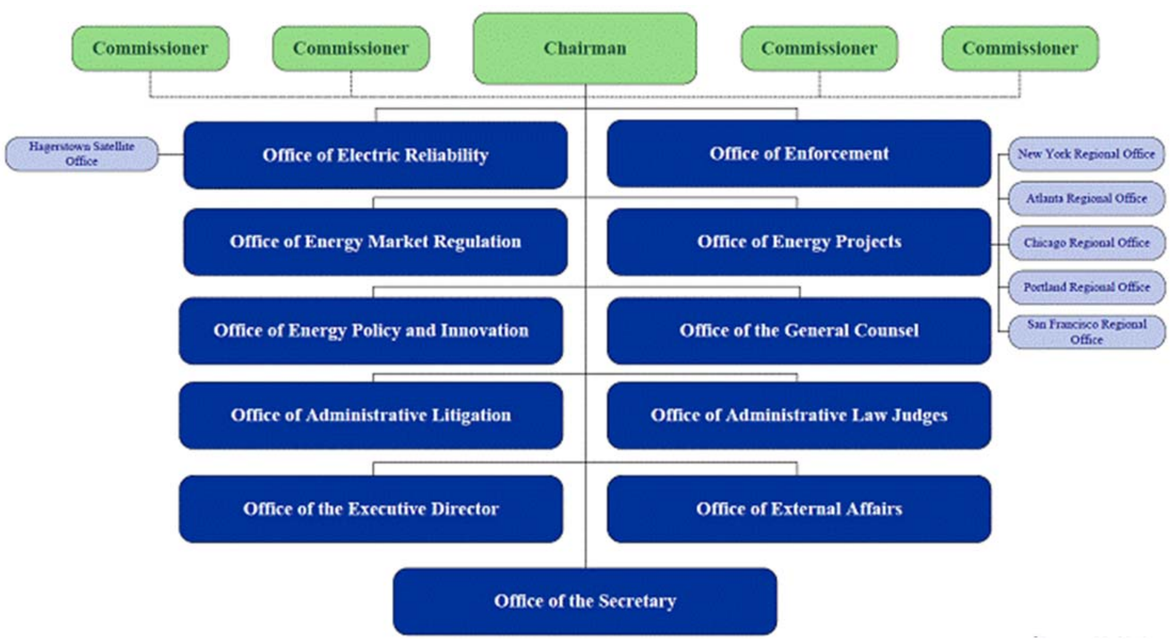
OVERVIEW OF THE FEDERAL ENERGY REGULATORY COMMISSION

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

The Commission was created through the Department of Energy Organization Act on October 1, 1977. At that time, the Federal Power Commission (FPC), the Commission's predecessor that was established in 1920, was abolished and the Commission inherited most of the FPC's regulatory mission. As authorized by the FPA and the Omnibus Budget Reconciliation Act of 1986, the Commission recovers the full cost of its operations through annual charges and filing fees assessed on the industries it regulates. This revenue is deposited into the Treasury as a direct offset to its appropriation, resulting in no net appropriation.

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

In addition to the Chairman and Commissioners, FERC is organized into 11 separate functional offices; each is responsible for carrying out specific portions of the Commission's responsibilities. The offices work in close coordination to effectively carry out the Commission's statutory authorities.



Office of Administrative Law Judges (ALJ)

Resolves contested cases as directed by the Commission either through impartial hearing and decision or through negotiated settlement, ensuring that the rights of all parties are preserved.

Office of Administrative Litigation (OAL)

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

Office of Electric Reliability (OER)

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

Office of Energy Market Regulation (OEMR)

Deals with matters involving markets, tariffs and rates relating to electric, natural gas, and oil pipeline facilities and services.

Office of Energy Policy and Innovation (OEPI)

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

Office of Energy Projects (OEP)

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

Office of Enforcement (OE)

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

Office of External Affairs (OEA)

Responsible for the communications and public relations of the Commission. OEA provides informational and educational services to Congress; federal, state and local governments; the news media and the public; and regulated industries, consumer and public interest groups. OEA also is the liaison with foreign governments.

Office of the Executive Director (OED)

Provides administrative support services to the Commission including human resources (HR), procurement, information technology (IT), organizational management, financial, and logistic functions.

Office of the General Counsel (OGC)

Provides legal services to the Commission. Represents the Commission before the courts and Congress and is responsible for the legal aspects of the Commission's activities.

Office of the Secretary (OSEC)

Serves as the official focal point through which all filings are made for all proceedings before the Commission, notices of proceedings are given, and from which all official actions are issued by the Commission. The Secretary promulgates and publishes all orders, rules, and regulations of the Commission and prescribes the issuance date for these unless such date is prescribed by the Commission.

THE CURRENT CHAIRMAN and COMMISSIONERS

Chairman Jon Wellinghoff
Sworn In: July 31, 2006
Term Expires: June 30, 2013

Commissioner
Cheryl A. LaFleur
Sworn In: July 13, 2010
Term Expires: June 30, 2014

Commissioner
Philip D. Moeller
Sworn In: July 24, 2006
Term Expires: June 30, 2015

Commissioner
John R. Norris
Sworn In: January 11, 2010
Term Expires: June 30, 2012

REGULATORY AUTHORITY HISTORY AND OVERVIEW

The Commission has an important role in the development of a reliable energy infrastructure and the protection of wholesale customers from unjust and unreasonable rates and undue discrimination and preference. The Commission draws its authority from various statutes and laws that are described below.

Hydropower

Congress passed the Federal Water Power Act of 1920 which gave the FPC its original authority to license and regulate nonfederal - hydropower projects on navigable waterways and federal lands. As the regulatory authority of the FPC expanded, the Federal Water Power Act ultimately became Part I of the FPA. Part I of the FPA has been amended by subsequent statutes including the Electric Consumers Protection Act of 1986 and the Energy Policy Act of 1992. The Commission relies on these authorities to carry out its hydropower responsibilities including: the issuance of preliminary permits; the issuance of licenses for the construction of a new project; the issuance of licenses for the continuance of an existing project (relicensing); the investigation and assessment of headwater benefits; and the oversight of all ongoing project operations, including dam safety and security inspections, public safety and environmental monitoring. While the Commission's responsibility under the FPA is to strike an appropriate balance among the many competing developmental and environmental interests, several other laws, statutes, and executive orders affect hydropower regulation. These include, but are not limited to, the National Environmental Policy Act (NEPA), Clean Water Act, Coastal Zone Management Act, Endangered Species Act, Fish and Wildlife Coordination Act, and National Historic Preservation Act.

Electric

Since 1935, the Commission has regulated certain electric industry activities under the FPA. Under FPA sections 205 and 206, the Commission ensures that the rates, terms and conditions of sales for resale of electric energy and transmission in interstate commerce by public utilities are just, reasonable, and not unduly discriminatory or preferential. Under FPA section 203, as amended by the Energy Policy Act of 2005 (EPAct 2005), the Commission reviews mergers and acquisitions, and certain other corporate transactions involving public utilities and public utility holding companies. Under FPA section 204, the Commission reviews the issuance or assumption of securities by public utility companies subject to its jurisdiction.

The Commission is also ultimately responsible for protecting and improving the reliability of the bulk power system. Section 215 of the FPA provides for the establishment of a federal regulatory system of mandatory and enforceable electric reliability standards for the Nation's bulk power system. The standards, developed by a Commission-certified Electric Reliability Organization (ERO) and approved by the Commission, apply to all users, owners, and operators of the bulk power system. The ERO operates within the 48 contiguous states and is under the direct oversight of the Commission. The Commission is ultimately responsible for the effective enforcement of the standards.

The Commission also has other electric regulatory responsibilities under portions of the Public Utility Regulatory Policies Act of 1978 and the Public Utility Holding Company Act of 2005 pertaining to qualifying facilities, exempt wholesale generators, and books and records access requirements. Under the Energy Independence and Security Act of 2007 (EISA), the Commission, along with the Department of Energy and National Institute of Standards and Technology (NIST), participates in a smart grid taskforce to ensure awareness, coordination, and integration of the federal government's diverse activities related to smart grid technologies and practices.

The Commission also has limited authority over the siting of electric transmission facilities. Under section 216 of the FPA, the Commission is responsible, subject to certain conditions, for authorizing interstate electric transmission facilities that are proposed in National Interest Electric Transmission Corridors, designated by the Secretary of Energy.

The Commission's regulations apply primarily to investor-owned utilities. Government-owned utilities (e.g., Tennessee Valley Authority, federal power marketing agencies), state and municipal utilities, and most cooperatively-owned utilities are not subject to Commission regulation (with certain exceptions). Regulation of retail sales and local distribution of electricity are matters left 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) which is the responsibility of state and local governments.

Natural Gas and Liquefied Natural Gas

The Commission's role in regulating the natural gas industry is largely defined by the Natural Gas Act of 1938 (NGA). Under section 3 of the NGA, the Commission reviews the siting, construction, and operation of facilities to import and export natural gas, including LNG terminals. As part of its responsibility, the Commission conducts cryogenic design and technical review of the operational aspects of LNG facilities during the certificate process. Once a facility is constructed and operational, the Commission conducts safety, security and environmental inspections for the life of the facility.

Under section 7 of the NGA, the Commission issues certificates of public convenience and necessity for the construction and operation of interstate natural gas pipelines and storage facilities. FERC is also responsible for conducting compliance inspections of the natural gas pipelines and storage facilities during construction. Although the Commission does not have any jurisdiction over the safety or security of natural gas pipelines or storage facilities once they are in service, it actively works with other agencies with these responsibilities, most notably the Pipeline and Hazardous Materials Safety Administration of the Department of Transportation.

As required by NEPA, the Commission prepares environmental documents for proposed natural gas and LNG facilities and acts in conformance with other environmental statutes as appropriate, including the Endangered Species Act, National Historic Preservation Act, and Coastal Zone Management Act.

Under sections 4 and 5 of the NGA, the Commission oversees the rates, terms and conditions of certain sales for resale and transportation of natural gas in interstate commerce. The Commission is also responsible for determining fair and equitable rates for intrastate pipelines transporting or storing natural gas under the Natural Gas Policy Act (NGPA) section 311 program. The Commission's jurisdiction over sales for resale of natural gas is limited by the Natural Gas Policy Act of 1978 and the Natural Gas Wellhead Decontrol Act of 1989. Regulation of the production and gathering of natural gas, as well as retail sales and local distribution, are matters left to the states.

Oil

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.

Oversight and Enforcement

Through the EPAct 2005, Congress granted the Commission enhanced authority to assess civil penalties for violations of the FPA, NGA, and NGPA.

EPAct 2005 made three major changes to the Commission's civil penalty authority.

1. Congress expanded the Commission's FPA civil penalty authority to cover violations of any provision of Part II of the FPA, as well as of any rule or order issued there under.

2. Congress extended the Commission's civil penalty authority to cover violations of the NGA or any rule, regulation, restriction, condition, or order made or imposed by the Commission under NGA authority.

3. Congress established the maximum civil penalty the Commission may assess under the NGA, NGPA, or Part II of the FPA as $1,000,000 per violation for each day that it continues.

In addition, Congress expanded the scope of the criminal provisions of the FPA, NGA, and NGPA by increasing the maximum fines and increasing the maximum imprisonment time that apply when the Commission refers the case to the Department of Justice for criminal prosecution.

****

GOAL 1: JUST AND REASONABLE RATES, TERMS AND CONDITIONS

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

Introduction

The Commission's statutory responsibility is to ensure that rates, terms and conditions of service are just and reasonable and not unduly discriminatory or preferential. To achieve this goal, the Commission uses a combination of 1) effective regulation, including the review of proposed rates and market rules, and 2) market means, e.g., competition. While guarding ratepayers from unjust and unreasonable rates and protecting them from undue discrimination or preferential treatment, the Commission ensures that service providers have the opportunity to receive a fair return on their investments in infrastructure.

The Commission is also responsible for enforcing its authorizing laws and its regulations. The Commission uses a balanced approach in its oversight and enforcement efforts including 1) informing entities about market rules and other regulations, 2) promoting internal compliance programs, 3) employing robust audit and investigation programs and, where appropriate, 4) exercising the Commission's civil penalty authority.

Strategic Goal and Objective (Dollars in thousands)		FY 2011 Actual	FY 2012 Estimate	FY 2013 Request	Percent Change FY 2012 to FY 2013
Objective 1.1: Regulatory and Market Means	**Funding**	**$ 120,883**	**$ 124,041**	**$ 124,298**	**0.2%**
	FTE	**618**	**623**	**615**	**-1.3%**
Program	Funding	$ 100,381	$ 102,801	$ 102,910	0.1%
	FTE	508	510	503	-1.4%
Support	Funding	$ 20,502	$ 21,240	$ 21,388	0.7%
	FTE	110	113	112	-0.9%
Objective 1.2 Oversight and Enforcement	**Funding**	**$ 41,124**	**$ 42,505**	**$ 42,825**	**0.8%**
	FTE	**212**	**217**	**214**	**-1.4%**
Program	Funding	$ 34,123	$ 35,109	$ 35,377	0.8%
	FTE	174	178	175	-1.7%
Support	Funding	$ 7,001	$ 7,396	$ 7,448	0.7%
	FTE	38	39	39	0.0%
Total Goal 1: Just and Reasonable Rates, Terms and Conditions	**Funding**	**$ 162,007**	**$ 166,546**	**$ 167,123**	**0.3%**
	FTE	**830**	**840**	**829**	**-1.3%**

OBJECTIVE 1.1: REGULATORY AND MARKET MEANS

Ensure implementation of appropriate regulatory and market means for establishing rates.

Improving the competitiveness of wholesale electric markets is important to achieving just and reasonable rates, terms and conditions of service. Competition encourages new entry among supply-side and demand-side resources, spurs innovation and deployment of new technologies, improves operating performance, and exerts downward pressure on costs. Notable benefits also stem from more broadly diversifying the fuels available to generate electricity. The Commission's open access transmission policies support competition and its related benefits to consumers.

The Commission also regularly reviews proposals from regional transmission organizations (RTOs) and independent system operators (ISOs) to reform wholesale organized markets to ensure that the dynamics for buying, selling and transmitting energy are robust and working as intended.

A significant portion of the Commission's workload lies in one of its core activities, the review of rates and tariff provisions. The Commission will focus on four strategies in support of this critical function.

Strategy 1:	Establish rules that enhance competition by allowing non-discriminatory market access to all supply-side and demand-side energy resources
Strategy 2:	Promote operational efficiency in wholesale markets through the exploration and encouragement of the use of software and hardware that will optimize market operations
Strategy 3:	Develop and implement a common set of performance metrics for markets within and outside of ISOs/RTOs
Strategy 4:	Promote broad participation, including the use of alternative dispute resolution services, in the Commission's processes and procedures

STRATEGY 1

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

In competitive energy markets, supply and demand forces work in concert, yielding a just and reasonable rate. The Commission will work with RTOs and ISOs to identify possible reforms to market rules related to market access that, if adopted, can improve the competitiveness of wholesale energy markets.

This work is especially important for new or emerging services and technologies, such as demand response, renewable energy, and electric energy storage.

Demand response means a reduction in the consumption of electric energy by customers from their expected consumption in response to an increase in the price of electricity or to incentive payments designed to induce lower consumption of electricity energy.

Demand-Side Resources.

The development of demand-side energy resources supports many of the Commission's responsibilities by improving the operation of wholesale electric power markets and enhancing the reliability of the bulk power system. Demand response, for example, can provide competitive pressure to reduce wholesale electric power prices, increase awareness of energy usage, mitigate market power, enhance reliability, and, in combination with certain new technologies, support the use of renewable energy resources and distributed generation. Demand resources also can be used by system operators to meet certain system needs potentially more efficiently and effectively than other resources. Demand-side resources include energy efficiency resources and plug-in electric vehicles.

Barriers to Demand Resources.

In order to overcome barriers to the development of demand response resources and in compliance with Congressional mandates, in June 2010 FERC staff published a National Action Plan on Demand Response[1] that, among other things, identifies requirements for technical assistance and a national communications program, and develops or identifies tools and other materials to support the development of demand response. In July 2011, FERC Staff, in a joint effort with staff from DOE, submitted to Congress a proposal for implementing the National Action Plan on Demand Response.[2]

In FY 2012, FERC staff will take steps to implement relevant aspects of the National Action Plan, including interaction and coordination with private sector and fellow government partners through a coalition, or any private or non-federal governmental organizations. In FY 2013, the Commission will evaluate whether additional actions or activities are necessary to address barriers to participation by demand resources in wholesale markets.

Demand Response Compensation.
In March 2011, the Commission issued Order No. 745 which required that demand response resources participating in energy markets operated by RTOs and ISOs be compensated at the market price for energy when certain conditions are met. In FY 2012, the Commission has been reviewing the tariff revisions filed by the RTOs and ISOs in compliance with this final rule. The final rule also requires RTOs and ISOs to study the requirements for and impacts of improving the cost-effective selection of demand response resources by enhancing dispatch algorithms. The Commission will review the results of these studies in FY 2013.

Additional Market Reform Efforts.
In FYs 2012 and 2013, the Commission will explore further market reforms to address barriers to the integration of demand-side resources into wholesale markets. Possible reforms include the development of new ancillary services, and implementation of standards for measurement and verification, including new standards adopted by the North American Energy Standards Board (NAESB) in FY 2011 for demand response and energy efficiency. The Commission will also encourage the implementation of best

[1] National Action Plan on Demand Response, June 2010
http://www.ferc.gov/legal/staff-reports/06-17-10-demand-response.pdf

[2] Implementation Proposal for the National Action Plan on Demand Response, July 2011
http://www.ferc.gov/legal/staff-reports/07-11-dr-action-plan.pdf

practices for demand response products and procedures to help achieve their potential benefits.

The Commission will continue to consider market rules that permit energy efficiency resources to participate in wholesale markets. Like demand response, energy efficiency has the potential to improve the operation of wholesale power markets by mitigating market power and enhancing reliability. While there are currently limited opportunities for these resources to participate in organized markets, ISO New England and PJM Interconnection, LLC (PJM) have allowed participation of energy efficiency resources in their forward capacity markets.

Renewable Resources.

The use of renewable energy resources to generate electricity has the potential to be a cost-effective means to diversify the fuels used to generate electricity. The Commission has been responsive to requests for flexibility in how it approaches transmission rate design, recognizing that renewable resources are often "location-constrained," and do not have the flexibility to locate near existing transmission lines. For example, the Commission approved a proposal by Midwest Independent Transmission System Operator, Inc. in December 2010 to change its transmission cost allocation methodology. That proposal was intended, in part, to remove barriers to the integration of wind resources. In February 2011, the Commission also approved a bilateral service agreement for a participant-funded, cost-based transmission project under which 1,200 megawatts of hydroelectric power would be transmitted over the Northern Pass Transmission Line from the US-Canadian border to New Hampshire. Additionally, in May 2011, the Commission approved SunZia Transmission, LLC's proposal to allocate ownership rights and to offer capacity at negotiated rates for the SunZia Southwest Transmission Project. The project would link approximately 3,000 to 4,500 megawatts of renewable location-constrained generation resources in New Mexico and Arizona with markets and customers in the western United States. The Commission anticipates that in FYs 2012 and 2013 it will continue to receive requests to adopt innovative or flexible approaches to transmission cost allocation, rate design, and terms and conditions of service, particularly as more renewable resources seek to interconnect to the grid to satisfy various state renewable portfolio standards.

The Commission also will continue to consider whether generic market reforms are necessary to allow all resources, including renewable energy resources, to compete in jurisdictional markets on a level playing field. Based on its review of comments received in response to a January 2010 Notice of Inquiry, the Commission issued a proposed rule in November 2010 that would reform the tariffs filed by public utility transmission providers to require them to offer services that will allow for a more efficient integration of variable energy resources such as wind, solar, and hydrokinetics in the electric transmission grid.

Resource Capacity.

The Commission also has taken action to ensure the procurement of adequate capacity for future periods in organized competitive markets. The Commission has approved forward-looking, auction-based markets in the PJM and ISO New England regions to allow load-serving entities to procure adequate capacity to meet the long-term energy needs of consumers. In other regions, including those operated by the California Independent System Operator and the Midwest Independent Transmission System Operator, Inc., the Commission has approved alternative approaches to the forward-capacity procurement design. In the region operated by the New York Independent System Operator, the Commission has approved auction based markets. While the market mechanisms the Commission approves often vary in design, all are intended to provide the proper price signals to both retain existing resources and encourage the entry of new resources to meet increasing electric supply needs.

The establishment of forward capacity markets and other similar markets has resulted in a substantial increase in the participation of demand-side resources in the markets, providing for greater competition among generation and demand resources. For example, in PJM, participation of demand side resources in the capacity market has increased significantly since the inception of its forward capacity market in 2007. During the 2007-2008 capacity delivery year, about 127 megawatts of demand-side resources cleared in the forward capacity market, compared to about 14,000 megawatts in the 2014 – 2015 capacity delivery year. According to PJM's independent market monitor, the substantial participation of demand-side resources has had a significant downward impact on capacity auction prices. Additionally, participation of demand response resources in the New York Independent System Operator installed capacity market has been significant, representing approximately seven percent of the summer capability period peak demand.

The Commission will continue in FYs 2012 and 2013 to act on proposals regarding capacity markets.

Open Access Transmission Tariff and Ancillary Services.

Non-discriminatory, open access to transmission services is a principal tenet in the Commission's approach to enhancing competition in wholesale electric markets. Toward that end, the Commission requires all public utilities that own, control or operate facilities used for transmitting electric energy in interstate commerce to file open access non-discriminatory transmission tariffs. Ongoing open access transmission tariff reform contributes to the Commission's goal of removing impediments to competition in the wholesale bulk power marketplace and bringing more efficient, lower cost power to the Nation's electricity consumers.

With the issuance of Order No. 890 in February 2007, the Commission revised the *pro forma* Open Access Transmission Tariff to allow customers to self-supply any ancillary service from any resources capable of providing that service (except for services that, for technical reasons, are required to come from the transmission provider). To build on this reform, the Commission initiated outreach with stakeholders to identify barriers to this practice.

In October 2011, the Commission acted to remedy undue discrimination and ensure just and reasonable rates for providers of an ancillary service that organized wholesale power market operators use to balance supply and demand and ensure the reliability of their systems by issuing Order No. 755, Frequency Regulation Compensation in Organized Wholesale Power Markets. The Commission will continue work on this proceeding and related compliance filings through FYs 2012 and 2013.

The Commission in Order No. 890 also initiated multi-year processes to address inconsistencies in the methodology used to calculate available transmission capacity. This calculation determines whether transmission capacity is available for sale to third party customers, which can directly affect competition in the energy market. The Commission determined that the lack of a consistent, industry-wide methodology gives transmission providers the opportunity to unduly discriminate against third parties.

To rectify this situation, the Commission directed the industry to use the North American Electric Reliability Corporation and the NAESB processes to reach a consensus on an appropriate methodology and develop the related necessary reliability standards and business practices. The Commission approved these standards in FY 2010, and they were implemented in April 2011. The use of a transparent available transmission capacity calculation methodology will lead to improved access to accurate information by customers and will support increased competition.

The Commission will continue to evaluate and make improvements to the open access transmission tariff through FYs 2012 and 2013, as needed.

STRATEGY 2

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

The utility industry is by nature capital intensive, requiring the use of sophisticated software and significant investment in hardware to optimize market operations. Within the organized markets operated by RTOs and ISOs, which often share common features, there are opportunities to enhance efficiency by expanding implementation of best practices and innovations in new software. In June 2010, the Commission staff held three technical conferences to discuss efforts by market operators, software developers, Department of Energy, and academics to enhance operational efficiency in FERC-jurisdictional markets. Many of these efforts involve new techniques designed to allow more useful and realistic power system modeling that enables increased penetration of renewable generation, demand-side resources, electric storage and plug-in electric vehicles.

The first round of conferences provided useful information about current RTO practices. A second round of conferences was held in June 2011 to explore these issues as well as academic and industry progress to date. A third round of conferences is being planned for FY 2012.

The efforts completed during FYs 2010 and 2011 will allow the Commission to pursue voluntary adoptions of best practices and innovative new practices in power system modeling and optimization. If appropriate, in FY 2013 the Commission will conduct additional workshops and engage in further outreach to facilitate implementation of the identified best practices and innovative modeling enhancements.

STRATEGY 3

Develop and implement a common set of performance metrics for markets within and outside of ISOs/RTOs

In Order No. 2000, the Commission encouraged the voluntary formation of RTOs to operate the electric transmission grid and to create organized wholesale electric markets. The development of RTOs and modified market structures was aimed at increasing the efficiency of wholesale electric market operations and increasing non-discriminatory access to the transmission grid. The Commission mandated that RTOs be independent from market participants, fairly exercising operational authority over all transmission facilities under their control. With extensive stakeholder input, RTOs and ISOs design tariffs that are responsive to the needs of their regions, submitting their tariff proposals for review by the Commission. The Commission works to ensure that RTO and ISO tariffs promote nondiscriminatory access to transmission and support just and reasonable rates for energy and services in their markets.

Today, RTOs and ISOs serve roughly two-thirds of all electricity consumers in the United States by providing transmission service, interconnecting new resources to the transmission grid, and operating wholesale markets for the sale of electricity. The Commission has issued orders implementing reforms to the services provided and the markets operated by RTOs and ISOs in an effort to enhance competition and increase efficiency.

To support further enhancements and to evaluate the effectiveness of the Commission’s decision to encourage the creation of RTOs and ISOs, Commission staff led an 18-month voluntary and collaborative process with RTOs, ISOs, market participants, and other stakeholders and interested experts to develop a set of operational and financial metrics. The resulting 57 metrics are designed to measure RTO and ISO performance on three dimensions: market benefits, organizational effectiveness, and reliability.

In December 2010, each of the RTOs and ISOs submitted a report containing data for these metrics covering the period 2005 – 2009. Based on Commission staff's analysis of this data, the Chairman issued a report to Congress in April 2011 communicating the benefits of RTOs/ISOs and, where appropriate, identifying possible changes to address any performance concerns.

Beginning in FY 2011, Commission staff has been engaged in a voluntary and collaborative process with a diverse group of non-RTO/ISO utilities to develop operational and financial performance metrics. It has taken longer than anticipated for this group to organize and reach consensus on their own set of metrics. The metrics are expected to be completed in FY 2012. Once finalized, Commission staff will follow a similar process to obtain data from the non-RTO/ISO utilities, analyze the data, and report to Congress on their performance.

In FY 2013, using the non-RTO/ISO utilities' performance metrics, along with performance metrics for RTOs and ISOs, the Commission will establish appropriate common metrics between the two groups, refining the metrics as necessary.

STRATEGY 4

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

The Commission recognizes the value of resolving filings involving jurisdictional companies through consensual means and using alternate dispute resolution techniques in the energy markets it oversees. The settlement of these cases is beneficial to energy consumers as it dramatically limits the time, expense and resources that the Commission and outside parties would otherwise devote to these cases. Additionally, a settlement provides ratepayers reduced rates and refunds far more quickly than through a litigated result. Further, the resolution of a case through settlement is likely to be more acceptable to the parties, and therefore reduces the likelihood of an appeal.

During FY 2011, the trial staff and the administrative law judges settled, in whole or in part, the great majority of cases set for hearing by the Commission. The dispute resolution staff's proactive application of alternative dispute resolution (ADR) tools provided immediate, responsive, and effective results for stakeholders.

Settlements, Litigation and ADR.

The Commission's administrative law judges (serving as settlement judges), trial staff and dispute resolution staff all play an important role in ensuring just and reasonable rates, terms and conditions of service. Recently, the trial staff negotiated the settlement of a natural gas pipeline rate case involving a pipeline on the Atlantic Seaboard. The settlement provides an annual savings of approximately $250 million to the pipeline's ratepayers. The trial staff was also instrumental in settling another natural gas pipeline rate proceeding concerning a pipeline that serves energy consumers in the south and mid-Atlantic portions of the country. This settlement provided the pipeline's ratepayers with annual savings of over $30 million. Similarly, a settlement judge, with the assistance of trial staff, successfully guided parties in an electric transmission proceeding to a settlement that saved the customers of a west coast utility over $92 million annually. In addition to protecting customers from paying excessive rates, the trial staff has aggressively promoted nondiscriminatory access to the bulk power system for renewable resources in a number of electric utility rate cases.

While settlements have many advantages, some cases present issues that require litigation. In these cases, trial staff develops a full record upon which the Commission can base its decision. One such case resulted in refunds to customers in excess of $16 million and lower future rates for customers of an oil pipeline.

ADR has also played a prominent role in protecting customers. For instance, the dispute resolution service staff successfully resolved a complaint proceeding involving a public utility district serving customers in the Pacific Northwest. The staff mediated a settlement that resulted in $20 million in refunds to customers and gave the parties financial and regulatory certainty.

CORE FUNCTIONS

Execute additional statutory requirements to advance strategic goals and objectives

The Commission advances these four strategies through one of its core function: the evaluation of rate and tariff filings, including various accounting requirements. All jurisdictional electric utilities, natural gas pipelines, and oil pipelines are required to have their rates, terms and conditions on file with the Commission. The Commission must review proposed changes to filed rates, terms, and conditions and all comments filed in response before making a determination on whether to accept, accept with modifications, or reject the proposed changes. To give parties an opportunity for further discussion of the proposed changes, the Commission may also suspend the effectiveness of the proposed change and establish a hearing or a technical conference.

The Commission reviews applications for market-based rate authorizations for the sale for resale of electricity, capacity, or ancillary services by public utilities, for storage services provided by natural gas companies, and for transportation services provided by oil pipelines, granting such authorization where the ability to exercise market power either is not present or has been mitigated and where other conditions are met. Public utilities with market-based rate authority must submit Electric Quarterly Reports in order to maintain this authority.

Electric utilities, natural gas pipelines and oil pipelines that have not been granted market-based rate authority must establish their rates using a cost-based rate structure. When reviewing cost-based rate proposals, the Commission considers the opportunity to recover investments in energy infrastructure and the fair allocation of costs among ratepayers.

In the natural gas industry, the Commission also permits natural gas pipelines to charge negotiated rates, subject to the availability of a cost-based recourse rate.

Because of the large number of rate and tariff filings received annually, the Commission dedicates a significant amount of resources to this analysis and will continue to do so in FYs 2012 and 2013.

Rate and Tariff Filings by Industry

	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Estimate	FY 2013 Estimate
Electric	4,196	5,977	5,319	4,700	5,000
Gas	1,782	1,894	1,755	1,600	1,600
Oil	576	801	630	600	600

Estimates are based on historical data and expected filings.

PERFORMANCE MEASURES AND ANNUAL TARGETS FOR OBJECTIVE 1.1

Performance Measure 1	
Further barriers to participation by demand resources in organized wholesale electric markets will be identified and eliminated.	
FY 2011 TARGET	As appropriate, issue Notice of Proposed Rulemaking on further steps to eliminate barriers to demand resources, including steps identified in National Action Plan on Demand Response
FY 2011 RESULT	Target Exceeded. On March 18, 2010, the Commission issued a notice of proposed rulemaking in Docket No. RM10-17-000, on Demand Response Compensation in Organized Wholesale Energy Markets, which proposed to eliminate a barrier to demand response resources receiving the same compensation as other supply-side resources selling into the organized wholesale electric market. The Commission was able meet the FY 2012 target ahead of schedule and issued the final rule, Order No. 745, on March 15, 2011. The final rule requires that demand response resources be paid the same market-clearing price as other resources.
FY 2012 TARGET	As appropriate, issue Final Rule on further steps to eliminate barriers to demand resources.
FY 2013 TARGET	Implement Final Rule as appropriate

Performance Measure 2	
Best practices for demand response products and procedures in organized wholesale electric markets will be identified and implemented.	
FY 2011 TARGET	As appropriate, issue Final Rule on best practices
FY 2011 RESULT	Target met. The Commission issued Order No. 745, Demand Response Compensation in Organized Wholesale Energy Markets, on March 15, 2011. Having identified a best practice used by some regional transmission organizations (RTOs) to compensate demand response resources at the same price received by other supply-side resources, such as generation, the final rule required all RTOs to pay comparable compensation to demand response resources in their own markets.
FY 2012 TARGET	Implement Final Rule as appropriate
FY 2013 TARGET	Monitor implementation and performance

Performance Measure 3	
All resources that are technically capable of providing needed ancillary services have the opportunity to provide those services.	
FY 2011 TARGET	As appropriate, issue Final Rule on ancillary service products and procedures
FY 2011 RESULT	Target not met. Until recently, generation resources provided all ancillary services used to support open access transmission services offered by transmission-owning utilities, RTOs and independent system operators (ISOs). New technologies, such as demand response and energy storage devices, are now available and capable of providing some needed ancillary services. A notice of inquiry was issued on Third-Party Provision of Ancillary Services; Accounting and Financial Reporting for New Electric Storage Technologies on June 15, 2011 (RM11-24-000). A notice of proposed rulemaking on Frequency Regulation Compensation in the Organized Wholesale Power Markets was issued on February 17, 2011. A draft final rule was submitted for the Commission's consideration on September 29, 2011. This will not have a negative impact on program performance.
FY 2012 TARGET	Implement Final Rule as appropriate
FY 2013 TARGET	Monitor implementation and performance

Performance Measure 4	
Pursue market reforms that will allow renewable energy resources to compete fairly in Commission-jurisdictional markets.	
FY 2011 TARGET	Issue Notice of Inquiry/Notice of Proposed Rulemaking on market reforms, if appropriate
FY 2011 RESULT	Target met. The Commission issued a notice of proposed rulemaking, Integration of Variable Energy Resources (RM10-17-000) on November 18, 2010.
FY 2012 TARGET	Issue Final Rule on market reforms, if appropriate
FY 2013 TARGET	Monitor implementation and performance

Performance Measure 5	
Methods for modeling system operations will be enhanced and new software will be developed that increases efficiency and optimizes market operations.	
FY 2011 TARGET	Pursue voluntary adoption of best practices by RTOs/ISOs; if appropriate, issue Policy Statement and/or Notice of Inquiry/Notice of Proposed Rulemaking.
FY 2011 RESULT	Target met. A technical conference exploring best practices was convened on June 28-30, 2011. At the conference, market operators and others discussed best practices, software improvements and optimization processes. This forum allows for the diffusion of knowledge of useful best practices, reports to a wide audience on improvements under development, and provides useful information that market operators can use to access improvements in their own operations based on the best practices of their peers.
FY 2012 TARGET	Follow-up workshops on best practices implementation; issue Final Rule, if relevant
FY 2013 TARGET	Monitor implementation and performance

Performance Measure 6[3]	
The performance of markets within and outside of ISOs/RTOs will be measured using a common set of metrics.	
FY 2011 TARGET	Explore and develop appropriate operational and financial metrics for non-ISO/RTO regions
FY 2011 RESULT	Target not met. Commission staff has been engaged in a voluntary and collaborative process with a diverse group of non-RTO utilities to develop proposed operational and financial performance metrics for non-RTO regions. Outreach meetings were held in September 2011 with major industry organizations to discuss the proposed performance metrics. Following these outreach meetings, the proposed performance metrics will be issued for public comment. In FY 2012, Commission staff will issue a report that addresses the comments and recommends the final list of performance metrics. Participating non-RTO utilities will then issue their reports on these final metrics and Commission staff will issue a final report. While the final metrics were not issued during FY 2011, Commission staff is on schedule to issue final metrics in FY 2012 which will have no adverse impact on the program. Commission staff expects to release the final metrics and collect data from non-RTO utilities on these metrics by the third quarter of FY 2012.
FY 2012 TARGET	Explore and develop appropriate operational and financial metrics for non-ISO/ RTO regions
FY 2013 TARGET	Establish appropriate common metrics between ISOs/RTOs and non-ISOs/RTOs

[3] The FYs 2012 and 2013 Performance Targets reflect adjustments made to the Commission's Strategic Plan as allowed by the GPRA Modernization Act of 2010.

Performance Measure 7[4]	
Appropriate filings and issues will employ alternative dispute resolution and collaborative processes first.	
FY 2011 TARGET	Implement rules setting forth guidelines/tariff provisions and initiate pilot programs
FY 2011 RESULT	Target not met. The Commission was not able to meet this target due to the retirement of key management personnel during FY 2011. However, staff was able to make significant progress by meeting with 13 external stakeholder organizations. These organizations represent a broad spectrum of industries subject to Commission regulation. Their input was sought on new areas and types of issues where collaborative processes could foster the settlement of proceedings. Based on suggestions received in these meetings, staff prepared recommendations on additional issues and types of Commission proceedings where collaborative processes may be the most effective. Although the guidelines were not implemented in FY 2011, it will not have a negative impact on overall program performance.
FY 2012 TARGET	Implement rules setting forth guidelines/tariff provisions and initiate pilot programs
FY 2013 TARGET	Conduct study to determine if pilot program should be expanded

****

[4] The FYs 2012 and 2013 Performance Targets reflect adjustments made to the Commission's Strategic Plan as allowed by the GPRA Modernization Act of 2010.

OBJECTIVE 1.2: OVERSIGHT AND ENFORCEMENT

Increase compliance with the Commission's rules and deter market manipulation.

The Commission's oversight and enforcement program takes proactive steps on a variety of fronts to reduce the probability that violations will occur and to detect problems before they become severe or widespread. To prevent market participants and regulated entities from unknowingly violating the Commission's rules, the Commission works with stakeholders to explain the intent and requirements of its rules. In order to increase compliance with its rules, the Commission provides recommendations and guidance to regulated entities.

The Commission aims to prevent market conditions that would hurt competition and lead to unjust and unreasonable rates. This entails ongoing reviews of market behavior and results, a deliberate strategy of disseminating findings, and performing sophisticated analysis of market anomalies. These three integrated activities provide state regulators and the public a comprehensive view of the energy markets. This practice yields an increased level of confidence from the public, which is critical to properly functioning energy markets.

The Commission also ensures that rates are just and reasonable and not unduly discriminatory or preferential by requiring that financial and market information is recorded in a useful form, is transparent, and is in compliance with the Commission's accounting regulations. The Commission also improves competitiveness in wholesale electric markets by preventing the accumulation and exercise of market power as it reviews proposed mergers, dispositions, and acquisitions, thereby ensuring that all such transactions are consistent with the public interest.

It is important for the Commission to have clear rules and requirements and fair processes to guarantee that each entity involved in a Commission investigative or enforcement action understands both the applicable rules and regulations and the due process rights available. These key facets of the Commission's enforcement program ensure that enforcement actions are consistent, fair, and can withstand legal challenges.

The Commission's general oversight and enforcement role is one of its core activities. The Commission will focus on two strategies in support of this critical function.

Strategy 1:	Promote internal compliance programs and self-reporting of violations
Strategy 2:	Use a risk-based approach to plan and prioritize audits of jurisdictional companies' operations

STRATEGY 1

Promote internal compliance programs and self-reporting of violations

The Commission is committed to encouraging better compliance with statutory and regulatory requirements and will continue to engage the public and the regulated community to encourage comprehensive compliance initiatives. Since FY 2008, the Commission has encouraged regulated entities and market participants in electric and natural gas markets to place more emphasis on their internal compliance protocols.

In FYs 2012 and 2013, the Commission will continue to encourage entities subject to the Commission's regulatory requirements to develop robust internal compliance programs and to self-report violations that occur.

Review of compliance programs will be part of the Commission's compliance audits and, as appropriate, will be discussed in publicly available audit reports. The Commission will continue to engage in formal and informal outreach efforts to promote effective compliance programs and to examine compliance practices as a standard component of investigations. In addition, consistent with the 2010 FERC Penalty Guidelines, the Commission may lower the amount of a civil penalty if an organization had an effective compliance program in place at the time a violation occurred. These Penalty Guidelines specify the maximum amount of credit an organization can receive for an effective compliance program, and also allow for partial credit, depending on the particular features of the program. Under the Penalty Guidelines, an effective compliance program could result in a penalty reduction of up to 95 percent when combined with other mitigating factors. In addition to providing credit for effective compliance programs, the Penalty Guidelines also offer substantial guidance to organizations on compliance, specifically describing seven elements organizations should follow to establish effective compliance programs.[5]

As a result of these efforts, the Commission anticipates that it will find, through its audits and investigations, an increase in the number of entities that have implemented effective compliance practices and protocols that are reflective of a culture of compliance. The Commission further expects that this culture of compliance will lead to entities actively addressing and minimizing areas of systematic noncompliance.

The Commission continues to receive self-reports of violations from regulated entities and market participants. In FY 2011, the Commission received 107 self-reports of violations ranging from minor errors in filing requirements to breaches of rules on the use of transmission entitlements or capacity release requirements. Many of the self-reported matters were resolved without any sanctions, while some more serious matters resulted in investigations.

The information gathered from these self-reports is provided to the public and regulated entities in the Commission's annual report on enforcement activities. The 2011 Report on Enforcement was released on November 17, 2011. Such information assists regulated entities in identifying risks to address through their compliance programs and underscores the benefits of self-reporting and voluntary compliance. The Commission expects that as regulated entities and market participants improve their internal compliance monitoring, they will continue to self-report violations.

[5] Revised Policy Statement on Penalty Guidelines, §1B2.1: http://www.ferc.gov/whats-new/comm-meet/2010/091610/M-1.pdf

Seven Elements of an Effective Compliance Program
1. Standards to prevent and detect violations.
2. High-level personnel to ensure the effectiveness of the program and personnel to run the program who have appropriate resources, authority, and access to the governing authority.
3. Preclude individuals who have engaged in violations from positions of authority.
4. Effective training of all levels of personnel.
5. Monitor and periodically evaluate the effectiveness of the program and allow for anonymous reporting without fear of retaliation.
6. Promote and enforce the compliance program through appropriate incentives and disciplinary measures.
7. Respond appropriately to detected violations and prevent further similar violations.

STRATEGY 2

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

The Commission uses a risk-based methodology to prepare an annual audit plan that addresses a variety of audit topics based on the Commission's priorities.

The Commission conducts many audits on a proactive basis to ensure that jurisdictional companies comply with the Commission's authorizing statutes, orders, rules, and regulations. In line with the Commission's key objectives and strategies, an increasing amount of audit staff time is devoted to reviewing jurisdictional companies' compliance programs and providing guidance on enhancing these programs.

In FY 2011, the Commission completed 56 audits of public utilities, natural gas pipelines, and storage companies. These audits resulted in over 300 recommendations for corrective actions in FY 2011. In many cases, the recommended corrective actions improved and strengthened jurisdictional companies' compliance programs. The topic areas of the Commission's FY 2012 audits and those planned for FY 2013 include: demand response, capacity markets, transmission incentives, and affiliated transactions.

The risk assessment considers several sources of information including, but not limited to, forms filed with the Commission, state commissions, and the Securities and Exchange Commission; rate information gathered from Commission filings; pertinent financial information affecting stock and bond prices; a review of Commission and state rate actions; information gleaned from conversations with industry and state officials; and discussions with Commission senior officials and staff.

CORE FUNCTIONS

Execute additional statutory requirements to advance strategic goals and objectives

The Commission advances these two strategies through its core oversight, investigation, enforcement, and accounting functions.

General Oversight and Enforcement

Accounting.

The Commission's accounting program is an instrumental component of its process to ensure that rates established for jurisdictional companies are just and reasonable and not unduly discriminatory or preferential. The program is designed to evaluate financial, market, and other information filed or reported to the Commission for compliance with the Commission's accounting rules. It further provides reasonable assurance that the information used in setting rates is useful, accurate, and transparent. The accounting function also is engaged in, and informs the Commission of, emerging accounting issues that affect jurisdictional industries.

Market Oversight.

Today's ever evolving natural gas and electric markets require increasingly sophisticated data collection and analysis for effective oversight. Both natural gas and electric energy are traded in a variety of ways in a variety of markets which range from extremely complex, requiring in-depth and time consuming data analysis, to relatively straightforward one-to-one interactions. The Commission examines and monitors many elements of the physical and financial energy markets including the structure, operations, and interaction between the natural gas and electric markets, among other things. This regular monitoring of energy markets is designed to maintain market intelligence to identify market anomalies and participant misbehavior.

The Market Oversight Program
Gather large volumes of data to reflect ongoing market conditions
Validate data to ensure accuracy and relevancy
Process data to uncover meaningful patterns
Develop real-time information capabilities to address rapidly developing situations and emergencies
Identify areas of market intelligence to fill in gaps where available market data is inadequate

Market Monitoring and Surveillance.
On an ongoing basis, Commission staff accesses and synthesizes a large variety and quantity of data to review market fundamentals and identify emerging trends. Commission staff reviews this information and develops intelligence on market events as they occur. Analyses of market data also create the ability to identify market outcomes that cannot be readily explained by supply and demand fundamentals. The Commission examines such anomalies to determine, among other things, whether they are indications of possible fraud or manipulation.

In an effort to improve the Commission's ability to identify market misbehavior as it happens, Commission staff has been expanding its routine use of algorithmic screening methods to identify the subtle signs of inappropriate activity. This expanded screening allows the Commission to incorporate data already generated in the markets to more acutely determine market health. The Commission issued Notices of Proposed Rulemakings in April 2011 to collect transmission scheduling data and in October 2011 to collect detailed, market-participant level activity data from the RTOs. Incorporating these data in the routine analysis of the jurisdictional markets will facilitate the Commission's development and evaluation of its policies and regulations and will enhance Commission efforts to detect anti-competitive or manipulative behavior, or ineffective market rules, thereby helping to ensure just and reasonable rates. The Commission staff also performs detailed transaction analysis throughout the lifecycle of market manipulation investigations. This forensic analysis, which requires the assessment of millions of lines of sensitive data, allows the Commission to create a complete picture of the trading activities under review.

Outreach and Communication.
The Commission staff develops and presents its analyses, the annual State of the Markets Report, and seasonal assessments at the Commission's open meetings and subsequently posts this information on the Commission's website.

The Commission's staff also holds monthly conference calls with state energy officials to review developments in natural gas and power markets. This provides state regulators access to and understanding of market information that they may not otherwise obtain and affords the Commission the opportunity to learn of relevant state-level developments.

Transparency.
In order to meet its statutory obligations under the Federal Power Act and the Natural Gas Act, the Commission requires that companies participating in markets under its jurisdiction submit annual and quarterly reports regarding jurisdictional sales, financial statements, and operational data. This information is used by the Commission and market participants for a variety of purposes, including evaluating whether existing rates continue to be just and reasonable.

Of special note is the Electric Quarterly Report which provides the Commission and the public a record of each transaction under the Commission's jurisdiction in the electric market. Electric quarterly report filings are used for post hoc analysis of entities' with market based rate authority. The Commission's staff also analyzes the electric quarterly report data to identify participant level activities in the electric market.

To increase transparency and to adapt to changes in the market since the electric quarterly report was created in 2002 the Commission initiated a rulemaking in April 2011. The proposed rule would require market participants that are excluded from the Commission's jurisdiction under FPA section 205 and that have more than a de minimis market presence to file electric quarterly reports with the Commission. The proposed rule would also provide additional information which would improve market participants' ability to assess supply and demand fundamentals and to price interstate wholesale market transactions. It also would strengthen the Commission's ability to identify potential exercises of market power or manipulation and would aid the Commission in the evaluation of applications for market-based rates, proposed mergers and acquisitions, and enforcement proceedings.

Almost 1,500 companies were authorized to participate in wholesale power markets as of June 2011.

Corporate Activities and Mergers.

The Commission ensures that the disposition, consolidation, or acquisition of jurisdictional facilities is in the public interest by reviewing each proposed transaction to determine its potential effect on rates, regulation, competition, and cross-subsidization.

The Commission will execute its statutory responsibilities to protect customers from affiliate abuse and to guard against cross subsidization by addressing issues stemming from the Commission's oversight of public utility holding companies and by dealing with complex issues associated with ownership and control of utility assets by hedge funds and other non-traditional entities.

In March 2011, the Commission issued a Notice of Inquiry seeking comments on whether it should revise its approach to examining horizontal market power concerns to reflect updated guidelines issued by the Department of Justice and the Federal Trade Commission in August 2010. The Commission's current policy incorporates guidelines issued by these federal agencies in 1992. The Commission is seeking comments on what impact these new guidelines should have, if any, on the Commission's analysis of proposed mergers and its analysis of horizontal market power in its electric market-based rate program.

Investigations and Enforcement.

In FYs 2012 and 2013 the Commission will continue to focus on the following investigation and enforcement priorities:[6]

- Fraud and market manipulation;
- Anticompetitive conduct; and
- Conduct that threatens the transparency of regulated markets.

Conduct involving fraud and market manipulation poses a significant threat to the markets overseen by the Commission. Such misconduct undermines the Commission's efforts to provide for energy services at a reasonable cost because the losses imposed by such actions ultimately are passed on to consumers. Further, anticompetitive conduct and behavior that threatens market transparency undermine the confidence that market participants and consumers have in the energy markets.

While the great majority of market participants act in good faith and observe the relevant rules and regulations, there are instances in which some participants engage in manipulative behavior or violate known requirements when it is in their economic interest to do so. When such instances are suspected or identified, the Commission conducts an investigation.

While investigations are non-public activities, the Commission provides guidance to the regulated community

[6] Investigations and enforcement of reliability standards is discussed in Goal 2, Objective 3: Reliability. This Strategic Objective is reserved for the oversight and enforcement related to Just and Reasonable Rates, Terms, and Conditions and associated Commission rules.

where possible, including in the annual Report on Enforcement. The Commission also has regular interactions with regulated entities, conducts outreach efforts, encourages companies to implement effective compliance programs, and when appropriate, releases reports of investigations of alleged fraud or manipulation. Moreover, if a violation is found after the non-public investigation, most matters become public through a public notice of alleged violations, an order approving settlement or an order to show cause, These actions, and the Commission's demonstrated willingness to impose civil penalties or other sanctions where circumstances warrant, act as a deterrent to fraud, market manipulation and other violations. Furthermore, the Commission's robust oversight and enforcement program provides reassurance to potential infrastructure investors that the markets are actively monitored and rules are consistently enforced.

Depending on its nature and complexity, an investigation can last between three months to well over a year. In FY 2011, the Commission opened 17 new investigations, 10 of which involved market manipulation. In FY 2011, the Commission also imposed or confirmed sanctions in 11 previously investigated matters that resulted in assessments of civil penalties totaling nearly $33 million. These actions continue to build a public record to illustrate to the regulated community and the public the consequences of different types of violations.

Enforcement Hotline.

The Commission operates an Enforcement Hotline whereby the public or industry participants can anonymously provide information to the Commission concerning potential regulatory violations, market anomalies, or market participant misconduct. In FY 2011, the Commission received approximately 160 calls to the Enforcement Hotline, most of which resulted in prompt, informal resolution. However, the Commission opened two investigations, including one manipulation investigation, in FY 2011 as a result of hotline calls.

PERFORMANCE MEASURES AND ANNUAL TARGETS FOR OBJECTIVE 1.2

Performance Measure 8	
Percent of company compliance programs reviewed on Commission audits for the audit focus areas are found to be adequate to demonstrate a culture of compliance.	
FY 2011 TARGET	25%
FY 2011 RESULT	Target met. The Commission found that 63% (5/8) of compliance programs were adequate to demonstrate a culture of compliance.
FY 2012 TARGET	40%
FY 2013 TARGET	55%

Performance Measure 9	
Percent of company compliance programs reviewed through investigations that involve a penalty are found to be sufficiently robust to merit credit to reduce the penalty.	
FY 2011 TARGET	25%
FY 2011 RESULT	Target met. In 32% (32/100) of the relevant cases, the Commission found compliance programs in place at the time of the violation to be sufficiently robust as to merit credit to reduce or eliminate penalties.
FY 2012 TARGET	40%
FY 2013 TARGET	55%

Performance Measure 10	
Percentage of audits included in the audit plan planned based on risk.	
FY 2010 TARGET	40%
FY 2011 RESULT	Target met. 85% (57/67) of the audits were planned by the Commission staff using a risk-based approach.
FY 2012 TARGET	80%
FY 2013 TARGET	80%

****

GOAL 2: INFRASTRUCTURE

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

Introduction.

The Commission has an important role in the development of a strong energy infrastructure that operates safely, reliably and efficiently. The Commission's infrastructure siting authority rests in licensing non-federal hydropower projects, certificating interstate natural gas pipelines and storage projects, authorizing LNG facilities and, in certain circumstances, permitting electric transmission lines. Throughout all of these processes, the Commission remains dedicated to expediting application processing without compromising safety, environmental responsibilities or public participation opportunities. Reconciling these competing interests, however, remains a significant challenge. The Commission believes that issues are best addressed openly and early in the application process, encourages, and in certain circumstances requires, project proponents to engage in early involvement of state and federal agencies, Indian tribes, affected landowners, and the public. Post-authorization, the Commission relies heavily on physical inspections of hydropower and LNG facilities to ensure safety, and in many cases, continues to work with local public and safety officials throughout the life of a project.

The Commission is working towards improving the efficiency of the Nation's infrastructure. Efficient energy infrastructure includes both economic and operational efficiencies realized from the use of new technologies and procedures. The use of certain advanced technologies on the electric transmission system may result in decreased line losses, or it may enable customers to reduce or shift demand. Commission staff is also exploring potential ways for natural gas facilities to recover waste heat energy generated by compressor units and then use that heat to run generators and create electricity.

The Commission's oversight of the development and implementation of mandatory and enforceable reliability standards plays an important role in the protection and improvement of the reliability and security of the Nation's bulk-power system. The ERO and the eight Regional Entities, as approved by the Commission, play vital roles in the Commission fulfilling this responsibility.

Strategic Goal and Objective (Dollars in thousands)		FY 2011 Actual	FY 2012 Estimate	FY 2013 Request	Percent Change FY 2012 to FY 2013
Objective 2.1: Infrastructure Development & Siting	**Funding**	**$ 70,211**	**$ 74,578**	**$ 73,754**	**-1.1%**
	FTE	**335**	**341**	**336**	**-1.5%**
Program	Funding	$ 59,102	$ 62,946	$ 62,041	-1.4%
	FTE	275	279	275	-1.4%
Support	Funding	$ 11,109	$ 11,632	$ 11,713	0.7%
	FTE	60	62	61	-1.6%
Objective 2.2: Safety	**Funding**	**$ 31,282**	**$ 32,347**	**$ 32,579**	**0.7%**
	FTE	**161**	**163**	**161**	**-1.2%**
Program	Funding	$ 25,944	$ 26,787	$ 26,980	0.7%
	FTE	132	133	132	-0.8%
Support	Funding	$ 5,338	$ 5,560	$ 5,599	0.7%
	FTE	29	30	29	-3.3%
Objective 2.3: Reliability	**Funding**	**$ 28,850**	**$ 31,129**	**$ 31,144**	**0.0%**
	FTE	**141**	**156**	**154**	**-1.3%**
Program	Funding	$ 24,161	$ 25,823	$ 25,801	-0.1%
	FTE	116	128	126	-1.6%
Support	Funding	$ 4,689	$ 5,306	$ 5,343	0.7%
	FTE	25	28	28	0.0%
Total Goal 2: Infrastructure	**Funding**	**$ 130,343**	**$ 138,054**	**$ 137,477**	**-0.4%**
	FTE	**637**	**660**	**651**	**-1.4%**

OBJECTIVE 2.1: INFRASTRUCTURE DEVELOPMENT AND SITING

Increase efficient infrastructure consistent with demand.

The Commission will promote the development of efficient energy infrastructure in several ways, including encouraging the use of advanced technologies in developing infrastructure, providing incentive rates for new transmission projects where appropriate, and promoting transmission planning processes that address all stakeholders' needs and result in the development of a more efficient transmission system. In addition to its core infrastructure authorities, the Commission will focus on three strategies to achieve this objective.

Strategy 1:	Encourage new electric transmission facilities that advance efficient transmission system operation
Strategy 2:	Support electric transmission planning through the use of open and transparent processes that include analysis and consideration on a comparable basis of proposed solutions involving any of generation, transmission, and demand resources
Strategy 3:	Promote efficient design and operation of natural gas facilities

STRATEGY 1

Encourage new electric transmission facilities that advance efficient transmission system operation

The lack of adequate transmission facilities creates a significant barrier to trade between markets and among regions. Furthermore, the Nation's electric grid largely uses decades-old technology and has not extensively incorporated new advanced technologies.

Smart Grid.

Advanced technologies have transformed other industries and a similar change is now developing in the electric grid. The development and deployment of such technologies, including smart grid technology has the potential to improve reliability, security and efficiency of the bulk-power system, and to realize the efficiency improvements that are possible on the utility side of the meter.

The "smart grid" concept involves automating the electric grid by outfitting it with smart controls, two-way communications systems, and/or sensors. This has the potential to reduce power consumption through demand response, facilitate grid connection to renewable resources and distributed generation, enable the deployment of storage technologies, and improve grid reliability.

Section 1305 of the Energy Independence and Security Act of 2007 directs the Commission to determine if the NIST work has led to sufficient consensus on smart grid standards and, if so, to initiate a rulemaking through which it may adopt standards and protocols developed by the NIST process to govern the implementation of smart grid technologies. A Technical Conference on Smart Grid Interoperability Standards was held in November 2010 in conjunction with the National Association of Regulatory Utility Commissioners/FERC Collaborative on Smart Response. The Commission convened an additional technical conference in January 2011 and issued a Supplemental Notice in February 2011 soliciting comments on a number of issues. In July 2011, the Commission found that there was insufficient consensus for the five families of standards under consideration. For this reason, the Commission did not institute a rulemaking proceeding with respect to these standards. Instead, the Commission encouraged stakeholders to actively participate in the NIST interoperability framework process to work on the development of interoperability standards and to refer to that process for guidance on smart grid standards.

In FYs 2012 and 2013, the Commission will monitor the development of interoperability standards in the NIST framework process and evaluate standards as appropriate to determine whether there is sufficient consensus for adoption.

Incentive Rates.

In EPAct 2005, Congress directed the Commission to provide incentive rates to encourage development of the Nation's transmission infrastructure, with the goal of ensuring reliability and reducing transmission congestion. In FY 2006, the Commission issued Order No. 679 identifying specific incentives available to qualifying applicants, including: return on equity adders, recovery of 100 percent of prudently incurred abandoned plant costs, inclusion in rate base of 100 percent of prudently incurred construction work in progress, recovery of pre-commercial operations costs, hypothetical capital structures and accelerated depreciation. Since then, the Commission has reviewed more than 75 applications for transmission incentives under Order No. 679.

In May 2011, the Commission issued a Notice of Inquiry seeking comment on the scope and implementation of its electric transmission incentive regulations and policies. Through the Notice, the Commission has sought input from stakeholders regarding the steps it could take in evaluating future requests to ensure that its incentive policies appropriately encourage the development of transmission infrastructure in a manner consistent with its statutory responsibilities. In FYs 2012 and 2013, the Commission will assess the comments received and determine if additional action is appropriate. The Commission also will continue to process requests for incentive rates under applicable statutory and regulatory requirements.

Non-traditional Business Models Supporting New Transmission Investment.

Increasingly, the Commission is asked to approve requests from prospective developers of merchant transmission facilities for authority to offer transmission services at negotiated rates. These requests present the Commission with challenging issues of ensuring that rates are just and reasonable while providing sufficiently clear policy guidance to support non-traditional business models supporting investment in new transmission infrastructure.

In March 2011, the Commission convened a technical conference to obtain further information to aid the Commission in considering issues related to priority access rights for merchant transmission facilities and other transmission facilities developed through non-traditional business models. The Commission will take actions as appropriate in FYs 2012 and 2013 to address these issues.

STRATEGY 2

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

Although ownership of the interstate transmission grid is highly disaggregated, with more than 500 owners, transmission planning must be considered not only on a local basis, but also on a regional basis. To ensure that needed transmission is developed with the interests of all stakeholders in mind, the Commission requires that all public utility transmission providers establish and participate in open and transparent regional transmission planning processes. These processes aim to improve the coordination of transmission planning among utilities and to support the development of an efficient transmission system, facilitating competitive markets by reducing barriers to trade between markets and among regions. To that end, the Commission requires public utility transmission providers to consider alternatives offered by developers in the transmission planning processes, including generation and demand response solutions.

Following an extensive rulemaking process, the Commission in July 2011 issued Order No. 1000, a rulemaking designed to correct deficiencies in the current transmission planning processes and ensure the rates for transmission service are just and reasonable. Specifically, Order No. 1000 requires public utility transmission providers to improve transmission planning processes and allocate costs for new transmission facilities to beneficiaries of those facilities, thereby aligning transmission planning and cost allocation. Order No. 1000 also enhanced the Commission's transmission planning requirements by directing public utility transmission providers to participate in regional transmission planning processes that produce regional transmission plans, provide for consideration of transmission needs driven by public policy requirements established by state or federal laws or regulations, and enable coordination between pairs of neighboring transmission planning regions. The rule also promotes competition in regional transmission planning processes by removing from Commission-approved tariffs and agreements a federal right of first refusal for transmission facilities selected in a regional transmission plan for purposes of cost allocation, subject to certain limitations.

Public utility transmission providers must make compliance filings on most requirements of Order No. 1000 by October 11, 2012, with remaining issues to be addressed by April 11, 2013. In order to assist public utility transmission providers during development of these compliance filings, Commission staff has been and will continue to be actively engaged with regional stakeholders and participate in regional planning meetings throughout FY 2012 and FY 2013. To initiate that effort, the Commission held three informational conferences in September 2011 at its headquarters in Washington, D.C., providing webcast and dial-in access for additional stakeholders seeking to participate.

In FY 2013, the Commission will review the compliance filings it receives to ensure they meet the requirements of Order No. 1000.

STRATEGY 3

Promote efficient design and operation of natural gas facilities

The Commission continues its efforts to explore ways to improve the efficiency in the design and operation of jurisdictional natural gas facilities. In FYs 2010 and 2011, Commission staff examined 40 percent of the Commission's jurisdictional natural gas companies for feasibility of installing waste heat recovery systems. By the end of FY 2011, 23 jurisdictional pipelines have identified 67 stations that meet the initial requirements for feasibility. Commission staff will continue conducting quarterly reviews of Electronic Bulletin Boards[7] to gauge participation across the industry. Staff will also review the FERC Form 567, annual flow diagrams, to identify which companies have facilities that may be candidates for waste heat recovery efforts. By the end of FY 2013, Commission staff will have examined 80 percent of the Commission's jurisdictional natural gas companies for feasibility of installing waste heat recovery systems.

Waste heat recovery is the process of collecting the waste heat emitted from compressor units as a by-product of combustion, and then using that heat to run generators and create electricity.

[7] Electronic Bulletin Boards are internet sites where pipeline companies must post certain information to be in compliance with Part 284.12 and 284.13 of the Commission's regulations.

CORE FUNCTIONS

Execute additional statutory requirements to advance strategic goals and objectives

In addition to these three strategies, the Commission will continue to play a key role in its core function: the development, siting, and regulation of infrastructure, in accordance with its statutory responsibilities.

Hydropower.

Hydropower is an essential component of the Nation's energy portfolio and offers the benefits of a renewable, domestic energy source that supports efficient, competitive electric markets by providing low-cost energy reserves and ancillary services. Hydropower projects may also provide other public benefits such as managed water supply, recreation, economic development, and flood control while minimizing adverse impacts on environmental resources.

The Commission's hydropower responsibilities include: issuance of licenses for the construction of a new project (original licenses as well as small hydro and conduit exemptions); issuance of licenses for the continued operation of an existing project (relicenses), including any primary transmission lines; amendments to existing licenses; and oversight of all ongoing project operations, including dam safety inspections,[8] environmental monitoring, and ensuring compliance with license requirements.

The Commission regulates over 1,600 non-federal hydroelectric projects at over 2,500 dams and impoundments. Together, these projects represent 54 gigawatts of hydroelectric capacity, more than half of all the hydropower in the United States.

Pre-Filing.
The pre-filing process typically begins three years prior to the filing of a license application.[9] Throughout this time, Commission staff will meet with stakeholders to develop study plans and ensure that the licensing proposal will be considered "complete" by the time the application is filed. The Commission anticipates processing 43 pre-filing applications in FY 2013. The Commission expects its staff to attend 44 public information meetings, conduct 19 environmental site reviews and participate in numerous tribal consultations.

Applications.
Commission staff conducts environmental analyses for all filed license and small hydro exemption applications. The Commission is responsible for ensuring that the environmental document analyzes the project's effects on recreation, fisheries, wildlife, water quality, wetlands, and cultural resources and makes recommendations for the protection, mitigation, and enhancement measures to be included in any license issued.

In FY 2011, the Commission acted on 19 applications representing a total capacity of 426 megawatts. The number of applications received is expected to increase through FY 2013 due to increased interest in developing new projects.

In addition to license applications, the Commission processes preliminary permit (permit) applications and monitors compliance with issued permits. A permit guarantees the holder "first-to-file" status for a particular site in cases where multiple applications are received by the Commission for a hydropower license. Permits also allow the holder to study a particular site for up to three years. A permit does not authorize construction, nor is it required to apply for, or receive, a license. The overall complexity and number

[8] The Commission's dam safety program is detailed in Objective 2.2: Safety.

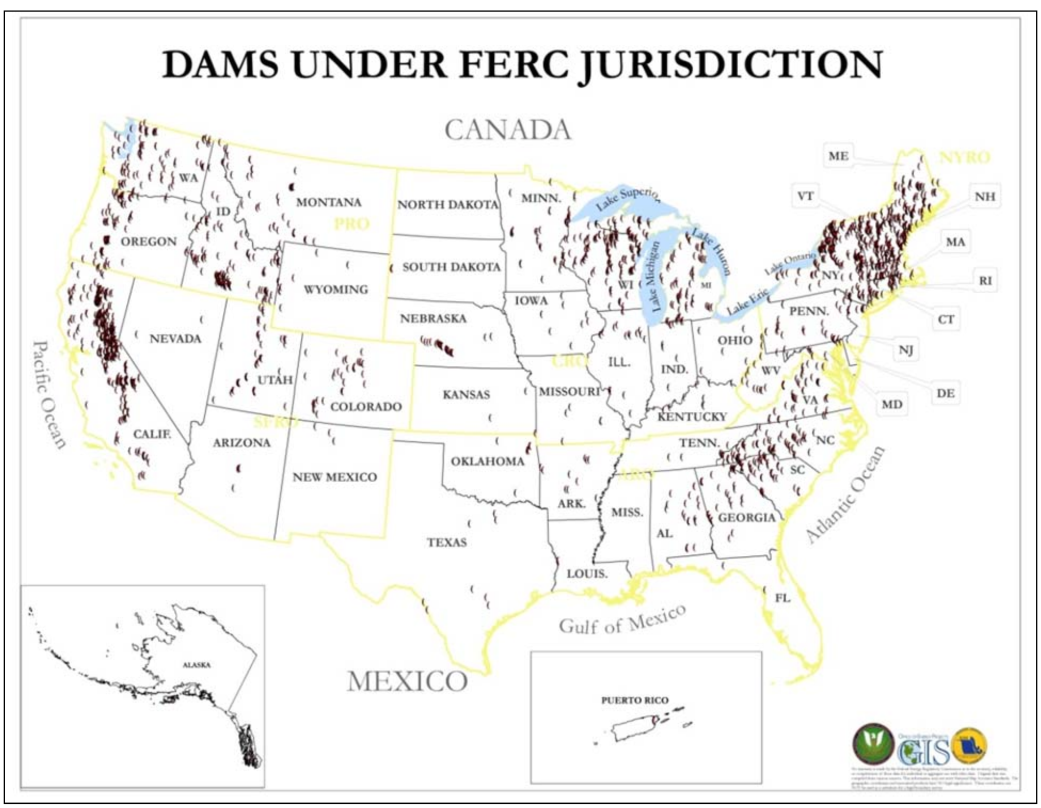
[9] A relicense application must be filed with the Commission no later than two years before the license expires.

of permit applications has dramatically increased over the past several years. In FY 2011, there were nearly 380 permits in effect. The increase in the number of these applications, and their expected continuing upward trend, can be attributed to the current and near-term interest in retrofitting existing dams with hydropower and to new hydro technology research.

Environmental and Engineering Compliance. Hydropower licenses issued by the Commission include terms and conditions that are designed to protect, mitigate, and enhance the environmental resources of project areas. These terms and conditions address such things as water quality, land use, wildlife, water supply, flood control, erosion control, endangered species, recreation, cultural resources, and fish habitat and passage.

As specified by the issued license, licensees are required to implement specific environmental and operational measures, generally after filing detailed plans, proposals and reports regarding the implementation of the measures. In addition, licensees proposing to undertake certain activities not already authorized by the project license must file amendment applications. When changing conditions make meeting their license requirements impossible, licensees also must file for a modification of their license requirement.

The Commission processes these filings, prepares environmental assessments and engineering reports as necessary to review license amendments. The Commission works collaboratively with the licensees and other stakeholders to ensure timely review for adequacy and on-site implementation. In FY 2011, the Commission issued 9 amendments to licenses resulting in an increase in authorized capacity of 50.2 megawatts. In addition, Commission staff processed 19 conduit exemption applications for a total of 28 megawatts of installed capacity. The number of exemption applications is expected to increase in FY 2013 due to the increased interest in small hydropower projects and the execution of the Memorandum of Understanding with the State of Colorado. The MOU will permit Colorado to prescreen applicants and allow for a more efficient processing of the applications.



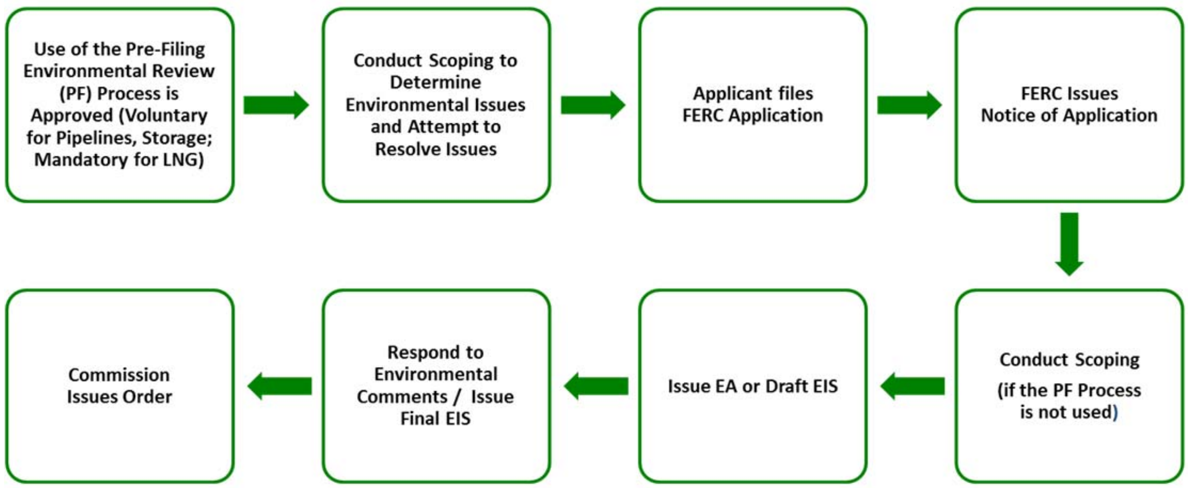
Shoreline Management and Outreach.
Licensees may, with Commission approval, authorize specific uses and occupancies of the project reservoir shoreline that are not related to hydroelectric power production or other project purposes (non-project uses). Examples of non-project uses include, but are not limited to: commercial marinas, private residential boat docks and marinas, shoreline erosion control structures, water withdrawal facilities, certain recreation facilities, utility lines, access roads, bridge crossings, and significant dredging activities. In FY 2011 the Commission staff processed over 65 applications for non-project uses of project lands.

In order to ensure that licensees properly manage licensee-owned lakeshore lands, some licensees prepare and file shoreline management plans. A shoreline management plan is essentially a land use plan, in which a licensee, in consultation with stakeholders and subject to Commission approval, determines what types of development and environmental protection are appropriate on the licensee's shoreline lands. Typically, certain areas are reserved for public recreation; in others, certain uses consistent with residential and commercial development on adjacent, non-project lands are permitted; and some are restricted in order to protect environmental values. Not all projects require shoreline management plans; these plans are generally required where it appears that the project's shoreline may be subject to competing developmental pressures such that public access or environmental resources are at risk. It is important to note that a shoreline management plan is only applicable to lands owned or controlled by a licensee, and has no effect on privately-owned lands in which a licensee has no interest.

In the past several years, the Commission staff has held workshops to assist licensees with specific issues. In FY 2011, staff held a Shoreline Management Workshop in Chelan County, Washington which was attended by over 70 licensees from the entire county to discuss shoreline uses and management along the reservoirs.

Environmental Inspections.
The Commission's on-site environmental inspection program evaluates and assesses implementation and compliance with the environmental and public use requirements of licenses to ensure protection and enhancement of resources at each project. On these inspections, staff identifies common problem areas, enforces the terms and conditions of each license, and assists the licensees with staying in compliance. In FY 2011, staff completed 87 compliance inspections, and approximately 75 inspections are expected to be conducted in FYs 2012 and 2013 each. In addition, staff is working to ensure that approved non-project uses of project lands are constructed as stated in the Commission staff orders. To achieve this, staff has conducted eight special inspections to review the on-site facilities.

Process for Natural Gas Certificates



Natural Gas Pipelines & Storage Projects.

The Commission is responsible for reviewing applications for the construction and operation of natural gas pipelines and other related facilities.[10] To meet the growing demand for natural gas, the Commission must respond to these applications in a timely manner. As in hydropower siting, the pre-filing process engages stakeholders in the identification and resolution of concerns prior to a company filing a certificate application with the Commission. The Commission staff's participation and initiative in these efforts allows for the filing of more complete certificate applications and enables more efficient and expeditious determination by the Commission. As part of the natural gas pipeline certificate application process, the Commission reviews applications to ensure that the proposals are in the public interest. The Commission also assesses applications for embedded accounting issues in pipeline construction, acquisition purchase, and abandonment transactions. Commission staff will identify deficiencies in proposed accounting practices and will recommend appropriate corrective action. These accounting reviews in certificate filings provide greater certainty to pipelines by providing upfront guidance on accounting entries prior to the pipeline seeking formal Commission approval.

Applications.

In FY 2011, the Commission authorized 23 major natural gas pipeline projects which resulted in approximately 380 miles of additional pipeline and over 208,000 horsepower of mainline compression. The Commission also authorized 16 storage projects resulting in approximately 179 billion cubic feet of working gas capacity and 166,310 horsepower of storage compression. A continuing trend in 2011 was the development of projects overlying shale basins that increase the deliverability of existing pipeline systems such as pipeline looping and compressor station additions as well as short pipeline extensions.

[10] Once natural gas pipeline projects become operational, safety is regulated, monitored and enforced by the Department of Transportation.

Due to the continued development of multiple shale plays,[11] the Commission expects the number of natural gas pipeline project applications to increase in FY 2013.

Alaska Natural Gas Pipeline Project.
The Commission's work on the Alaska Natural Gas Pipeline Project comes under a statute passed by Congress in 2004 – the Alaska Natural Gas Pipeline Act. The Commission has been fully engaged in the pre-filing review of two proposals to construct and operate an Alaska natural gas pipeline, extending from the North Slope of Alaska to the Alaska-Canada border (one proposal has an option to build an LNG export supply line to south Alaska). In FY 2011, one of the proposals was withdrawn from the Commission's pre-filing process due to insufficient shipper interest. The Commission will continue to be involved in the pre-filing review of the remaining proposal until a certificate application is filed. In FY 2013, the application review process will require up to four weeks of on-site work in Alaska by the Commission staff.

Environmental Inspections.
The Commission includes environmental protection, mitigation, and enhancement measures in authorizations for natural gas pipelines and storage facilities. While facilities are under construction, Commission staff conducts inspections at least once every 28 days to ensure adherence to the prescribed environmental measures. In FY 2011, 538 natural gas facility compliance inspections were completed. The Commission expects to complete a similar number in each of FYs 2012 and 2013.

[11] Shale is a subsurface geological formation containing natural gas which, through hydraulic fracturing of rock, gas can be produced and shipped to consumers. These geologic formations occur throughout the country and are referred to as shale plays.

Outreach.
The Commission regularly conducts industry training seminars to provide guidance and insight on environmental review and compliance-related matters. These sessions are attended by state, local and federal agency officials, natural gas pipeline companies, and consulting firm staff and provide an opportunity for open dialogue between the Commission staff and these stakeholders. These sessions provide information on the filing requirements for environmental reports, reporting requirements for blanket certificate projects, new regulations, overview of the Commission's Wetland and Waterbody Construction and Mitigation Procedures, and more. These well-attended seminars are instrumental in developing the understanding of and successful adherence to the Commission-issued certificates and authorizations. In FY 2011, Commission staff conducted several outreach sessions that addressed the Commission's certificate and environmental review processes to several natural gas companies and federal permitting agencies. The staff also expanded its outreach efforts to Native American tribes to enhance their participation in the Commission's environmental review process. In FY 2012, the Commission proposes to conduct four seminars and will continue these efforts in FY 2013 when the need presents itself.

LNG Facilities.

The Commission is responsible for reviewing applications for the construction and operation of LNG facilities, analyzing the design of proposed LNG plants, reviewing site compliance with federal safety standards, coordinating with the U.S. Coast Guard on waterway suitability assessments for LNG import/export terminals, completing post-authorization final design review, reviewing design change requests, approving compliance with conditions, and conducting construction and operation inspections (which will be discussed in Objective 2.2: Safety).

Pre-Filing & Applications.
In FY 2011, the Commission conducted the pre-filing review of two projects. The two new

projects involve adding liquefaction facilities at existing LNG terminals to allow the export of domestically produced natural gas. In addition, the Commission continued its review of five applications for new or modified LNG terminals. The Commission expects that the number of applications for LNG facilities will remain steady in FYs 2012 and 2013, but that will ultimately be determined by market conditions.

During FY 2011, the Commission used its enhanced modeling capabilities and expertise to assist the Department of Transportation in the review of alternative vapor dispersion models for use in its federal regulation for LNG facilities. In early FY 2012, the Department of Transportation approved these models. This will allow the Commission to resolve complex technical issues related to flammable vapor dispersion exclusion zones (siting requirements) that have arisen during the project approval process for five new LNG import terminals. The Commission will complete these reviews in FY 2012; however, it will continue to provide the same assistance to the Department of Transportation in FY 2013 if necessary.

Electric Transmission Siting.

States have primary siting authority for electric transmission facilities. In limited circumstances, the Commission has backstop authority over the siting of electric transmission facilities. The Commission will review any eligible transmission siting application submitted to determine whether it satisfies the criteria that Congress established in EPAct 2005 and is consistent with the public interest.

PERFORMANCE MEASURES AND ANNUAL TARGETS FOR OBJECTIVE 2.1

Performance Measure 11	
Percentage of all new transmission projects will incorporate advanced technologies that meet Commission criteria.	
FY 2011 TARGET	10%
FY 2011 RESULT	Target met. Of the projects that met the criteria, 67% (10/15) incorporated advanced technologies.
FY 2012 TARGET	20%
FY 2013 TARGET	35%

Performance Measure 12	
All public utilities will implement open and transparent transmission planning processes that include analysis and consideration on a comparable basis of proposed solutions involving any of generation, transmission, and demand resources.	
FY 2011 TARGET	As appropriate, issue Final Rule on transmission planning process best practices
FY 2011 RESULT	Target met. The Commission issued the final rule, Order No. 1000, Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities, (RM10-23-000) on July 17, 2011.
FY 2012 TARGET	Implement Final Rule as appropriate
FY 2013 TARGET	Monitor implementation and performance

Performance Measure 13	
Percent of jurisdictional natural gas companies examined for feasibility of installing waste heat recovery systems.	
FY 2011 TARGET	40%
FY 2011 RESULT	Target met. Commission staff examined a total of 40% of the Commission's jurisdictional natural gas companies (65 of 159) for feasibility of installing waste heat recovery systems. In FY 2011 specifically, Commission staff examined 32 companies.
FY 2012 TARGET	60%
FY 2013 TARGET	80%

****

OBJECTIVE 2.2: SAFETY

Minimize risk to the public.

The Commission is responsible for the safety of LNG and non-federal hydropower facilities throughout the entire life cycle of a project: design review, construction, and operation.

The Commission's LNG program ensures the safety and reliability of proposed and operating LNG terminals in the United States through a comprehensive review process that includes working very closely with the U.S. Coast Guard, the Department of Transportation, the states, and local governments. This program ensures that approved LNG terminals and associated LNG vessel traffic meet safety and environmental requirements during construction and operation. The Commission can also independently impose safety requirements to ensure or enhance operational reliability of the LNG terminals.

The dam safety program applies advances in technology to address the technical challenges presented by the aging national water resources infrastructure to ensure the jurisdictional dams are safe. While carrying out this core safety function, the Commission will employ a strategy to enhance the dam safety program.

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

STRATEGY 1

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

Risk assessment has been used in the safety assessment of many high consequence industries since the 1960s. Risk-informed decision-making is currently used in dam safety decision making by the U.S. Department of Interior, Bureau of Reclamation (Reclamation), the U.S. Army Corps of Engineers, and dam owners and regulators in Canada, Australia, New Zealand, and the United Kingdom. Reclamation has been a leader in the development of dam safety risk assessment methodologies for over 10 years.

Currently, Reclamation employs RIDM in the process of continuously evaluating the safety of dams under its jurisdiction. Spurred by the effects of Hurricane Katrina, U.S. Army Corps of Engineers, in cooperation with Reclamation and with requested participation from the Commission, developed policies and procedures to guide their use of RIDM.

RIDM has the potential to improve the Commission's dam safety program. It will provide the capability to assess non-traditional failure modes, levelize risk across different loading conditions, focus inspections and surveillance on the specific potential failure modes and monitoring programs at the project and guide remediation projects to provide an overall reduced level of risk at Commission dams.

In FY 2010, the Commission developed and finalized its RIDM Action Plan which outlines the work efforts required through FY 2014 to incorporate RIDM into the Commission's dam safety program. In FY 2011, the Commission was slated to complete a portfolio risk assessment of the FERC dam inventory. Although difficulties in finding and hiring qualified civil engineers with expertise in risk assessment resulted in a delay to the assessment, it is scheduled to be completed by mid-FY 2012. During FY 2013, the Commission expects to make the determination as to whether or not RIDM is consistent with the regulatory process. Under the assumption that it is, the Commission will then apply the appropriate oversight resources to those Commission dams previously identified in the Portfolio Risk Assessment as having the highest risk. During this process, Commission staff will continue to: identify and develop the necessary risk assessment guidelines, procedures and policies, and train Commission staff, dam owners and consultants in the complex risk assessment technology, methods and tools. All current Commission dam safety program components will continue as scheduled during this entire development period.

PERFORMANCE MEASURES AND ANNUAL TARGETS FOR OBJECTIVE 2.2

Performance Measure 14	
Incorporation of risk-informed decision making into the dam safety program.	
FY 2011 TARGET	Portfolio Risk Assessment of FERC Dam Inventory
FY 2011 RESULT	Target not met. In FY 2011 the Commission did not complete the Portfolio Risk Assessment; however, the screening level portfolio risk assessment tool was finalized.
FY 2012 TARGET	Determine RIDM is consistent with regulatory process
FY 2013 TARGET	Finalize policy and technical guidelines

****

CORE FUNCTIONS

Execute additional statutory requirements to advance strategic goals and objectives

Hydropower Facilities.

Dam Safety Program.
Inspections are the backbone of the dam safety program and are an effective tool for detecting and preventing potential catastrophic structural failures. In the event of a dam failure, there can be both loss of life and economic consequences (property damage, environmental impacts and costs associated with loss of use of the resource). Through inspections, the Commission is able to verify that the dams meet current Commission dam safety criteria, identify necessary investigations, remedial modifications or required maintenance, and ensure compliance with license requirements. In FY 2013, the Commission expects to conduct approximately 2,000 inspections.

In addition to conducting inspections, the Commission's dam safety program includes other components to minimize risk to the public. Dam safety engineering guidelines are published to provide guidance to licensee- or consultant-conducted inspections and analyses that includes the procedures and criteria for the engineering evaluation and analysis of hydropower projects. The Commission's surveillance and monitoring component provides methods to better identify and solve dam safety issues and improves coordination, abilities, and trust among all stakeholders. Another component of the dam safety program is the emergency action plans (EAP), which are required for all jurisdictional dams. These plans require the development, maintenance, and periodic testing of project-specific plans, and they help ensure coordination and cooperation among the dam owners, state and local emergency management agencies, and the Commission.

The Commission also requires periodic comprehensive inspections and engineering evaluations of the high and significant hazard potential dams by independent consultants every five years. All independent consultant inspection reports are thoroughly reviewed and evaluated by the Commission to determine whether additional studies are required or if remedial measures are necessary. The Commission reviews approximately 225 independent consultant reports each year to make certain the structural integrity of the jurisdictional dams is maintained or improved as appropriate. The Commission expects the number of independent consultant inspection report reviews to remain steady through FY 2013.

The Frequency of Dam Inspections as Determined by its Hazard Potential Classification

Hazard Potential Classification	Loss of Human Life	Inspection Schedule
High	Probable; one or more expected	Annually
Significant	None Expected	Annually
Low	None Expected	Every 3 years

LNG Facilities.

Construction & Operational Inspections. The Commission is responsible for inspecting LNG facilities during construction and subsequently, during their operation, to ensure compliance with the safety and reliability requirements put into place by the Commission. While facilities are under construction, Commission engineers conduct inspections at least once every eight weeks. In FY 2011, 23 construction and pre-operational inspections were conducted for two new terminals and one peak-shaving plant expansion. The number of construction and pre-operational inspections that may occur in FYs 2012 and 2013 will likely be less than FY 2011, but will ultimately be determined by market conditions, as well as the number of approved LNG facilities that move forward with construction in the next 18 months.

Once in operation, jurisdictional peak-shaving plants are inspected once every other year and LNG import or export terminals are inspected once each year. In FY 2011, 15 operational inspections were conducted for six peak-shaving facilities and nine terminals. By FY 2013, the number of operational inspections will increase to 17 as a result of two new import terminals commencing service.

****

OBJECTIVE 2.3: RELIABILITY

Provide for the reliable operation of the bulk power system through oversight of the development and implementation of mandatory and enforceable standards.[12]

The electric transmission grid of the United States is a complex network connecting almost 1,000,000 megawatts of generating capability to load, through more than 200,000 miles of bulk power transmission lines. The Commission has an important role in overseeing the reliability and security of this grid. For example, the Commission monitors and participates in the development and enforcement of mandatory reliability standards (Reliability Standards) for the bulk power system in the continental United States. These standards apply to all users, owners and operators of the bulk power system. The Commission also monitors system disturbances to identify near and long-term issues affecting the reliability and security of the bulk power system.

The Commission also communicates with various federal and state agencies, international entities and industry participants on emergency reliability and security issues. The Commission will encourage and implement innovative approaches to system reliability and security that will improve the grid's ability to withstand and recover from abnormal events including mitigating vulnerabilities, threats, and attacks.

To maintain the reliability and security of the electric grid, the Commission will focus on three strategies.

Strategy 1:	Process Reliability Standards in a timely manner
Strategy 2:	Monitor, audit, and enforce Reliability Standards
Strategy 3:	Identify reliability parameters that affect goals of reducing carbon and increasing the penetration of renewable energy resources on the electric transmission grid

STRATEGY 1

Process Reliability Standards in a timely manner

The Commission monitors and participates in the development of mandatory Reliability Standards for the bulk power system in the continental United States, primarily through regulatory oversight of the ERO and the eight Regional Entities.

The ERO, among other tasks, is responsible for proposing mandatory Reliability Standards and interpretations of approved standards for the Commission's review and approval. All Reliability Standards and interpretations must be submitted for Commission approval in order to become mandatory and enforceable in the United States.

The ERO must develop these standards through an open and inclusive process that involves extensive negotiation, consultation and coordination among many stakeholders. The eight Regional Entities

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

may also develop and propose regional reliability standards. The Commission does not have statutory authority to author or modify standards or interpretations of standards. However, Commission staff participates as observers in these processes. If the Commission disapproves of a standard or interpretation filed, it must remand the filing to the ERO for reconsideration. The Commission may direct the ERO to develop and submit a new or modified Reliability Standard on a specific matter.

One illustration of this process involves the ERO's first cyber security, or Critical Infrastructure Protection (CIP), Reliability Standards. After these standards were filed for review, the Commission approved them while concurrently directing modifications. As a result of the directives, the ERO has subsequently filed modifications to the approved CIP standards. Further modifications are expected to be filed in FY 2012.

Another example of this process involves several orders issued by the Commission in FYs 2010 and 2011 which first directed and then approved revisions to the ERO's Rules of Procedure. These revisions provide the ERO with a means to respond to Commission directives when its existing reliability standard development process fails to develop a responsive new or modified reliability standard. Additionally, in November 2010, the Commission directed changes to the ERO's definition of the term "bulk electric system" to help ensure consistency in identifying and registering components of the Bulk Electric System that are subject to the approved Reliability Standards across the country.

When proposed Reliability Standards or interpretations are filed for review, it is important that the Commission analyze them and respond in a timely manner because they become mandatory and enforceable only after Commission approval. In FY 2013, the Commission is committed to analyzing and processing proposed Reliability Standards in a timely manner by issuing orders for 80 percent of filed Reliability Standards within 18 months of the filing date. In FY 2011, the Commission exceeded its target of 75 percent by processing 96 percent of filed Reliability Standards within 18 months. Despite these accomplishments, the Commission will continue to explore ways to improve the efficiency and effectiveness of the reliability standards development and implementation process. The Commission held reliability technical conferences in FY 2011 to improve communications and expectations with the electric industry, and to prioritize reliability standards development.

Under section 215 of the FPA, the Commission has jurisdiction over the certified ERO, any Regional Entities, and all users, owners and operators of the bulk-power system in the continental United States.

STRATEGY 2

Monitor, audit, and enforce Reliability Standards

The Commission monitors and participates in the enforcement of the Reliability Standards, primarily through its oversight of the ERO and Regional Entities. As part of that role, the Commission will monitor the ERO's short-term and long-term reliability and adequacy assessments of the bulk power system as well as compile reports on the performance of the bulk power system from information gathered from the ERO, Regional Entities, and other registered entities.

The Commission also fulfills its role by participating in selected ERO-led or Regional Entity-led compliance audits and investigations of users, owners and operators of the bulk power system. The Commission will also perform several independent compliance audits and conduct independent investigations of significant blackouts, system disturbances, cyber security incidents, and other reliability and security issues.

In FY 2011, the Commission concluded one compliance audit, initiated three additional audits, and monitored compliance with the implementation of recommendations from four prior year audits. The Commission also participated in eight Regional Entity-led compliance audits and 12 Regional Entity-led CIPs compliance audits, assessing the quality and execution of the audit programs to identify best practices and areas of improvement across the eight regions, and is currently developing a comprehensive oversight audit schedule for FY 2013. In addition, in FY 2011, the Commission completed four investigations (two approved settlements and two investigations closed without a find of non-compliance). Commission staff continues to work on three ongoing investigations from prior years. As investigations are incident-based, there are none pre-planned for FYs 2012 and 2013, but investigations can be opened if any incidents occur.

In addition, the Commission initiated an inquiry into the February 2011 generating facility outages and disruptions of both electric service and natural gas deliveries experienced in Texas, Arizona, and New Mexico as a result of unusually cold weather across the Southwest. On August 16, 2011, the task force released its report, finding a majority of the electric outages and gas shortages were due to weather-related causes. Although generators and gas producers reported having winterization procedures and practices in place, responses were generally reactive in their approach to winterization and preparedness. The task force attributed most of the electric outages and natural gas shortages to prolonged freezing weather that resulted in dramatically reduced supply and unprecedented high demand.

The Commission also initiated a joint inquiry with the ERO into a September 8, 2011 power outage that left more than 1 million customers in Southern California, Arizona, and Northern Baja Mexico without electricity. The inquiry will focus on causes of the outages.

The ERO is authorized to impose, after notice and opportunity for a hearing, penalties for violations of the Reliability Standards, subject to Commission review and approval. When the Regional Entities or the ERO identifies a violation of a Reliability Standard, whether through self-reports, audits, investigations, or complaints, the ERO submits a notice of penalty filing for Commission approval. The filing includes a record supporting a finding of a violation of one or more Reliability Standards, a proposed penalty, and a mitigation plan to remedy the violation(s) and prevent recurrence. The ERO filed 270 notices of penalty in FY 2011 addressing 1,407 violations (including CIP penalties) of the Reliability Standards for review by the Commission.

In addition, the Commission conducted its first formal review of a filed notice of penalty which, in this case, concerned loss of load due to vegetation contact. Rehearing requests of the Commission's order in the case are pending. In a 2008 guidance order, the Commission stated that formal review would be rare and would consider the seriousness or risk posed by a violation and whether penalties were applied consistently and effectively.

In addition, in March 2011, the Commission issued an order reducing the processing and record burden for "administrative citation" notices of penalty filings. The streamlined approach to notices of penalty for violations that pose a minimal risk to reliability allowed the ERO to expeditiously process 293 of the violations listed above, thereby minimizing its backlog of violations.

Rigorous audits and investigations of potential violations coupled with penalties when appropriate and adequate mitigation plans should lead to a culture of compliance and reduce the frequency of repeat violations of the Reliability Standards. In order to determine the effectiveness of the compliance program, the Commission will continue to track the number and type of violations, particularly those involving high Violation Risk Factors, and measure repeat violations. The Commission's goal is to reduce repeat violations by at least 10 percent by FY 2014.

In addition, as part of its outreach effort in the compliance program, the Commission regularly provides guidance to the industry on both technical and process issues at numerous regional conferences with a goal of facilitating higher levels of compliance. Similarly, the Commission's staff routinely coordinates with the ERO regarding technical and process issues relating to event analyses, investigations and violations triage.

The Violation Risk Factors reflect the relative risk to the bulk-power system associated with a violation of the requirement of a Reliability Standard.

STRATEGY 3

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

Some renewable resources, such as wind and solar, are variable in nature. These renewable resources may require additional reserves to address variations in deliverable energy.

The Commission will identify reliability parameters related to renewable energy resources and the electric transmission grid. In addition, the Commission will assess whether the reliability parameters are feasible for the bulk power system.

The Commission, in FY 2011, issued for public comment a study entitled, "Use of Frequency Response Metrics to Assess the Planning and Operating Requirements for Reliable Integration of Variable Renewable Generation." This report introduced and applied metrics to evaluate the resiliency of the existing electric grids in the three electrical interconnections in the United States.

These metrics will be used to guide the reliable operation of an electric interconnection under changing circumstances and as a planning tool for managing the reliable integration of new resources, including variable renewable generation.

Following the report's issuance, the Commission conducted outreach and reviewed the comments filed by industry and other interested parties.

In FYs 2012 and 2013, the Commission will track equipment changes and developing technologies that have the potential to impact reliability parameters. As necessary, the Commission will conduct additional research to support their reliable integration.

In addition, the Commission's staff will participate in interconnection-wide planning efforts in the electric industry to ensure the reliable development and implementation of infrastructure and resources.

PERFORMANCE MEASURES AND ANNUAL TARGETS FOR OBJECTIVE 2.3

Performance Measure 15	
Percentage of proposed Reliability Standards on which the Commission will issue a Final Rule within 18 months of filing.	
FY 2011 TARGET	75%
FY 2011 RESULT	Target met. 96% of proposed reliability standards have been processed with orders issued within 18 months.
FY 2012 TARGET	75%
FY 2013 TARGET	80%

Performance Measure 16	
Reduction in the number of repeat violations by an audited or investigated entity, particularly of Reliability Standards involving high Violation Risk Factors.	
FY 2011 TARGET	Track violations per entity
FY 2011 RESULT	Target met. Through the tracking mechanism established in FY 2010, staff has been tracking violations per entity during FY 2011 to analyze the current rate of violations and establish a baseline rate. A report analyzing the collected data from Notices of Penalty filed by the ERO was completed by 8/31/11.
FY 2012 TARGET	Track violations per entity
FY 2013 TARGET	Identify number of repeat violations using NOPs

Performance Measure 17	
Reliability parameters that could affect goals of reducing carbon and increasing the penetration of renewable energy resources on the electric transmission grid will be finalized.	
FY 2011 TARGET	Track studies and identify or propose reliability parameters. Perform initial analysis to assess if they are feasible for the bulk-power system
FY 2011 RESULT	Target met. Commission staff performed and completed analyses on the Frequency Response study including identifying reliability parameters. The internal report on Frequency Response was issued in January 2011. The North American Electric Reliability Corporation's (NERC) Reliability Metrics Work Group adopted Frequency Response as a reliability parameter to track on a trial basis.
FY 2012 TARGET	Track studies and identify or propose reliability parameters. Perform expanded analysis to assess if they are feasible for the bulk power system
FY 2013 TARGET	Present analysis to industry

****

AGENCY ADMINISTRATION AND SUPPORT

Initiatives that support all goals, objectives and other core functions.

Hiring Reform

In FY 2011, the Commission completed the implementation of an automated hiring system called Smart Hire to assist with the implementation of hiring reform required by the Presidential Memorandum on Improving the Federal Recruitment and Hiring Process. This system provides direct benefits to job applicants by 1) easily creating and storing multiple resumes on USAJOBS and seamlessly passing the desired resume to FERC's Smart Hire system, 2) receiving auto-generated notification of status of submitted applications, and 3) minimizing the use of essay-based responses and paper-based applications. During FYs 2012 and 2013, the Commission expects the Smart Hire system to improve hiring cycle time and improve status notifications with hiring officials and applicants.

Financial Management System Upgrade

The Commission has maintained its own financial management application through the support of a private contractor and hosting provider since FY 2001. Since its initial implementation, the system has consistently conformed to requirements of the Federal Financial Management Improvement Act. Moreover, the Commission has effectively leveraged the application to support ten consecutive unqualified opinions expressed on its principal financial statements. In its efforts to continue this successful record and to provide for more cost effective operations, the Commission has partnered with a new service provider to support its financial management system and to enhance the automation of ancillary financial functions. In July 2011, the Commission awarded a five-year support contract to a private service provider for application management and hosting support. This new partner will assist the Commission in maintaining a compliant system while upgrading the application's core functionality during the term of this contract.

Additionally, the Commission conducted a comprehensive review of its financial management processes and identified keys areas in which automation could provide greater efficiencies. As such, the Commission implemented an externally-hosted acquisition solution which was integrated with the core financial system in July 2011. This implementation has streamlined business processes and the related transactional processing of acquisition source information within the core accounting application.

The new partnership and the enhanced automation of financial management processes will provide valued services to agency leadership in support of the Commission's mission.

eLibrary Upgrade

The Commission uses a suite of hardware and software called "eLibrary" which functions as the system of record for all FERC-issued orders, industry filings, and public comments. eLibrary is used by all Commission staff and is the single entry point for the public to access docketed information. eLibrary was put into production over 10 years ago and is no longer optimal for the Commission's current IT infrastructure. In order to maintain the services it currently provides, the eLibrary system must be replaced with a modern document management system. In FY 2012, the Commission started the process to procure a new document management system for the Commission and its customers.

Cloud First

In February, 2011 the federal CIO issued a technical strategy for IT projects that requires federal IT departments to consider cloud technologies, where possible, when planning and designing new IT systems. The economies of scale for pricing, combined with unprecedented resiliency, have made cloud infrastructure an important IT asset. To meet the "cloud first" mandate, the Commission has looked to the cloud for current IT needs in email, Freedom of Information Act tracking, and management of contacts.

In FY 2011, the Commission conducted a pilot for a new email system using U.S. General Services Administration (GSA)-approved technologies. The pilot has demonstrated significant cost savings on email service for the Commission while providing a secure, robust infrastructure for messaging. The Commission also will be adding immutable archive capability of messaging data. The email service project includes the following major activities:

- Migrate all emails, calendar, contact data and other email services to cloud data centers.
- Configure mobile devices to securely access the new email system.
- Provide training for all Commission staff and contractors.

A cloud technology also was implemented in FY 2011 to manage the vast stakeholder contact information. The contact management system will increase the availability of the service within the Commission and enhanced capabilities for greater outreach. Other workflow systems, such as Freedom of Information Act tracking, are also being tested and if adopted, will provide better than expected productivity gains in FYs 2012 and 2013.

Wireless Network Access

FERC has deployed a wireless network infrastructure in its headquarters. The wireless network will allow staff to access the network anywhere throughout the headquarters building. Visitors to FERC may also request limited wireless internet access. In FY 2012, FERC will deploy wireless access points to the regional offices.

****

APPENDIX A

Historical Performance Results FY 2007 – FY 2009

Energy Infrastructure Performance Data[13]

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

[13] This performance data is aligned with the former Strategic Goal: Energy Infrastructure.

FY 2007		
Strategy		
Performance Measurement	Performance Target	Data Source
Encourage Investment and Effect Timely Cost Recovery		
Timeliness of applications processed for incentive rates under section 205 of the FPA	Processed by the statutory deadline for rate filings or the applicants' requested date, whichever is later	Target Met. 100% of the 11 statutory incentive rates cases were processed within statutory timeframes.
Process cost recovery cases within reasonable timeframes (including prudently-incurred expenses to safeguard and enhance the reliability, security and safety of the energy infrastructure)	▪ 100% of statutory cases addressed by Commission order within statutory deadlines ▪ 95% of certificate cases within 12 months or applicants' requested date, whichever is later ▪ 90% of cases set for hearing within 12 months of briefs opposing exceptions	Targets Met. ▪ 100% of all 3,164 statutory items, including cost recovery cases, were completed within statutory due dates. ▪ In certificate work, 97%, or 60 of 62 cases requiring rate inserts, were completed timely. Even in the cases that were unavoidably delayed—one due to Coast Guard involvement in approving LNG facility, and the other subject to environmental issues because the company did not use the NEPA pre-filing process—the rate analyses were provided to the lead Office within the required time period. ▪ 100% issued within 12 months.
Establish price volatility baseline	By September 30, 2007	Not Applicable. The Commission proposed to establish a price volatility baseline. The first step in this process was to determine what information was available and reasonable to collect. In FY 2007, staff reviewed available price data and concluded that a price volatility baseline was not feasible. Because of the lack of available data, this performance measure has been discontinued. Program performance was not negatively impacted as a result of not establishing a price volatility baseline.
Establish out-of-merit dispatch baseline	By September 30, 2007	Not Applicable. The Commission proposed to establish an out-of-merit dispatch baseline. The first step in this process was to determine what information was available and reasonable to collect. In FY 2007, staff contacted transmission operators and found that their data is inconsistent across transmission systems and does not allow for meaningful analyses to establish this baseline. Because of the lack of consistent data, this performance measure has been discontinued. Program performance was not negatively impacted as a result of not establishing an out-of-merit dispatch baseline.

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

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

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

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

FY 2008		
Strategy		
Performance Measurement	**Performance Target**	**Results**
Percentage of ILP pre-filing study plan determinations completed	75% within 30 days of applicant filing revised study plan for Commission approval	Target Met. 100% of ILP pre-filing study plans determinations were completed within 30 days of the applicant filing a revised study plan.
Percentage of infrastructure studies completed	▪ 95% for regional and issue-based infrastructure conferences ▪ 95% for Commission- and Congressional-directed studies	▪ Target Met. 100% of regional and issue-based infrastructure studies were completed for regional and issue-based infrastructure conferences. ▪ Target Met. 100% of infrastructure conferences were completed for Commission- and Congressional-directed studies.

Encourage Investment and Effect Timely Cost Recovery		
Timeliness of processing complete applications for incentive rates	▪ 100% of statutory cases processed within statutory deadlines or by applicant's requested date, whichever is later ▪ 80% of declaratory orders filed for Commission action within 180 days of filing date or by applicant's requested date, whichever is later.	▪ Target Met. 100% (16 out of 16) statutory incentive rate cases were processed within the statutory timeframes. ▪ Target Met. 100% filed within 180 days.
Timeliness of processing cost recovery cases (including prudently-incurred expenses to safeguard and enhance the reliability, security and safety of the energy infrastructure)	▪ 100% of statutory cases processed within statutory deadlines or by applicant's requested date, whichever is later ▪ 90% of rate inserts for certificate cases processed within 30 days prior to lead office's target date for completion of pipeline certificate case ▪ 85% of cases that were set for hearing filed for Commission action within 12 months of briefs opposing exceptions	▪ Target Met. 100% (3,498 out of 3,499) statutory items, including cost recovery cases, were processed within statutory deadlines; only one filing missed its deadline by three business days ▪ Target Met. 96% (55 out of 57) of rate inserts were processed within the appropriate timeframe. ▪ Target Met. 100% filed within 12 months of briefs opposing exceptions.
Timeliness of verification of EQR submissions	Within 10 business days of filing due date	Target Met. All EQR submissions were verified within 10 business days.
Percentage of Accounting Inserts completed for inclusion in merit orders on cost recovery proposals for new gas pipeline infrastructure	95%	Target Met. 100% of gas certificate accounting inserts were completed on time.
Percentage of financial accounting filings completed timely	75% within 60 days of filing date	Target Met. 100% of financial accounting filings were completed within 60 days of filing date.
Percentage of reporting requirement filings completed timely	75% within 60 days of filing date	Target Met. 99% of reporting requirement filings were completed within 60 days.

Assure Reliability of Interstate Transmission Grid		
Timely approval of ERO/RE budgets and business plans	Complete by November 1, 2007	Target Met. Order was issued on October 18, 2007.

FY 2008		
Strategy		
Performance Measurement	**Performance Target**	**Results**
Timeliness of processing proposed reliability standards	75% of filed proposed reliability standards are remanded or approved within 18 months, unless found incomplete	Target Met. 100% of Reliability Standards were remanded or approved within 18 months of filing. 100% of Cyber Security Standards were approved within 18 months of being filed.
Review the performance of the ERO	Complete within 12 months of the submission by the ERO of an assessment of its performance	N/A. The ERO's submission is not due until July 2009. The Commission will review the performance of the ERO within 12 months of their submission.
Percentage of ERO / industry reliability readiness evaluations of Reliability Coordinators in which FERC participates	75%	Target Met. Participated in 100% of ERO/industry reliability readiness evaluations of Reliability Coordinators (i.e., California-Mexico, Rocky Mountain-Desert Southwest, SPP, and ERCOT Reliability Coordinators).
Percentage of load served, included in ERO / industry reliability readiness evaluations, in which FERC participates	35%	Target Met. Participated in 11 readiness evaluations which represented 78% of load served.
Percentage of ERO penalty action rulings reviewed or tolled to prevent inappropriate rulings from going into effect by default	100%	Target Met. 100% (37 out of 37) penalty action rulings were reviewed to prevent inappropriate rulings from going into effect. They were accepted by operation of law, *Guidance on Filing Notices of Penalty*, 124 FERC ¶ 61,015 (July 3, 2008)

Protect Safety at LNG and Hydropower Facilities		
Percentage of high- and significant-hazard-potential dams inspected annually	100%	Target Met. 100% of high- and significant-hazard-potential dams were inspected.
Percentage of high- and significant-hazard-potential dams that either meet all current structural safety standards or are undergoing investigation or remediation	100%	Target Met. 100% of high- and significant-hazard-potential dams met all current structural safety standards or are undergoing investigation or remediation.
Percentage of LNG import terminals inspected annually	90%	Target Met. 100% of the LNG import terminals were inspected.
Percentage of LNG peak-shaving facilities inspected biennially	90%	Target Met. 100% of peak shaving plants were inspected according to the biennial schedule.

FY 2008		
Strategy		
Performance Measurement	**Performance Target**	**Results**
Percentage of LNG facilities that meet all current safety standards or are subject of a compliance letter	100%	Target Met. 100% of the LNG facilities either met all current safety standards or received a compliance letter.
Percentage of qualifying dams that either comply with EAP requirements or are conducting follow-up action(s) on outstanding item(s)	100%	Target Met. 100% of qualifying dams comply with EAP requirements or are conducting follow-up action(s) on outstanding item(s).
Control access to CEII	No instances of improper access or improper denial affecting national security or Commission proceedings	Target Met. No instances.

Incorporate Environmental Considerations into Commission Decisions		
Timeliness of issuing environmental licensing requirements	Licensing responsibility letters sent within 60 business days of license issuance date	Target Met. All licensing responsibility letters were issued within 60 days of license issue date.
Percentage of final NEPA documents issued for ALP/TLP cases: ▪ with settlement agreements ▪ without settlement agreements	▪ 75% within 12 months of settlement filing date ▪ 75% within 24 months of REA date	▪ Target Met. 100% of final NEPA documents were issued for ALP/TLP cases with settlement agreements within 12 months of the settlement filing date ▪ Target Met. 100% of final NEPA of final NEPA documents were issued for ALP/TLP cases without settlement agreements within 24 months of the REA date
Percentage of qualifying, major, onshore-pipeline projects inspected during ongoing construction activity	90% of projects inspected at least once every four weeks	Target Met. 98% of qualifying, major, onshore-pipeline projects were inspected at least once every four weeks during ongoing construction activity.

FY 2009		
Strategy		
Performance Measurement	**Performance Target**	**Results**
Resolve Regulatory and Other Challenges to Needed Development		
Timeliness of processing complete filings containing amendments to non-independent electric transmission provider OATTs	100% processed by statutory due date or applicant's requested date, whichever is later	Target Met - 100% of the 62 amendments to non-RTO/ISO OATTs were completed within the 60-day statutory timeframe
Issue Alaska Gas Pipeline Reports to Congress	Issue Reports in February and August 2009	Target Met. Reports issued in February and August 2009.
Percentage of pipeline certificate cases with no precedential issues completed	▪ 90% of unprotested cases within 159 days of filing ▪ 90% of protested cases within 304 days of filing	▪ Target Met. 96.8% of unprotested cases completed within 159 days of filing ▪ Target Met. 100% of protested cases completed within 304 days of filing

FY 2009		
Strategy		
Performance Measurement	**Performance Target**	**Results**
Percentage of pipeline certificate cases of first impression or containing larger policy implications completed	90% within 365 days of filing	Target Met. 94.7% of first impression cases completed within 365 days of filing
Percentage of pipeline certificate cases requiring a major environmental assessment or EIS completed	90% within 480 days of filing	Target Met. 100% of major cases completed within 480 days of filing
Percentage of NEPA documents completed for projects utilizing the pre-filing processes	85% within 8 months of determining a pipeline or LNG facility application complete	Target Met. 100% of NEPA documents completed for projects utilizing the pre-filing process within 8 months of determining an application was complete
Percentage of qualifying LNG plants inspected during ongoing construction activity	90% of plants inspected every 8 weeks	Target Met. 100% of qualifying LNG plants were inspected at least once every 8 weeks during ongoing construction activity
Percentage of ILP pre-filing study plan determinations completed	75% within 30 days of applicant filing revised study plan for Commission approval	Target Met. 100% of determinations were completed within 30 days of applicant filing revised study plan for Commission approval
Percentage of infrastructure studies completed	▪ 95% for regional and issue-based infrastructure conferences ▪ 95% for Commission- and Congressional-directed studies	▪ Target Met. 100% studies completed for regional and issue-based infrastructure conferences ▪ Target Met. 100% studies completed for Commission- and Congressional-directed studies
Percentage of electric transmission siting cases completed	90% within 365 days of filing	n/a. One electric transmission case entered the pre-filing stage, but it was withdrawn.
Timeliness of processing complete applications for incentive rates	▪ 100% of statutory cases processed within statutory deadlines or by applicant's requested date, whichever is later ▪ 80% of declaratory orders filed for Commission action within 180 days of filing date or by applicant's requested date, whichever is later.	▪ Target Met - 100% of the 15 statutory incentive rate cases were processed within the statutory timeframes ▪ Target met; 100% (6 of 6) of declaratory orders related to incentive rates were filed within target dates.
Timeliness of processing cost recovery cases (including prudently-incurred expenses to safeguard and enhance the reliability, security and safety of the energy infrastructure)	▪ 100% of statutory cases processed within statutory deadlines or by applicant's requested date, whichever is later ▪ 90% of rate inserts for certificate cases processed within 30 days prior to lead office's target date for completion of pipeline certificate case ▪ 85% of cases that were set for hearing filed for Commission action within 12 months of briefs opposing exceptions	▪ Target Met - 100% of the 3,808 statutory items, including cost recovery cases, were processed within the statutory deadlines ▪ Target Met. Provided timely rate inserts for 94% (47 out of 50) of the cases that were targeted for completion by the lead office during the fiscal year ▪ Target not met; 50% (2 of 4) filed within 12 months of Briefs Opposing Exceptions.
Timeliness of verification of EQR submissions	Within 10 business days of filing due date	Target met. 100 percent of EQR submissions were verified within 10 business days.
Percentage of Accounting Inserts completed for inclusion in merit orders on cost recovery proposals for new gas pipeline infrastructure	95%	Target met. 100 percent of gas certificate accounting inserts were completed on time.
Percentage of financial accounting filings completed timely	75% within 60 days of filing date	Target met. 97 percent of financial accounting filings were completed on time.
Percentage of reporting requirement filings completed timely	75% within 60 days of filing date	Target met. 100 percent of reporting requirement filings were completed within 60 days.

FY 2009		
Strategy		
Performance Measurement	**Performance Target**	**Results**
Assure Reliability of Interstate Transmission Grid		
Timely approval of ERO/RE budgets and business plans	Complete by November 1, 2008	Target met. The draft order approving the 2009 ERO/RE budgets and business plans was issued in Docket No. RR08-6-000 on October 16, 2008.
Timeliness of processing proposed reliability standards	75% of filed proposed reliability standards are remanded or approved within 18 months, unless found incomplete	Target met. 100% of filed reliability standards have orders issued within 18 months.
Review the performance of the ERO	Complete within 12 months of the submission by the ERO of an assessment of its performance	n/a. ERO performance assessment filing was made on July 20, 2009 in Docket No. RR09-7-000, with a targeted completion date of December 2009.
Number of ERO Regional Entity compliance audits in which FERC participates	At least one in each of the eight regions	Target met. Participated on 8 Regional Entity audits, one in each region, by June 25, 2009.
Percentage of ERO / industry reliability readiness evaluations of Reliability Coordinators in which FERC participates	75%	N/A. The ERO/industry reliability readiness evaluations of Reliability Coordinators were discontinued in FY2009.
Percentage of load served, included in ERO / industry reliability readiness evaluations, in which FERC participates	35%	Target Met. Participated in 2 readiness evaluations which represented 78% of load served.
Percentage of ERO penalty action rulings reviewed or tolled to prevent inappropriate rulings from going into effect by default	100%	Target met. In FY 2009, 35 Notices of Penalty covering 83 violations were filed. All 35 were reviewed for appropriateness of the finding of violation and penalty and accepted by operation of law, with a public notice of each acceptance issued within the required period for Commission action.
Assess Notices of Alleged Violation and Sanction received from the ERO	Review 60% of Notices of Alleged Violation and Sanction received from ERO within two weeks of receipt for appropriateness of sanction	Target met. In FY2009, 149 Notices of Alleged Violations and Sanctions covering 579 alleged violations were submitted through the portals. Each was reported on and recorded routinely by way of (1) The Overview of Reliability Orders, Matters and Deadlines Chart, and (2) The Pending Case Report prepared by the Division of Investigations.
Timeliness of reporting to the Commission on ERO and Regional Entity audits	Within 120 days of the Commencement Letter	Target met. 100 percent (3/3) of Regional Entity audits reported to the Commission within 120 days.
Percentage of ERO and Regional Entity audit recommendations issued and implemented	90% within 6 months	Target met. 100 percent (20/20) of Regional Entity audit recommendations implemented in 6 months.

Energy Infrastructure Performance Data[14]

FY 2007		
Strategy		
Performance Measurement	Performance Target	Data Source
Employ Best Practices In Market Rules		
Timeliness of review of proposed market rules	By the statutory due date or the applicants' requested date, whichever is later	Target Met. All 358 filings from PJM, ISO-NE, NYISO, NEPOOL, SPP, Midwest ISO, and California ISO were acted on by statutory due dates.
Percentage of proposed NAESB business practice standards rulemakings completed	▪ 100% of unopposed rulemakings within 9 months ▪ 100% of all rulemakings within 12 months	Targets Met. The Commission issued two NAESB business practice standards rulemakings during the fiscal year, both completed within 9 months of issuance of the notice of proposed rulemaking, as follows: Docket No. RM05-5-003; NOPR issued February 20, 2007; Final Rule, Order No. 676-B, "Standards for Business Practices and Communication Protocols for Public Utilities," issued April 19, 2007; and Docket Nos. RM96-1-027 and RM05-5-001; NOPR issued October 25, 2006; Final Rule, Order 698, "Standards for Business Practices for Interstate Natural Gas Pipelines; Standards for Business Practices for Public Utilities," issued June 25, 2007.
Timeliness of applications processed on requests to encourage demand response in organized markets	Within 60 days of filing date or applicants' requested date, whichever is later	Target Met. All 15 filings were acted on within 60-day statutory due dates.
Reduce Barriers to Trade Between Markets and Among Regions		
Timeliness of review of filings to reduce or eliminate seams between organized markets	By the statutory due date or the applicants' requested date, whichever is later	Target Met. All 10 filings dealing with seams issues were completed by statutory due dates. In addition, two major orders were issued related to the California ISO's Market Redesign Technology Update (MRTU) addressing seams issues between CAISO and neighboring systems in the Western Interconnect. A technical conference was held on December 15, 2006, in Phoenix, Arizona, to address these western seams issues; and on March 29, 2007, a second conference was held in Washington, DC, to address eastern seams issues.

[14] This performance data is aligned with the former Strategic Goal: Competitive Markets.

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Assure Proposed Mergers and Acquisition Are in the Public Interest		
Percentage of merger authorizations upheld by the courts	90%	Target met. 100% of merger authorizations have been upheld by the courts.
Percentage of merged applicants reporting on compliance with merger conditions imposed by the Commission	100%	Target Met. 100% of the 9 merger applicants reported on compliance, *if* or *as* applicable, with the four types of conditions—summary, notice of consummation, proposed accounting entries, and additional conditions—imposed by the Commission. It should be noted that most of the "additional" conditions only require compliance in the event that the merger applicants subsequently take some specific action. For example, in 5 of the 9 mergers, the Commission imposed a "hold-harmless" condition, requiring that if the applicants seek to recover merger-related costs through jurisdictional rates, they must show offsetting merger-related cost savings. As of yet, none of the applicants have sought to recover any merger-related costs, so they haven't needed to make a compliance filing.
Timeliness of processing applications for the disposition, consolidation, or acquisition under section 203 of the FPA, of jurisdictional facilities (including transactions involving certain transfers of generation facilities and public utility holding company transactions, and issues of cross subsidization or encumbrances of utility assets)	▪ Within 180 days for non-major mergers ▪ Within 360 days for major mergers	Targets Met. ▪ 100% of the 100 non-major dispositions were completed within 180 days. ▪ 100% of the 9 major merger cases were completed within 360 days.
Address Market Power in Jurisdictional Wholesale Markets		
Revise open access transmission tariff	Issue final rule by June 30, 2007	Target Met. Docket Nos. RM05-17-000 and RM05-25-000; Final Rule, Order 890, "Preventing Undue Discrimination and Preference in Transmission Service," issued February 16, 2007.
Timeliness of processing initial market-based rate filings	Within 60 days of filing date or by applicant's requested date, whichever is later	Target Met. 100% of the 167 initial market-based rate applications were completed by the established target date.

FY 2007		
Strategy		
Performance Measurement	Performance Target	Data Source
Develop generation market power screens for electric market based rates	Issue final rule by June 30, 2007	Target Met. Docket No. RM04-7-000; Final Rule, Order 697, "Market-Based Rates for Wholesale Sales Of Electric Energy, Capacity And Ancillary Services By Public Utilities," issued June 21, 2007.
Act timely on complaints	80% within 60 days or, for fast-track cases only, within the designated timeframe	Target not met; 78%. The performance goal was set at an approximate target level, and the deviation from that level is slight. There was no effect on overall program or activity performance.

FY 2008		
Strategy		
Performance Measurement	Performance Target	Results
Employ Best Practices in Rules		
Percentage of initial orders completed on third-party complaints	▪ 75% filed with the Commission within 60 days of the date of the answer or by complainant's requested date, whichever is later ▪ 90% filed with the Commission within 180 days of the date of the answer, or by complainant's requested date, whichever is later	▪ Target Met. 83% (40 of 48) filed within 60 days of the date of the answer. ▪ Target met. 98% (47 of 48) filed within 180 days of the date of the answer.
Timeliness of review of proposed RTO/ISO market rules	100% by the statutory due date or the applicant's requested date, whichever is later	Target Met. 100% (410 out of 410) filings from PJM, ISO-NE, NYISO, NEPOOL, SPP, Midwest ISO, and California ISO were acted on by statutory due dates
Percentage of proposed NAESB business practice standards rulemakings completed	100% of all proposed rulemakings within 12 months of receipt of comments	Target Met. The Commission issued one NAESB business practice standards rulemaking. Docket No. RM05-5-005, NOPR issued April 21, 2008; Final Rule, Order No. 676-C, "Standards for Business Practices and Communication Protocols for Public Utilities," issued July 21, 2008 (three months later)
Timeliness of processing cases that encourage demand response in organized markets	100% of statutory cases processed within statutory deadlines, or by the applicant's requested date, whichever is later	Target Met. 100% (10 out of 10) filings were acted on by statutory due dates.
Industry and state outreach to increase Commission awareness and understanding on emerging energy issues	Participate in and/or facilitate 10 sessions per quarter	Target Met. Participated in and/or facilitated 34 sessions in first quarter, 36 sessions in second quarter, 33 sessions in third quarter, and 28 sessions in fourth quarter.

FY 2008		
Strategy		
Performance Measurement	**Performance Target**	**Results**
Reduce Barriers to Trade Between Markets and Among Regions		
Timeliness of processing complete filings to reduce or eliminate border utility issues between markets	100% processed by the statutory due date or applicant's requested date, whichever is later	Target Met. 100% (6 out of 6) filings dealing with border utility issues between markets were completed by statutory due dates.
Assure Proposed Mergers and Acquisitions are in the Public Interest		
Timeliness of processing complete filings for the disposition, consolidation, or acquisition, under section 203 of the FPA, of jurisdictional facilities (including transactions involving certain transfers of generation facilities and public utility holding company transactions, and issues of cross subsidization or encumbrances of utility assets)	100% processed within 180 days fornon-major dispositions 100% processed within 360 days for major dispositions	Target Met. 100% (142 out of 142) of non-major dispositions were completed by the statutory deadlines Target Met. 100% (7 out of 7) of major merger cases were completed by the statutory deadline.
Address Market Power in Jurisdictional Wholesale Markets		
Timeliness of processing initial electric market-based rate filings	100% processed within 60 days of the filing date of a complete application or by applicant's requested date, whichever is later	Target Met. 100% (156 out of 156) of initial market-based rate applications were completed by the established target date.

FY 2009		
Strategy		
Performance Measure	**Performance Target**	**Results**

Employ Best Practices in Rules		
Percentage of initial orders completed on third-party complaints	▪ 75% filed with the Commission within 60 days of the date of the answer or by complainant's requested date, whichever is later ▪ 90% filed with the Commission within 180 days of the date of the answer, or by complainant's requested date, whichever is later	▪ Target met; 78% (28 of 36) filed within 60 days. ▪ Target met; 97% (35 of 36) filed within the 180 days.
Timeliness of review of proposed RTO/ ISO market rules	100% by the statutory due date or the applicant's requested date, whichever is later	Target Met - 100% of the 221 filings from PJM, ISO New England, New York ISO, Southwest Power Pool, Midwest ISO, and California ISO were acted on by the statutory due dates
Timeliness of processing cases that encourage demand response in organized markets	100% of statutory cases processed within statutory deadlines or by the applicant's requested date, whichever is later	Target Met - 100% of the 15 filings to encourage demand response were acted on by the statutory deadlines
Industry and state outreach to increase Commission awareness and understanding on emerging energy issues	Participate in and/or facilitate 10 sessions per quarter	Target Met - Participated in and/or facilitated 23 sessions in the first quarter, 24 sessions in the second quarter, 17 sessions in the third quarter, and 11 sessions in the fourth quarter of the fiscal year

FY 2009		
Strategy		
Performance Measure	**Performance Target**	**Results**
Reduce Barriers to Trade Between Markets and Among Regions		
Timeliness of processing complete filings to reduce or eliminate border utility issues between markets	100% processed by the statutory due date or applicant's requested date, whichever is later	Target Met - 100% of the 8 filings dealing with border utility issues between markets were completed by the statutory due dates
Assure Proposed Mergers and Acquisitions are in the Public Interest		
Timeliness of processing complete filings for the disposition, consolidation, or acquisition, under section 203 of the FPA, of jurisdictional facilities (including transactions involving certain transfers of generation facilities and public utility holding company transactions, and issues of cross subsidization or encumbrances of utility assets)	100% processed within 180 days for non-major dispositions 100% processed within 360 days for major dispositions	Target Met - 100% of the 95 non-major dispositions and the 1 major merger case were completed by the established deadlines
Address Market Power in Jurisdictional Wholesale Markets		
Timeliness of processing initial electric market-based rate filings	100% processed within 60 days of the filing date of a complete application or by applicant's requested date, whichever is later	Target Met - 100% of the 189 initial market-based rate applications were completed by the established target date
Revise and clarify Standards of Conduct	Issue Final Rule by December 31, 2008	Target met. Order No. 717 revising Standards of Conduct for Transmission Providers issued October 16, 2008, and became effective November 26, 2008.

Enforcement Performance Data[15]

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

[15] This performance data is aligned with the former Strategic Goal: Enforcement.

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

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

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

FY 2008		
Strategy		
Performance Measure	**Target**	**Results**
Identify and remedy problems with structure and operations in energy markets		
Regular monitoring of natural gas and electric markets with significant issues of market structure and operations identified	Weekly reporting of significant issues of market structure and operations	Target Met. 45 Weekly Market Reviews (WMR) were produced. In 2 other instances, market conditions were summarized at the Commission's monthly meeting. In addition to the 45 WMRs published, 13 special reports providing in-depth analysis of emerging market issues were also published.
Timeliness of actions on significant issues identified by regular monitoring of natural gas and electric markets	Within 6 months of completed report	Target Met. Actions on all significant issues were completed within 6 months.
Complete transition of consolidated reporting to a web strategy	Complete by June 30, 2008	Target Met. The transition of this web strategy was completed in March 2008 when the State of the Markets report was published to the Oversight page (http://www.ferc.gov/market-oversight/market-oversight.asp) on the external FERC website.

Establish clear and fair processes		
Apply current clear and fair processes to investigations during the fiscal year	Provide recommendations to the Commission for each proposed remedy and penalty with clear and consistent criteria	Target met. The Commission was provided with a written memo and recommendations for each of the six settlements approved in FY 2008.
Develop and provide further guidance to the industry on FERC's expanded penalty authority	By September 30, 2008	Target met. The revised Policy Statement on Enforcement was issued on May 15, 2008.
Timeliness of reporting to the Commission on operational audits	Within 120 days of the Commencement Letter	Target Met. 100% (30 out of 30)
Percentage of operational audit recommendations issued and implemented	90% within 6 months	Target Met. 99% (94 out of 95)
Timeliness of reporting to the Commission on financial audits	Within 120 days of the Commencement Letter	Target Met. 100% (37 out of 37)
Percentage of financial audit recommendations issued and implemented	90% within 6 months	Target Met. 100% (23 out of 23)
Conduct investigations promptly and impose penalties where appropriate		
Timeliness of initiating or deciding action on MMU referrals	80% acted on within 30 days	Target Met. 100% acted on within 30 days.
Percentage of enforcement investigations not including market manipulation issues completed	75% within one year of initiation	Target Met. 89% completed within one year of initiation.
Percentage of market manipulation enforcement investigations completed	75% within two years of initiation	Target Met. 100% completed within two years of initiation.
Percentage of Hotline calls resolved	70% within 2 weeks of initial contact	Target Met. 78% resolved within 2 weeks of initial contact.

FY 2008		
Strategy		
Performance Measure	**Target**	**Results**
Encourage self-policing and -reporting of violations		
Percentage of regulated entities audited to ensure internal compliance programs and processes are in place	85% of regulated entities included in annual audit plan	Target Met. 97% (77 out of 79).
Process complete requests for "No Action"	Within 60 days of receipt of final request	Target Met. All five requested no-action letters were all completed in less than 60 days.
Timeliness of reporting on compliance issues raised by regulated entities	Reports completed monthly	Target Met. Monthly pending case reports were issued for self-reports of compliance issues.

FY 2009		
Strategy		
Performance Measure	**Performance Target**	**Results**
Identify and remedy problems with structure and operations in energy markets		
Regular monitoring of natural gas and electric markets with significant issues of market structure and operations identified	Weekly reporting of significant issues of market structure and operations	Target Met. The Division of Energy Market Oversight (DEMO) produced a Weekly Market Review (WMR) in 48 weeks during FY 2008. The weeks during which we did not publish a WMR occurred during holiday periods. These WMRs included 24 special reports that provided in depth analysis of emerging market issues.
Timeliness of actions on significant issues identified by regular monitoring of natural gas and electric markets	Within 6 months of completed report	Target Met. The Division of Energy Market Oversight completed all items within 6 months.
Establish clear and fair processes		
Apply current clear and fair processes to investigations during the fiscal year	Provide recommendations to the Commission for each proposed remedy and penalty with clear and consistent criteria	Target met. Submitted recommendations for civil penalties to be assessed on 16 subjects. Each recommendation included discussion of facts, analysis of applicable Policy Statement factors, and comparison to actions taken in similar cases.
Timeliness of reporting to the Commission on operational audits	Within 120 days of the Commencement Letter	Target met. 100 percent (19/19) of operational audits reported to the Commission within 120 days.
Percentage of operational audit recommendations issued and implemented	90% within 6 months	Target met. 99 percent (75/76) of operational audit recommendations implemented in 6 months.

FY 2009		
Strategy		
Performance Measure	**Performance Target**	**Results**
Timeliness of reporting to the Commission on financial audits	Within 120 days of the Commencement Letter	Target met. 100 percent (9/9) of financial audits reported to the Commission within 120 days.
Percentage of financial audit recommendations issued and implemented	90% within 6 months	Target met. 100 percent (36/36) of financial audit recommendations implemented in 6 months.

Conduct investigations promptly and impose penalties where appropriate		
Timeliness of initiating or deciding action on MMU referrals	80% acted on within 30 days	Target met. Four MMU referrals were received and all were acted on within 30 days.
Percentage of enforcement investigations not involving market manipulation issues completed	75% within one year of initiation	Target not met. 41% of non-manipulation investigations completed in FY 2009 (9 of 22) were completed within one year. This target was missed due to circumstances surrounding two major market manipulation cases in which management was required to shift staff resources from non-market manipulation cases to these two high-profile market manipulation cases. This did not have a negative impact on the performance of the enforcement program. To the contrary, the successful outcome of these market manipulation cases demonstrates the strength of the Commission's enforcement program. The Commission has consistently met this target in previous years.
Percentage of market manipulation enforcement investigations completed	75% within two years of initiation	Target met. All market manipulation investigations completed in FY2009 were completed within two years.

FY 2009		
Strategy		
Performance Measure	Performance Target	Results
Encourage self-policing and -reporting of violations		
Percentage of regulated entities audited to ensure internal compliance programs and processes are in place	85% of regulated entities included in annual audit plan	Target met. 100 percent of regulated entities included in annual audit plan audited to ensure internal compliance programs and processes are in place.
Process complete requests for "No Action"	Within 60 days of receipt of final request	Target not met. Three out of four No-Action letters were issued in fewer than 60 days; the fourth was issued in 69 days. This did not have a negative impact on the program.
Timeliness of reporting on compliance issues raised by regulated entities	Reports completed monthly	Target met. Compliance issues raised by regulated entities are reported monthly as part of the DOI Pending Case Report.

Supporting Initiatives Performance Data[16]

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

[16] This performance data is aligned with the former Strategic Plan's Supporting Initiatives section.

FY 2007		
Performance Measurement	**Performance Target**	**Data Source**
Federal FTE time is mapped through systems to workload and strategic goals and objectives	Fully implemented by September 30, 2007	Target Not met. With the deployment of ATMS Phase 2 in February FY07 the following offices are fully able to map workload to strategic goals and objectives using an enterprise-wide system: OAL, OED, OGC, and OEMR (now OEMR and OER). For the following offices, some divisions are able to map workload to strategic goals and objectives using an enterprise-wide system while other divisions can map workload to strategic goals and objectives but must continue to use legacy, departmental, and/or cuff systems: OEA, OALJ, OE, OEP. Mapping of workload in terms of FTE time requires both a revision of budget reporting codes and development of a report that correlates information in the enterprise-wide workload tracking system with information in the FERC HR system. The complete implementation of all ATMS phases will take longer than planned due to contract staffing reductions from funding shortages under a yearlong FY 2007 continuing resolution and because the effort was underestimated. A detailed plan for ATMS Phase 3 is currently under review and the target may not be fully met in FY 2008.
Align Commission costs to strategic objectives	Complete by September 2007	Target Met. The FY2009 Budget Request has been structured to map both FTEs and the Commissions costs to strategic objectives and was completed on September 10, 2007.
Percentage of vendor payments made by established due dates	99%	Target Not Met. During FY07, the Commission processed 97.1% (1897 out of 1953) of payments in compliance with Prompt Payment Act deadlines. 37 of the 56 late payments did not result in interest begin paid to the vendor. The failure to meet this target did not have an adverse affect on overall program performance.

FY 2007		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of payments made without error	100%	Target Not Met. During FY 2007, the Commission made 99.7% of its payments without error. The failure to meet this target did not have an adverse affect on overall program performance.
Timeliness of collecting accounts receivable that offset the Commission's appropriation	95% collected by due dates	Target met. During FY 2007, the Commission collected 99.5% of its offsetting accounts receivable by their stated due date.
Financial statements that present fairly, in all material aspects, the Commission's financial position	Unqualified audit opinion on FY 2006 financial statements	Target Met. Unqualified opinion received November, 2006
Percentage of transactional case assessments or convening sessions concluded	75% within 20 days	Target Met. DRS completed 100% (41 out of 41) transactional case assessments or convening sessions within 20 days after being referred to the DRS.
Percentage of transactional ADR processes agreed to by parties concluded	75% within 120 days total (convening and process)	Target Met. DRS completed 34 transactional processes or cases, both environmental and non-environmental in which parties agreed to pursue an ADR process. Of these, 31 were completed within 120 days after being referred to the DRS (91%).
Number of ADR requests and referrals to the DRS	Increase number over FY 2004 (base year)	Target Met. DRS addressed a total of 79 new requests or ongoing cases from a previous fiscal year involving gas, electric, hydropower, and pipelines. This represents a 46.3% increase over FY2004, in which there were 54 new requests or ongoing cases.
Favorable DRS customer satisfaction for casework and outreach	80% customer satisfaction rate	Target Met. The DRS requests customer feedback through evaluations of casework processes, and training sessions. For casework concluded in FY2007, all participants who completed evaluations gave the DRS staff favorable comments, for a satisfaction rate of 100%. In training sessions during FY 2007, participant ranking for Course Content averaged 90%, Course Materials averaged 88%, and Instructor Effectiveness averaged 94%.
Number of outreach events (e.g., trainings, workshops, and presentations) to promote the use of dispute resolution skills	Increase number over FY 2004 (base year)	Target Met. There were 65 active outreach projects in FY2007. This represents a 1.6 % increase over 2004 in which there were 64 projects. Note: The projects were both internal and external to FERC.

FY 2007		
Performance Measurement	**Performance Target**	**Data Source**
Ensure timely and effective communication to all stakeholders	▪ Issue 95% of press releases for important agency actions on the same day as the underlining action ▪ Post 95% of important agency actions on the same day as the underlining action ▪ Provide an initial and complete response to 70% of inquiries at the time of the receipt of the request ▪ Develop webpages within the assigned timeframe to enhance and support the Commission's initiatives and goals	Targets Met. ▪ In FY 2007, 80 out of 80 or 100% of press releases were issued within 1 hour of action being taken. ▪ In FY 2007, 3816 of 3820 or 99% of important agency actions were posted on the Commission's internet website within 1 hour of issuance ▪ In FY 2007, the office provided an initial and complete response to 2272 of 2791 or 81% of public inquiries at the time of receipt. ▪ In FY 2007, the Commission developed the following webpages in the assigned timeframe: Market Oversight, Electric Competition, OATT Reform, Blanket Certificates, Transmission Investment, Pipeline, Hydrokinetic Energy, MOU, Policy Statement, Hydro licensing, Annual Charges, Career, Media form, and FOIA form.
Enhance communication with National and International groups	▪ Respond to 50% of Official Congressional correspondence within 10 business days ▪ Provide email notification of significant Commission actions to Congress within 1 to 2 business days of the underlining action along with briefing offers where appropriate ▪ Provide timely and effective briefings to members of Congress ▪ Provide email notification of significant Commission actions to effected State regulatory agencies within 1 to 2 business days of the underlining action ▪ Accommodate visitation requests from delegations from various countries and organizations	Targets Met. ▪ 130 out of 205 pieces of official Congressional correspondence, or 63%, were responded to within 10 business days. ▪ In FY 2007, email notifications to members of Congress were sent out on 340 significant Commission actions within 1 to 2 business days of the underlining action. Briefing offers were made on appropriate items. ▪ In FY 2007, the Commission provided 38 briefings to members of Congress. ▪ In FY 2007, 178 email notifications to State regulatory agencies were sent out on significant Commission actions within 1 to 2 business days of the underlining action. ▪ In FY 2007, OEA hosted 71 visits from 75 countries and organizations.

FY 2008		
Performance Measure	**Performance Target**	**Results**
Number of ADR requests and referrals addressed by DRS	Increase number over FY 2004	Target Met. The DRS addressed 57 new ADR requests and referrals; 3 more than FY 2004.
Percentage of mediated or facilitated case that achieve partial or complete consensual agreement	75%	Target Met. The DRS had a 90% (18 out of 20) success rate in assisting parties achieve consensual resolution of cases.
Favorable DRS customer satisfaction for casework and outreach	80% customer satisfaction rate	Target Met. In trainings and workshops during the period, participant ranking for Course Content averaged 89% and Instructor Effectiveness 93%. For casework, all participants who completed evaluations gave the DRS staff favorable comments, for a satisfaction rate of 100%.
Number of outreach events (e.g., trainings, workshops, and presentations) to promote the use of dispute resolution skills	Increase number over FY 2004	Target Not Met. The DRS delivered or assisted with 37 outreach events, equal to the number in FY 2004. The DRS met all of the outreach needs and there were no negative program impacts.
Of ADR processes concluded, percentage that resulted in savings of time and/or money over traditional processes	75%	Target Met. 100% of participants who completed a survey indicated that the use of ADR resulted in savings of time and/or money over traditional processes.
Percentage of cases set for hearing that achieve partial or complete consensual agreement	75%	Target Met. 91%
Ensure timely and effective communication to all stakeholders	▪ Issue 95% of press releases for important agency actions within 1 hour of action being taken ▪ Post 95% of important and time-sensitive agency actions on the Commission's internet website within 1 hour of issuance ▪ Provide an initial and complete response to 70% of inquiries at the time of the receipt of the request ▪ Develop webpages within the assigned timeframe to enhance and support the Commission's initiatives and goals	▪ Target Met. 95% (71 out of 75) press releases were issued within 1 hour of action being taken. ▪ Target Met. 100% (4,004 out of 4,005) important and time-sensitive actions were posted within 1 hour of action being taken by the Commission. ▪ Target Met. 74% (3,833 out of 5,149) of inquiries were provided a complete response at the time of the receipt of the request. ▪ Target met. 19 new web pages and/or sections on FERC.gov were developed within the assigned timeframe.

FY 2008		
Performance Measure	**Performance Target**	**Results**
Enhance communication with National and International groups	▪ Provide responses to 95% of Congressional inquiries and briefing requests by the date requested or by 10 business days from the date of the request ▪ Provide email notification of significant Commission actions to Congress within 1 to 2 business days of the underlying action along with briefing offers where appropriate ▪ Provide timely and effective briefings to members of Congress and State Officials within the timeframe requested and initiate at least three briefings on top priority issues within timeframe appropriate to effect that issue ▪ Provide email notification of outreach efforts (i.e., panel discussions, workshops, conferences or other forums) to State Officials and Governors within 3 business days ▪ Respond to 80% of international delegation meeting requests within 3 business days of rendering a decision	▪ Target Met. 100% (61 out of 61) briefings were held and (318 out of 318) congressional inquiries were responded to within 10 business days of the request. ▪ Target Met. Email notifications concerning 292 significant Commission actions were sent within 1 to 2 business days of the underlying action. ▪ Target Met. 61 timely and effective briefings with members of Congress were held. Briefings on the top priority issues of cyber security; market manipulation; and transmission line siting were held within appropriate time frames. State officials were also briefed on these issues. ▪ Target Met. Staff provided 19 notifications of outreach efforts within 3 business days, and within at least 30 days' notice of public meetings for two additional outreach items. ▪ Target Met. 82% (40 out of 47) of requests were responded to within 3 business days.
Maintain an effective recruiting program	▪ Recruit at least 3 students each from at least 4 target universities ▪ Increase new hires from recruiting program by 10 over FY 2007 ▪ Hire 20% of interns into permanent positions	Target Met. A total of 19 students were recruited from 4 target universities. Target Met. 58 new hires in FY 2008; 41 more than FY 2007 Target Met. 36% (4 out of 11) of summer interns from FY 2007 hired in FY 2008.
Implement employee development programs	▪ Launch leadership development program ▪ Develop competency based training for mainstream occupations	Target Met. The LDP was launched in October 2007. 15 candidates will graduate from program in February 2009. Target Met. A competency assessment tool for competency based training needs analysis was launched in September 2008 and will be included in the FY 2009 Central Training Fund prioritization.

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

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

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

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

Historical Performance Results FY 2010

Just and Reasonable Rates, Terms and Conditions Performance Data

Further barriers to participation by demand resources in organized wholesale electric markets will be identified and eliminated.	
FY 2010 TARGET	Evaluate ISO/RTO filings on barriers to demand response. Complete and submit National Action Plan on Demand Response
FY 2010 RESULT	Target Met. In FY 2010, issued orders evaluating 6 filings submitted by RTOs and ISOs to identify barriers to demand response and to comply with other requirements of Order No. 719. Completed and published on June 17, 2010, a National Action Plan on Demand Response (Docket No. AD09-10).

Best practices for demand response products and procedures in organized wholesale electric markets will be identified and implemented.	
FY 2010 TARGET	Perform outreach with ISOs/RTOs, demand response providers, and others. As appropriate, issue Notice of Proposed Rulemaking on best practices
FY 2010 RESULT	Target Met. Engaged in outreach between October 1, 2009 and January 31, 2010 with RTOs/ISOs, demand response providers, retail industry, technology providers and state regulators regarding practices affecting demand response products and procedures. On March 18, 2010, issued a notice of proposed rulemaking (NOPR) entitled Demand Response Compensation in Wholesale Electric Markets (Docket No. RM10-17).

All resources that are technically capable of providing needed ancillary services have the opportunity to provide those services.	
FY 2010 TARGET	Perform outreach to identify the need for modification or creation of additional ancillary services, and issue Notice of Proposed Rulemaking, as appropriate
FY 2010 RESULT	Target Not Met. Engaged in outreach between 10/1/09 and 6/30/10 with RTOs/ISOs, storage and other technology providers, industrial customers, and research organizations. On January 21, 2010, issued a Notice of Inquiry seeking public comment on the extent to which reforms are necessary to ensure that wholesale electricity tariffs, including those governing ancillary services, remain just, reasonable and not unduly discriminatory (Integration of Variable Energy Resources, RM10-11-000). The Commission received over 2,000 pages of comments from industry, state and federal agencies, and consumer interests, which are being analyzed to determine the need to modify existing, or create additional, ancillary services through a NOPR. Because of the large number of comments, more time is needed to develop specific proposals to include in a NOPR. Work on a NOPR proposal will continue into the FY 2011. Although the Commission did not issue the NOPR in FY 2010, it will not have a negative impact on achieving subsequent targets or overall program performance.

Pursue market reforms that will allow renewable energy resources to compete fairly in Commission-jurisdictional markets.	
FY 2010 TARGET	Perform outreach with industry and issue staff white paper identifying potential need for and types of market reforms
FY 2010 RESULT	Target Met and Exceeded. Conducted outreach between October 1, 2009 and June 30, 2010 with RTOs/ISOs, storage and other technology providers, industrial customers, and research organizations. After the outreach was completed, the Commission determined a Notice of Inquiry could be issued in lieu of a staff white paper and still achieve the same purpose. On January 21, 2010, issued an NOI seeking comment on the integration of variable energy (renewable) resources (Integration of Variable Energy Resources, Docket No. RM10-11-000).

Methods for modeling system operations will be enhanced and new software will be developed that increases efficiency and optimizes market operations.	
FY 2010 TARGET	Internal release of staff white paper; industry outreach, including technical conferences, to identify best practices.
FY 2010 RESULT	Target Met. Explored opportunities to enhance operational efficiency in jurisdictional markets through the deployment of new modeling software and optimization of market operations. Staff held three conferences in June 2010 to gather information from the public regarding modeling and software enhancements. On July 29, 2010, delivered a white paper to the Commission's Chief of Staff outlining opportunities for further work on this project.

The performance of markets within and outside of ISOs/RTOs will be measured using a common set of metrics.	
FY 2010 TARGET	Explore and develop appropriate operational and financial metrics for ISOs/RTOs
FY 2010 RESULT	Target Not Met. During FY 2010, Commission staff worked with RTO and ISO staff, stakeholders and other experts to develop standardized metrics to track the performance of RTOs and ISOs and transactions in the markets they administer. Proposed metrics were made publicly available for comment in February 2010, and Commission staff has reviewed comments submitted on the proposed metrics. While the final metrics were not issued during FY 2010, this had no adverse impact on the program. The Commission released the final metrics in early FY 2011 and collected data from the RTOs and ISOs shortly thereafter.

Appropriate filings and issues will employ alternative dispute resolution and collaborative processes first.	
FY 2010 TARGET	Develop guidelines/tariff provisions to apply to filings/issues amenable to consensual resolution
FY 2010 RESULT	Target Not Met During FY 2010, staff reviewed and categorized two years of recent Commission orders which set cases for consensual resolution/hearing. Internal dialogue with senior staff and program managers provided additional understanding into the types of cases which may be amenable to consensual resolution. Through these efforts, a baseline of the types of cases and issues that the Commission traditionally sets for consensual resolution/hearing was established. Following this internal communication, staff identified a list of approximately 30 external stakeholders who could provide valuable insight to the guideline development process. Securing the necessary internal clearances took more time than was initially contemplated. Further, acquiring the input from these external stakeholders has taken significantly more time than anticipated because the number of external parties is much higher than originally planned. The meetings that have occurred to date have been very productive and the Commission staff will continue to meet with the remaining parties throughout the first and second quarters of FY 2011. Although the Commission did not finalize the guidelines in FY 2010, it will not have a negative impact on overall program performance.

Percent of company compliance programs reviewed on Commission audits for the audit focus areas are found to be adequate to demonstrate a culture of compliance.	
FY 2010 TARGET	10%
FY 2010 RESULT	Target Met. 50% (2/4) of compliance programs were found to demonstrate an adequate culture of compliance. Because this performance measure is new for FY 2010, only audits that were started and completed in FY 2010 were included. In determining which audits would be included in the universe for this measure, the Commission developed general guidelines. In order to maintain consistency over time, only large, multi-scope audits will be included in this measure's universe.

Percent of company compliance programs reviewed through investigations that involve a penalty are found to be sufficiently robust to merit credit to reduce the penalty.	
FY 2010 TARGET	10%
FY 2010 RESULT	Target Met. In 26% (20 out of 77) of the relevant cases in FY 2010, the Commission found compliance programs in place at the time of the violation to be sufficiently robust as to merit credit to reduce or eliminate penalties.

Percentage of audits included in the audit plan planned based on risk.	
FY 2010 TARGET	40%
FY 2010 RESULT	Target Met. 55% (52/94) audits planned using a risk-based approach.

Infrastructure Performance Data

Percentage of all new transmission projects will incorporate advanced technologies that meet Commission criteria.	
FY 2010 TARGET	5%
FY 2010 RESULT	Target Met. 9%. In FY 2010, the Commission acted on 11 requests for incentives or negotiated rate authority for new transmission. Of those 11 requests, the Commission found one project (9 percent) which included advanced transmission technologies.

All public utilities will implement open and transparent transmission planning processes that include analysis and consideration on a comparable basis of proposed solutions involving any of generation, transmission, and demand resources.	
FY 2010 TARGET	Assessment of transmission planning process best practices, including the potential for collaborative decision making, and issue Notice of Proposed Rulemaking, as appropriate (Assessment includes how options to transmission are considered.)
FY 2010 RESULT	Target Met. Upon review of more than 3,000 pages of comments and significant staff-led outreach, staff prepared recommendations for Commission consideration that led to the issuance of a NOPR on June 17, 2010 (Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities, Docket No. RM10-23-000).

Percent of jurisdictional natural gas companies examined for feasibility of installing waste heat recovery systems.	
FY 2010 TARGET	20%
FY 2010 RESULT	Target Met. 20%. In FY 2010, Commission staff examined 44 (20 percent) of the Commission's jurisdictional natural gas companies for feasibility of installing waste heat recovery systems.

Incorporation of risk-informed decision making into the dam safety program.	
FY 2010 TARGET	Develop Action Plan
FY 2010 RESULT	Target Met. In FY 2010, the Commission developed and finalized its RIDM Action Plan which outlines the work efforts required over the next four years to incorporate RIDM into its dam safety program.

Percentage of proposed Reliability Standards on which the Commission will issue a Final Rule within 18 months of filing.	
FY 2010 TARGET	75%
FY 2010 RESULT	Target Met. 96% of filed reliability standards have orders issued within 18 months.

Reduction in the number of repeat violations by an audited or investigated entity, particularly of Reliability Standards involving high Violation Risk Factors.	
FY 2010 TARGET	Establish tracking process
FY 2010 RESULT	Target Met. The Commission developed in FY 2010 a database to track violations from Notices of Penalty filed by the ERO. As part of this process, the Commission determined the measurable parameters (e.g., what constitutes a repeat violation over a designated time period) to facilitate a determination as to the observed rate of repeat violations of the Reliability Standards.

Reliability parameters that could affect goals of reducing carbon and increasing the penetration of renewable energy resources on the electric transmission grid will be finalized.	
FY 2010 TARGET	Establish contacts and develop research, data collection and reporting processes
FY 2010 RESULT	Target Met. In FY 2010, Commission staff established approximately 100 industry contacts across the nation and internationally. The Commission has led and participated in the efforts to conduct technical studies on Frequency Response, Electromagnetic Pulse. The research the Commission staff has done on complex and highly technical studies provide guidance and direction in establishing the parameters to protect and preserve reliability.

****

APPENDIX B

Workload Tables

	FY 2010 Actual	FY 2011 Actual			FY 2012 Estimate			FY 2013 Estimate		
Pipeline Certificates	**P**	**R**	**C**	**P**	**R**	**C**	**P**	**R**	**C**	**P**
Construction Activity	45	73	74	44	105	105	44	115	115	44
Prior Notice & Abandonments	17	77	71	23	100	100	23	105	105	23
Compliance Filings & Reports	218	383	270	331	383	383	331	383	383	331
Environmental Analysis	42	169	177	34	169	177	26	169	177	18
Compliance & Safety Inspections	0	700	700	0	800	800	0	800	800	0
LNG Inspections	0	15	15	0	17	17	0	17	17	0
Rehearings	16	21	21	16	17	13	20	14	14	20
Complaints	2	0	2	0	2	2	0	2	2	0
Declaratory Orders	1	1	1	1	3	3	1	3	3	1
Remands	1	2	2	1	1	1	1	1	1	1
Dispute Resolution Services	19	64	66	17	68	60	25	65	70	20

	FY 2010 Actual	FY 2011 Actual			FY 2012 Estimate			FY 2013 Estimate		
Hydropower Licensing	**P**	**R**	**C**	**P**	**R**	**C**	**P**	**R**	**C**	**P**
Original Licenses	26	15	6	35	15	10	40	20	10	50
Relicenses	42	8	11	39	11	15	35	9	10	34
5 MW Exemptions	5	3	2	6	10	6	10	10	10	10
Preliminary Permits	45	169	144	70	150	175	45	150	175	20
Rehearings	0	29	13	16	10	14	12	10	12	10
Declaratory Orders	1	1	1	1	1	1	1	1	1	1
Remands	1	0	0	1	1	1	1	0	1	0
Cases Set for Hearing	0	0	0	0	1	1	0	1	1	0
Dispute Resolution Services	0	0	0	0	2	1	1	2	2	1

Key: P = Pending at year-end; R = Received; C = Completed

	FY 2010 Actual	FY 2011 Actual			FY 2012 Estimate			FY 2013 Estimate		
Project Compliance and Administration	**P**	**R**	**C**	**P**	**R**	**C**	**P**	**R**	**C**	**P**
Amendments	495	2,336	2,358	473	2,550	2,750	273	2,500	2,700	73
Jurisdiction	8	13	16	5	18	15	8	17	15	10
Federal Lands	0	96	51	45	100	90	55	100	90	65
Headwater Benefits	12	118	122	8	120	123	5	123	123	5
Compliance	294	679	697	276	850	900	226	800	850	176
Surrenders, Transfers	9	36	40	5	51	51	5	45	40	10
Conduit Exemptions	12	13	16	9	15	19	5	15	16	4
Environmental Inspections And Assistance	0	88	88	0	50	50	0	50	50	0
Rehearings	17	14	12	19	15	16	18	15	16	17
Complaints	1	1	1	1	1	1	1	1	2	0
Dispute Resolution Services	0	1	1	0	2	2	0	1	1	0

	FY 2010 Actual	FY 2011 Actual			FY 2012 Estimate			FY 2013 Estimate		
Dam Safety and Inspections	**P**	**R**	**C**	**P**	**R**	**C**	**P**	**R**	**C**	**P**
Operational Inspections*	917	1,425	1,249	1,093	1,420	1,520	993	1,425	1,475	943
Prelicense Inspections	4	7	8	3	5	5	3	5	5	3
Construction Inspections	64	204	192	76	170	185	61	172	176	57
Exemption Inspections	170	272	249	193	250	275	168	245	250	163
Special Inspections	32	147	144	35	135	140	30	140	140	30
Engineering Evaluation & Studies	1,267	8,371	8,069	1,569	8,500	8,750	1,319	8,500	8,800	1,019
Part 12 Reviews	120	132	166	86	155	165	76	160	175	61
Dam Safety Reviews	13	27	35	5	36	36	5	35	35	5
EAP Tests – Functions	32	40	42	30	55	55	30	50	55	25
EAP Tests – Table Top	8	29	31	6	25	25	6	25	27	4

Key: P = Pending at year-end; R = Received; C = Completed

	FY 2010 Actual	FY 2011 Actual			FY 2012 Estimate			FY 2013 Estimate		
Rates and Tariffs	**P**	**R**	**C**	**P**	**R**	**C**	**P**	**R**	**C**	**P**
Gas Certificates & Rate Evaluations	106	78	82	102	80	100	82	80	100	62
Market-Based Rates	1,464	2,622	3,184	902	2,300	2,500	702	2,300	2,500	502
Cogeneration/Small Power Producers (QF)	24	828	816	36	800	800	36	800	800	36
Dispute Resolution Services (Electric)	8	15	19	4	15	17	2	17	12	7
Rehearings (Electric)	413	188	209	392	200	250	342	200	250	292
Complaints (Electric)	31	35	34	32	40	45	27	40	45	22
Declaratory Orders (Electric)	28	34	37	25	35	40	20	35	40	15
Remands (Electric)	7	0	2	5	3	5	3	3	5	1
Negotiated Rates	52	496	492	56	500	500	56	500	500	56
Cost-Based Rates	1,412	4,209	4,683	938	3,700	3,800	838	3,980	3,870	948
Dispute Resolution Services (Gas)	0	3	3	0	5	3	2	5	4	3
Rehearings (Gas)	43	51	42	52	50	45	57	45	50	52
Complaints (Gas)	3	2	3	2	3	4	1	3	3	1
Declaratory Orders (Gas)	0	1	1	0	1	1	0	1	1	0
Remands (Gas)	2	0	0	2	2	3	1	1	1	1
RTO and ISO Filings	132	377	383	126	450	450	126	450	450	126
Dispute Resolution Services (Oil)	0	0	0	0	2	1	1	2	2	1
Rehearings (Oil)	37	30	41	26	25	50	1	30	30	1
Complaints (Oil)	6	10	10	6	10	12	4	10	10	4
Declaratory Orders (Oil)	2	2	2	2	3	3	2	3	4	1
Remands (Oil)	0	0	0	0	1	1	0	1	1	0

Key: P = Pending at year-end; R = Received; C = Completed

	FY 2010 Actual	FY 2011 Actual			FY 2012 Estimate			FY 2013 Estimate		
Corporate Applications	**P**	**R**	**C**	**P**	**R**	**C**	**P**	**R**	**C**	**P**
Interlocking Positions, Other Corporate Filings	121	830	849	102	760	770	92	760	770	82
Mergers, Acquisitions & Dispositions	23	127	132	18	140	140	18	140	140	18

	FY 2010 Actual	FY 2011 Actual			FY 2012 Estimate			FY 2013 Estimate		
Electric Grid Reliability	**P**	**R**	**C**	**P**	**R**	**C**	**P**	**R**	**C**	**P**
Reliability Standards	52	26	56	22	204	187	39	108	141	6
Interpretations/Erratas of Reliability Standards	10	9	16	3	8	10	1	12	12	1
Reliability Filings by ERO/RE	6	52	34	24	50	52	22	50	52	20
Standards Compliance Audits	2	21	20	3	28	28	3	30	30	3
Notices of Penalty-Violations	167	1,522	1,466	223	1,800	1,943	80	1,800	1,800	80

	FY 2010 Actual	FY 2011 Actual			FY 2012 Estimate			FY 2013 Estimate		
Legal Matters	**P**	**R**	**C**	**P**	**R**	**C**	**P**	**R**	**C**	**P**
Cases Set for Hearing	56	65	68	53	70	70	53	70	70	53
Settlement Judge Proceedings	31	46	44	33	55	55	33	55	55	33
Appellate Review	140	115	125	130	120	125	125	120	125	120
Audits	56	49	56	49	31	60	20	40	40	20
Accounting	32	219	190	61	220	230	51	220	240	31

Key: P = Pending at year-end; R = Received; C = Completed

****

APPENDIX C

Guiding Principles

Five principles guide the Commission as it exercises its jurisdiction under its governing statutes. Whether the Commission is adjudicating a rate filing, ruling on an application, or developing a new policy, it strives to meet these principles, ensuring that each of its actions is consistent with the public interest.

Organizational Excellence.
Above all, the Commission strives to use its resources efficiently and effectively to achieve its strategic priorities. This includes its human resources. The Commission performs targeted recruiting and hiring and has developed a markets-oriented training curriculum for entry-level as well as experienced staff. The Commission also makes efficient use of information technology to receive filings, produce reports and orders, and maintain data repositories. The Commission tracks the activities of its staff to ensure that they are directed at meeting the Commission's strategic goals and objectives.

Due Process and Transparency.
Paramount in all of its proceedings is the Commission's determination to be open and fair to all participants. Filings are publicly accessible through the Commission's website, and filings to change rates, terms and conditions of service are announced by way of public notice published in the Federal Register. Material issues of fact are resolved through hearings governed by due process rules; the Commission also encourages the use of ADR procedures, which provide for more informal public participation in resolution of a proceeding. The Commission often holds public conferences at which it receives input from members of the public on controversial issues of national importance. Finally, many of the Commission's major decisions are discussed and announced at meetings that are open to the public and also are webcast at no charge on its website.

Regulatory Certainty.
In each of the thousands of orders, opinions and reports issued by the Commission each year, the Commission strives to provide regulatory certainty through consistent approaches and actions. Without an assurance that the Commission's policies will be internally consistent and applied consistently, investors may be unwilling to bear the risks associated with investing in critical energy infrastructure. Where it is appropriate, the Commission provides generic direction to industry participants in the form of guidance orders, policy statements or rulemakings, to avoid the uncertainty present in case-by-case adjudications. The Commission also has adopted market rules designed to help prevent the exercise of market power and market abuse, to provide a more stable marketplace, and create an environment that will attract needed investment capital.

Stakeholder Involvement.
The Commission conducts regular outreach to ensure that interested persons have an appropriate opportunity to contribute to the performance of the Commission's responsibilities. The Commission also organizes technical conferences and workshops designed to explain and explore issues related to the development and implementation of its policies. When processing hydropower and gas facility applications, the Commission conducts an extensive collaborative pre-filing process, during which it receives input from a multitude of stakeholders including citizen groups, environmental organizations, tribal interests, and local, state and federal resource agencies. The Commission has adopted a similar pre-filing process for resolution of transmission siting applications.

Timeliness.
The Commission's goal is to reach an appropriate resolution of each proceeding in an expeditious manner. Toward that end, the Commission has steadily decreased the time it takes to act on proposed projects, such as LNG import terminals, gas storage facilities, and interstate natural gas pipelines. It has done so without compromising its environmental protection and public participation responsibilities. The Commission also sets and tracks compliance with goals for timely resolution of filings for cost recovery, new services or changes to existing services, as well decisions on initial decisions, complaints, and FPA section 203 applications.

****

APPENDIX D

Acronyms and Abbreviations

Acronyms and Abbreviations	
ADR	alternative dispute resolution
CAISO	California Independent System Operator
CIP	Critical Infrastructure Protection
EAP	Emergency Action Plan
EISA	Energy Independence and Security Act of 2007
EPAct 2005	Energy Policy Act of 2005
ERO	Electric Reliability Organization
FERC or the Commission	Federal Energy Regulatory Commission
FPA	Federal Power Act
FPC	Federal Power Commission
FTE	Full-time equivalent
FY	fiscal year
GSA	U.S. General Services Administration
ISO	independent system operator
LNG	liquefied natural gas
NAESB	North American Energy Standards Board
NEPA	National Environmental Policy Act
NGA	Natural Gas Act of 1938
NGPA	Natural Gas Policy Act
NIST	National Institute of Standards and Technology
PJM	PJM Interconnection, LLC
RIDM	Risk-informed decision making
RTO	regional transmission organization

****