FY 2008
PERFORMANCE AND ACCOUNTABILITY REPORT

FEDERAL ENERGY REGULATORY COMMISSION
NOVEMBER 2008

Joseph T. Kelliher
Chairman

Table of Contents

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FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

OFFICE OF THE CHAIRMAN

Letter from Chairman Kelliher

I am pleased to present the Federal Energy Regulatory Commission Performance and Accountability Report for fiscal year 2008. This report was prepared in accordance with the guidelines set forth in Office of Management and Budget Circular A-136 and Section 230 of Circular A-11.

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

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

Sincerely,

Joseph T. Kelliher
Chairman
Federal Energy Regulatory Commission

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Management's Discussion and Analysis (Unaudited)

Introduction

In accordance with the guidelines set forth in Office of Management and Budget (OMB) Circular A-136 and Section 230 of Circular A-11, this report presents the Federal Energy Regulatory Commission's (the Commission's, FERC's) fiscal year (FY) 2008 audited annual financial statements and program performance report. The financial section includes the Commission's audited balance sheets, statements of net cost, changes in net position, budgetary resources, custodial activity, and notes to the financial statements. The performance report section includes performance measurement data for fiscal years 2005 through 2008. Additionally, this report includes an overview of the Commission, including its mission and organizational structure.

This Performance and Accountability Report serves as a guide to the Commission's key initiatives and activities during FY 2008. Approximately 1,281 full time equivalents (FTEs) carried out the Commission's mission in FY 2008 using a budget of $260.4 million.

Organizational Structure

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

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

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

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

The Commission modified its organizational structure in FY 2008. The Commission established a ninth office, the Office of Electric Reliability, on October 1, 2007. Formerly a division within the Office of Energy Markets and Reliability, this action reflected the growing importance of the reliability mission at the Commission. The

Office of Energy Markets and Reliability was renamed the Office of Energy Market Regulations. An organizational chart, as of September 30, 2008, is included in Appendix A. The following is a brief description of the nine offices and their operational roles.

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.

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) - Provides technical and policy advice on matters involving markets, tariffs and rates relating to electric, natural gas, and oil pipeline facilities and services.

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 facilities), and electric transmission projects that are in the public interest.

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

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

Office of the Executive Director (OED) - Provides administrative support services to the Commission including human resources, procurement, information technology, organizational management, financial, and logistic functions. Included in this office is the Secretary of the Commission that serves as the focal point through which all filings are made for proceedings before the Commission.

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.

Mission
Regulate and oversee energy industries in the economic, environmental, and safety interests of the American public.

Vision
Abundant, reliable energy in a fair competitive market.

Strategic Plan Overview

The United States has the world's most durable market economy, every sector of which depends vitally on energy. The Commission has an important role in the development of a reliable energy infrastructure and the protection of wholesale customers from unjust and unreasonable rates and undue discrimination and preference. The Commission draws its authority from various statutes and laws, which are listed in Appendix C. The Commission's vision is to promote abundant, reliable energy in a fair, competitive market thereby supporting a strong, stable national economy. To accomplish this, the Commission has three main goals:

1. Energy Infrastructure

Goal: Promote the Development of a Strong Energy Infrastructure.

This goal encourages investment in the infrastructure needed to sustain energy markets by expediting the decision-making process, maintaining regulatory and cost certainty, and protecting the energy infrastructure. This goal, which focuses on infrastructure, covers many of the Commission's important responsibilities such as, pipeline certificates, hydropower licenses and preliminary permits, liquefied natural gas (LNG) siting and inspections, compliance activities, environmental and other licensing conditions, dam safety inspections and most rate determinations. This goal also captures the Commission's responsibilities over the reliability of the interstate transmission grid.

2. Competitive Markets

Goal: Support Competitive Markets.

This goal focuses on the competitive forces within the electric and gas markets, and the rules that govern those markets. This involves the Commission employing best practices in market rules, promoting transparency in electric and gas markets, and reforming market policies where necessary. Along with some traditional work in the area of rate determinations, this goal includes various initiatives to address market power.

3. Enforcement

Goal: Prevent Market Manipulation.

This goal ensures that competitive energy markets benefit the Nation over the long run by ensuring that the Commission will identify and remedy energy market problems. This entails recognizing problems quickly and addressing them before they become severe. Effective internal compliance programs within companies and self-policing will also help achieve this goal. The Commission will conduct traditional investigations and apply its expanded penalty authority where appropriate.

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

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

Strategies for Carrying Out the Commission's Responsibilities

The backbone of the Commission's work is to ensure that energy infrastructure is developed in the public interest and that wholesale electric and natural gas rates are just and reasonable and not unduly discriminatory or preferential. As early as 1986, the Commission promoted effective competition in the wholesale markets it regulates by establishing rules for open access to transmission facilities. Over time, the natural gas and electric industries transformed from companies using their monopoly-owned transportation and transmission facilities to supply all the needs of their own wholesale customers, to companies providing competing suppliers and wholesale customers with open and non-discriminatory access to their facilities, under Commission-approved tariffs. This allows independent suppliers to compete for natural gas and electric energy sales and to offer market choices for customers at wholesale. The development and operation of regional transmission organizations (RTOs), independent transmission system operators (ISOs), and independent transmission companies in the electric industry and market hubs in the gas industry has increased competitive opportunities in the provision of services for buying and selling energy. The Commission monitors wholesale power and natural gas markets to ensure that its policies mitigate market power.

Regulation and competition work in concert and the Commission relies on a combination of both to carry out its duties across industries. While the Commission encourages competitive wholesale markets, they continue to be subject to the Commission's regulatory oversight. The Commission's energy market regulation will continue to refine market operations so competition encourages investment in infrastructure in a manner that is efficient and protects customers.

In addition to the regulation and oversight of energy markets, the Commission must respond timely to requests for infrastructure development to meet the growing demand for energy. The Commission's authority applies when companies propose to expand or construct additional hydropower, LNG, natural gas pipelines, storage, and related facilities, and electric transmission lines. In an effort to reduce the amount of time it takes to process an application, a perceived barrier to investment, the Commission has expedited the licensing and certification process of these facilities by having Commission staff actively participate in projects that undergo the pre-filing process. Pre-filing allows the environmental review process to start earlier in the project review and allows the public, government agencies, and other stakeholders to get involved at a time when fundamental decisions are being made, all of which helps to open the communication earlier in the project review process so problems can be averted later in the process. The Commission's participation and initiative in these efforts have allowed for the filing of more complete applications which enables more efficient and expeditious licensing actions by the Commission.

To protect and improve the reliability and security of the Nation's bulk power system, the Commission will oversee the development and review of mandatory reliability and security standards. The Commission will achieve this through active involvement in the standards development process of the Electric Reliability Organization (ERO) and review of all reliability standards filed by the ERO. The Commission will provide extensive oversight of the ERO processes and compliance efforts to ensure firm, fair, and consistent implementation of, and compliance with, the approved mandatory reliability standards, including cyber and physical security. FERC will also join or lead incident and alleged violation analyses and/or investigations following bulk-power system incidents or complaints. The Commission will also track and review all alleged violations, mitigation plans, and proposed penalties and conduct ERO and regional entity performance reviews and audits. Finally, the Commission will review all notices of appeal of ERO compliance registry decisions.

The Commission will rely on its Reliability Monitoring Center and its 24/7 emergency message system to monitor the integrity of the system continuously. In addition, FERC will monitor the reliability and adequacy planning of the bulk-power system by evaluating the ERO's and Regional Entities' short-term and long-term reliability assessments for compliance with reliability planning standards as well as the adequacy of the bulk-power system and evaluating siting applications within the DOE designated National Interest Electric Transmission Corridors.

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

For the ongoing success of market operations and infrastructure development, the Commission must ensure that all of its rules and regulations are followed by regulated entities, and those doing business with regulated entities. Among the most notable, FERC has codified Market Behavior Rules and the prohibition of energy market manipulation. In addition to actively monitoring compliance, the Commission also supports and strongly encourages regulated entities to maintain effective internal monitoring and compliance programs. If an entity is found to be in violation of any rules or regulation, the Commission has established factors it will consider when assessing civil penalties or developing remedies. This allows the Commission's enforcement to be fair; a key component of the Commission's approach to enforcement. The Commission has provided greater due process to industry by, for example, providing a no-action letter process and increasing the opportunities for companies to resolve disputed matters during the course of an audit. To facilitate fair and equitable compliance and enforcement efforts, the Commission conducts outreach efforts with the regulated community and adjusts enforcement polices where appropriate.

Business Plan

The Commission's annual Business Plan details the activities and resources allocated to meet the Strategic Plan's goals and objectives. This increases internal accountability by enabling management to link individual office responsibility, due dates, priorities, and budget resources to Commission activities. The Business Plan is an iterative process that helps to identify which activities are leading the Commission towards achieving particular goals and objectives. During FY 2008, the Commission reported actual FTE usage at a detailed activity level in its Business Plan, which improved offices' ability to organize and allocate resources effectively.

Full Cost Recovery

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

Program Performance Overview

The performance measurement data and other achievements included below constitute a few of the Commission's key achievements during FY 2008. The performance measures and targets were selected from the Commission's FY 2009 Performance Budget Request. A complete list of the Commission's performance measurement data for fiscal years 2005 through 2008 is included in the Performance Report section of this report.

Performance Measurement Data for Energy Infrastructure

Goal: Promote the Development of a Strong Energy Infrastructure

Reliability Accomplishments
In October 2007, the new OER was established to help protect and improve the reliability and security of the nation's bulk power system through effective regulatory oversight. OER's responsibilities include overseeing the development and review of mandatory reliability and security standards; ensuring compliance with the approved mandatory standards by the users, owners, and operators of the bulk power system; monitoring and addressing issues concerning the nation's bulk power system including assessments of resource adequacy and reliability; and directing long-term strategic research programs to identify emerging reliability and security issues and their implications for bulk power system planning, operations and Commission regulation. Over the course of FY 2008, OER has been successful in hiring 29 new employees to help accomplish the mission of the new office.

Performance Measurement	Performance Target	Result
Timely approval of ERO/RE budgets and business plans	Complete by November 1, 2007	Target Met. Order was issued on October 18, 2007.

In FY 2008, the Commission reviewed and approved business plans and budgets for the North American Electric Reliability Corporation and for the eight Regional Entities (RE), as well as the budget for the Western Interconnection Regional Advisory Body. The Commission also directed that it be supplied additional information and that additional metrics be developed for the next budget filing to help with assessing accomplishments achieved under the business plans.

Additional Accomplishments in Logistics & Security
The Commission issued Order No. 706, which became effective in April 2008, approving the first eight mandatory critical infrastructure protection (CIP) standards containing over 160 security-related requirements which addressed such issues as critical cyber asset identification, security management controls, physical security of critical cyber assets, and recovery plans for critical cyber assets. That order also directed the ERO to make many improvements to these CIP standards to address shortcomings identified by the Commission.

Performance Measurement	Performance Target	Result
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.

This fiscal year, the Commission reviewed and analyzed four proposed reliability standards filed by the ERO for Commission approval. Commission staff participated in the formulation and drafting of determinations and directives for modification, as necessary, resulting in Commission approval of Facility Design and Maintenance Standards in Order No. 705. The Commission issued a notice of proposed rulemaking proposing further improvements to the Interconnection Reliability Operations and Coordination Standard. In each instance, staff proposed determinations whether the proposed reliability standard met the criteria or directives previously set forth by the Commission and whether the assigned Violation Risk Factors were consistent with the Commission's guidelines. Staff also participated in notices of proposed rulemakings relevant to the three approved standards.

Additional Accomplishments in Reliability Standards

In FY 2008, the Commission has participated, or is currently participating in, the ERO development of 36 different standards related to various topics.

Reliability Standard Topic	Number of Standards
Resource Demand Balancing	9
Facilities Design, Connections, and Maintenance	7
Interconnection Reliability Operations and Coordination	1
Modeling, Data, and Analysis	6
Nuclear	1
System Personnel Training	2
Protection and Control	4
Transmission Planning	6

In addition to participating in the development process of ERO standards, the Commission also participated in the ERO's development of Violation Risk Factors for the requirements of reliability standards approved in Order No. 693. Similar to the participation in the standards development process, staff participated in drafting team meetings to ensure the Commission's expectations and directives are implemented prior to an ERO filing. On a regional basis, the Commission has, or is currently participating in, the development of 32 proposed regional standards for 8 regions.

In addition to this participation, the Technical Review Panel (TRP) was formed. The TRP is comprised of senior leaders from OER and contracted subject matter experts to provide technical guidance on identified issues relevant to ERO proposed or existing standards. This panel will ensure consensus and technical relevancy of information is communicated from the Commission to the ERO and its standards drafting teams.

Performance Measurement	Performance Target	Result
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)

The Commission reviewed the first 37 Notices of Penalty (NOP) addressing over 100 violations filed by the ERO and issued two guidance orders on processing NOP and developing a complete record in support of proposed penalties. Acceptance of the first NOP marked the completion of the first complete cycle under the mandatory and enforceable reliability standards under the Commission's reliability authority.

Additional Accomplishments in Compliance
The Commission, over the first year of mandatory and enforceable reliability standards, developed and implemented a strategy to ensure compliance by users, owners, and operators of the bulk power system. This strategy focused on close oversight and support to ensure the development and success of a strong ERO. This oversight has included review of thousands of ERO submittals, both public and non-public, and through working closely with the ERO and RE. OER and OE also participated in a variety of meetings with ERO/RE staff and acted as "observers" on eight compliance audits of registered entities and approximately ten event analyses/compliance violation investigations, plus numerous other incidents and disturbances, led by the ERO or RE.

The Commission performed extensive review of the first filings addressing violations of the mandatory and enforceable reliability standards. This included over 1,800 mitigation plans addressing more than 3,000 violations of reliability standards that began prior to the date the standards became mandatory and enforceable, i.e., before June 18, 2007. Because these violations began and were addressed by an ERO-approved mitigation plan before the effective date of the standards, the ERO proposed no penalties for these violations. This also included technical review of thousands of ERO Notices of Alleged Violation and review of the ERO's penalty tool for calculating penalties related to reliability standards violations. It also encompassed oversight of the ERO's registration of over 1,800 entities as users, owners, or operators of the bulk power system, including ruling on ten appeals of the ERO's compliance registry decisions.

Performance Measurement	Performance Target	Result
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.

The Commission participated in all the ERO/industry reliability readiness evaluations of Reliability Coordinators which included California-Mexico, Rocky Mountain-Desert Southwest, Southwest Power Pool (SPP) and Electric Reliability Council of Texas (ERCOT) Reliability Coordinators. These readiness evaluations were performed to better identify areas of excellence in operations and areas in need of improvement for existing or new standards. The ERO Readiness Evaluation and Improvement Program independently reviewed the operations of all balancing authorities, transmission operators, reliability coordinators, and other entities that support the reliable operation of the bulk power system in North America, and determined their readiness to maintain safe and reliable operations. The results of these evaluations were used to champion the changes required to improve the reliability performance of these entities.

Additional Accomplishments of Bulk Power System Analysis

The Commission established the Reliability Monitoring Center with additional wide-area monitoring of Tennessee Valley Authority, Midwest Independent Transmission System Operator (MISO), and Florida Reliability Coordination Council systems which helped to develop the daily regional forecast at peak system condition reports and provided regular, timely and accurate bulletins when significant events or threats to the bulk power system occurred such as the California wildfires, hurricanes, system islanding and outages.

In addition, the Commission developed and presented a report on the 2008 Summer Reliability and Market Assessment at the Commission’s May open meeting. This report reviewed and analyzed the ERO's 2007 Long Term Reliability Assessments. The Commission also participated with various governmental agencies on the establishment of a U.S. Smart Grid taskforce. Staff participated, reviewed and provided comments on the Smart Grid white paper and the DOE's Wind report. Staff also prepared and presented the Commission's Generator Interconnection Procedures at the Joint Nuclear Regulatory Commission and FERC meeting.

Other Significant Accomplishments in Reliability

The Commission reviewed approximately 100 filings in docketed rate proceedings to evaluate their engineering aspects and potential reliability implications to the bulk power system. The engineering issues examined include but were not limited to: (1) contingency reserve requirements; (2) reliability issues; (3) reactive power needs; (4)

generator interconnections and wind interconnection issues; (5) regional reserve requirements; (6) various characteristics and performance criteria of generators such as ramping, derating and outages; (7) dynamic scheduling, eTag and Open Access Same-time Information System (OASIS) matters; and (8) Reliability Must Run agreements. The Commission also completed review of approximately 80 compliance filings to determine whether they met Order No. 890's requirements with respect to the available transmission capacity calculation, and directed additional compliance filings because the filing failed to satisfy one of the requirements.

Hydropower Safety Accomplishments

Performance Measurement	Performance Target	Results
Percentage of high- and significant-hazard-potential dams inspected annually	100%	Target Met. 100% of high- and significant-hazard-potential dams were inspected.

The Commission is responsible for conducting operation inspections of almost 1,000 high and significant hazard potential dams each year. These inspections are conducted by engineers located in the Commission's Division of Dam Safety and Inspections five regional offices: New York, Atlanta, Chicago, Portland (OR), and San Francisco.

Each operation inspection serves to verify that the hydropower project is operating safely, has an effective dam safety surveillance monitoring program, and an appropriate security program. Any safety problems or concerns identified during the inspection may lead to engineering investigations, evaluations, or corrective actions such as remedial modifications, enhanced monitoring of the performance of the structures, or improved security measures being required by the Commission. Inspections also ensure that projects receive the necessary maintenance to provide the long-term structural integrity of the project and help ensure that project owners comply with their license terms and conditions. Furthermore, these inspections ensure the continued operation of hydropower projects, which enables them to continue to produce a wide variety of multi-purpose benefits.

Commission engineers provided effective leadership in the resolution of specific project safety issues at the Taum Sauk and Silver Lake rebuilds, and Swinging Bridge, Black River Falls, Victoria, Sturgis, Conklinville, Lowell, Upper/Middle, Fire Mountain, Lowell, Caples Lake, and Hebgen Projects.

LNG Safety Accomplishments

Performance Measurement	Performance Target	Results
Percentage of qualifying LNG plants inspected during ongoing construction activity	90% of plants inspected every 8 weeks	Target Met. 100% of qualifying LNG plants were inspected at least once every 8 weeks during ongoing construction.

LNG plant construction activity during FY 2008 occurred at eight major facilities, including five new LNG import terminals and expansions of three existing LNG terminals. The five new import terminals are in Texas and Louisiana: Freeport LNG, Cheniere Sabine Pass Phases I and II, Sempra Cameron LNG, ExxonMobil Golden Pass, and Gulf LNG. Two of the new import terminals, Freeport LNG and Sabine Pass Phase I, completed construction during the fourth quarter and commenced operations. Construction continued on major expansion projects at two existing import terminals: the Dominion Cove Point Expansion Project and the Trunkline Infrastructure Enhancement Project. New construction began during FY 2008 on a major expansion at the Southern LNG Elba Island terminal. A team of two Commission LNG engineers were assigned to each project to ensure that all of the qualifying projects were inspected at least once every eight weeks and to verify that facilities under construction complied with engineering and safety conditions set forth in the Commission order. Each team also inspected environmental mitigation measures at each site and reviewed the final design of process and safety equipment to verify compliance with the authorized design.

Performance Measurement	Performance Target	Results
Percentage of LNG import terminals inspected annually	90%	Target Met. 100% of the LNG import terminals were inspected.
Percentage of LNG peak-shaving facilities inspected biennially	90%	Target Met. 100% of peak shaving plants were inspected according to the biennial schedule.
Percentage of LNG facilities that meet all current safety standards or are subject of a compliance letter	100%	Target Met. 100% of the LNG facilities either met all current safety standards or received a compliance letter.

During FY 2008, Commission LNG engineers conducted annual operational inspections at all five of the LNG import terminals: Dominion Cove Point LNG in Cove Point, MD, Southern LNG at Elba Island, GA; EcoEléctrica L.P. in Penuelas, Puerto Rico, Trunkline LNG at Lake Charles, LA, and Distrigas in Everett, MA; and arranged and conducted a baseline inspection of the Kenai LNG export terminal in Kenai, AK. Biennial operational inspections were conducted at six of the twelve jurisdictional LNG peak-shaving facilities. A team of Commission LNG engineers conducted field inspections on the condition of plant process equipment, storage tanks and safety systems at each facility. In addition, the operational and maintenance history of the facility since the previous inspection was reviewed with plant management. Of the eleven total inspections, four resulted in post-inspection letters with recommendations. Example recommendations include increasing gas detection, evaluating relief valve discharge orientation, and repairing equipment deterioration or corrosion.

Market Regulation Accomplishments

Performance Measurement	Performance Target	Results
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.

In FY 2008, the Commission advanced its goal of stimulating investment in new transmission infrastructure by issuing orders approving applications for incentive rates for transmission projects worth more than $4 billion and representing thousands of miles of high-voltage transmission facilities.

These applications included major "backbone" projects widely recognized as providing significant benefits. For example, one case involved Southern California Edison Company's "Tehachapi Project," to provide transmission for up to 4,500 megawatts of primarily wind generation into the Los Angeles area. Other cases included transmission facilities to allow substantially more imports of economic power from the Midwest into New Jersey, eastern Pennsylvania, and nearby areas. Few transmission projects of this size have been developed for many years. Additional cases included a proposal by Pacific Gas & Electric Company to build a thousand-mile transmission line to import up to 3,000 megawatts of new renewable power from Canada, and a billion-dollar proposal by Northern States Power to expand its transmission system to access between 300 and 700 megawatts of wind power.

<u>Additional Accomplishments in Interconnection Queue Reform</u>
Since the Commission issued Order No. 2003 to standardize the agreements and procedures related to the interconnection of large generating facilities, queue problems have arisen because of the surge of new entry by generators, especially wind and other renewable energy projects. In FY 2008, the Commission held a technical conference to seek information on these interconnection queue issues stemming from the large number of new generation entrants seeking to interconnect to the grid. The conference also explored existing practices that have proven effective in addressing interconnection queue problems experienced by both traditional and renewable generation. Subsequently, the Commission provided guidance to RTOs/ISOs on how to reform interconnection queue practices and acted on a number of RTO/ISO filings on interconnection queue reforms for their respective regions.

<u>Other Significant Accomplishments in Market Regulation</u>
In FY 2008, the Commission adopted a new policy that allows Master Limited Partnerships to be included in rate of return proxy groups for determining rates for services provided by interstate natural gas and oil pipelines. This change was necessary

to reflect structural changes that have occurred in both the natural gas and oil pipeline industries in recent years.

Financial Regulation Accomplishments

Performance Measurement	Performance Target	Results
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.

During FY 2008, the Office of Enforcement timely completed numerous accounting inserts and financial accounting filings involving complex accounting and regulatory matters. For example, in a proceeding involving PacifiCorp, OE successfully advised the Commission that the proposed accounting for the acquisition of the Chehalis facility was inconsistent with Commission rate making principles. In addition, in a proceeding involving Novinium, OE approved an accounting request to allow their products to be capitalized. This is significant because once the costs of these products are capitalized, companies may seek to recover a return on the investment. Another example of financial accounting filings OE completed in a timely manner involved the California System Operator Corporation's (CAISO) request for authority to use Statement of Governmental Accounting Standards No. 45 to account for post-employment benefits. In this case, OE denied the CAISO's as inconsistent with Commission policy.

Other Significant Accomplishments in Financial Regulation
OE also drafted several major orders and undertook initiatives to ensure that the Commission and the public had access to information needed for oversight activities. OE's activities improved the quality of information reported to the Commission and provided regulatory certainty to companies filing data with the Commission.

These major initiatives included:

- *Rulemakings on Adequacy of Financial Forms.* In March 2008, the Commission issued Order No. 710, revising the reporting requirements for natural gas pipelines to reflect current market and cost information relevant to interstate natural gas pipelines and their customers. In September 2008, the Commission issued Order No. 715, revising the reporting requirements for major electric utilities and licensees to provide additional information on implementing formula rates and affiliate transactions, among other things.

- *Issuance of Electric Quarterly Reports (EQR) Data Dictionary.* The EQR Data Dictionary was developed to improve the quality of the information reported in the EQR by establishing a common, documented basis for the definition of EQR terms and values. The EQR Data Dictionary provides regulatory certainty to the public by documenting the Commission's requirements with regard to filing contract and transaction information in the EQR.

Performance Measurement Data for Competitive Markets

Goal: Support Competitive Markets

Performance Measurement	Performance Target	Results
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

In FY 2008, the Commission reaffirmed its rule on open access transmission, Order No. 890. This rule will ensure that transmission service is provided on a non-discriminatory, just and reasonable basis and will strengthen the transmission grid to support competitive wholesale power markets and assure reliability.

Order No. 890's regional planning requirements will improve coordination of planning among utilities. Ownership of the interstate transmission grid is highly disaggregated, with more than 500 owners. Before Order No. 890, many transmission expansions were planned by individual transmission owners; however, the transmission grid is not merely a collection of local systems that can be planned on a stand-alone basis. The need for, and effect of, transmission expansions must be considered on a local, sub-regional, and regional basis. To that end, Order No. 890 required transmission providers to expand their planning processes to provide for coordination among transmission providers in the same region, and establish planning processes to consider (1) upgrades necessary to maintain reliability and (2) additional expansions that could enhance the economic operation of the grid.

Among the proposed RTO/ISO market rules the Commission reviewed were Order No. 890 transmission planning compliance filings from several RTOs/ISOs. The Commission conditionally accepted these transmission planning compliance filings. The detailed information in these filings brings more specificity as to how customers and other stakeholders should be treated in the transmission planning processes of the transmission providers.

Performance Measurement	Performance Target	Results
Timeliness of processing cases that encourage demand response in organized markets	100% of statutory cases processed within statutory deadlines, or by the applicant's requested date, whichever is later	Target Met. 100% (10 out of 10) filings were acted on by statutory due dates.

A well-functioning competitive wholesale electric market should reflect current supply and demand conditions. The Commission's policy is to facilitate the participation of demand response in organized markets because demand response helps to hold down wholesale power prices, reduces price volatility, increases awareness of energy usage, provides for more efficient operation of markets, mitigates market power, and enhances reliability.

In FY 2008, in addition to processing cases that encourage demand response, the Commission proposed new rules to improve operations and encourage demand response in organized electric markets. Specifically, with respect to demand response the Commission proposed to: (1) accept bids from demand response resources in their markets for certain ancillary services comparable to other resources; (2) during a system emergency, eliminate a charge to a buyer for taking less energy in the real-time market than it purchased in the day-ahead market; and (3) permit an aggregator of retail customers to bid demand response on behalf of retail customers and modify market rules to allow market-clearing prices, during a period of operating reserve shortage, to reach a level that rebalances supply and demand so as to maintain reliability while providing sufficient provisions for mitigating market power.

Other Significant Accomplishments in Competitive Markets
In FY 2008, the Commission issued a final rule designed to enhance competition in secondary natural gas capacity release markets. This rule removes price caps on short-term releases of capacity and increases the flexibility afforded asset management agreements under the Commission's capacity release rules. The rule is designed to enhance competition in the secondary capacity release market and increase shippers' options for obtaining gas supplies.

Performance Measurement Data for Enforcement

Goal: Prevent Market Manipulation

Audit Accomplishments

Performance Measurement	Performance Target	Results
Percentage of operational audit recommendations issued and implemented	90% within 6 months	Target Met. 99% (94 out of 95)

In FY 2008, the Commission completed 60 operational and financial audits of energy companies, including one audit that was referred to the Office of Enforcement, Division of Investigations for further consideration. The audited companies included public utilities and natural gas pipeline and storage companies. The Commission auditors were successful in overseeing jurisdictional companies' implementation of 99 percent of its recommendations to correct the areas of noncompliance discovered during the operational audit engagements within 6 months. Ultimately, all operational audit recommendations were implemented.

The operational and financial audits focused on compliance with:

- Public Utility Holding Company Act 2005,
- open access transmission tariffs,
- interconnection rules,
- affiliate abuse,
- gas tariffs,
- wholesale fuel adjustment clause tariffs,
- cash management programs,
- electronic quarterly reporting,
- OASIS and gas website posting,
- the Uniform System of Accounts,
- market-based rate authority, and
- other blanket authorizations, filings, and conditions of the Commission.

The 60 audits above resulted in 156 recommendations (95 recommendations associated with operational audits; 61 recommendations associated with financial audits) for corrective action and included over $5.7 million in accounting and billing adjustments that resulted in refunds to wholesale customers. Several audits also required the implementation of stringent compliance plans to ensure adherence to policies and procedures of the Commission including requirements to conduct training and periodic audits.

Market Oversight Accomplishments

Performance Measure	Performance Target	Result
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.

During FY 2008, OE conducted extensive outreach to communicate the results of the Commission's on-going oversight of energy markets. OE staff made public presentations to the Commission on five occasions. On four occasions, OE staff addressed several issues at the Commission meeting, including the winter and summer market assessments, a review of the state of the energy markets, and concerns about rising costs of electricity. In addition, OE presented at the Commission conference on wholesale electric markets. OE staff also conducted monthly phone calls with representatives from state governments. As many as 28 states participated in these calls during any one month. OE staff also maintains a portion of the FERC public website, where OE posts current information and analysis about energy and related markets.

Performance Measure	Performance Target	Result
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.

In FY 2008 OE's Division of Investigation assessed its enforcement program which was implemented two years ago. A main focus was related to its additional subject matter authority and the expanded civil penalty authority in Part II of the FPA and the Natural Gas Act. To that end, OE organized the Commission's Conference on Enforcement Policy held on November 16, 2007. At the conference, panels of industry experts and counsel addressed, among other things, policy issues regarding how the Commission should balance a firm approach to enforcement with fair treatment of those subject to remedies and sanctions for misconduct. In advance of the conference and to provide context for the conference staff released a Report on Enforcement, dated November 14, 2007, in which it described its processes for investigation, self-reports, and audits.

On May 15, 2008, the Commission issued a Revised Policy Statement on Enforcement which reflected the experience gained from administering the enhanced enforcement tools as well as responded to many of the points and recommendations made during the November conference. In particular, the Revised Policy Statement provides a detailed picture of how the investigative process works, including considerations taken when opening an investigation, the opportunities the subject has to communicate with staff and the Commission during the investigation, and how investigations may proceed to settlements or enforcement proceedings, and how penalties are determined.

In July 2008, the Commission held a workshop on regulatory compliance which provided a forum for interested participants to share perspectives and information on federal energy regulatory compliance. More specifically, two panels of industry participants discussed the elements of a sound compliance program, including: identifying and prioritizing risks; integrating FERC compliance with other regulatory requirements, developing appropriate organizational structures and management and employee incentives to achieving certain compliance targets; and training, monitoring, and periodic assessment of training and compliance programs.

Performance Measurement Data for Supporting Initiatives

Other Significant Accomplishments: Electronic Filing of Tariffs

In FY 2008, the Commission issued a final rule requiring that all tariffs and tariff revisions and rate change applications for the public utilities, natural gas pipelines, and oil pipelines be made electronically according to a set of standards developed in conjunction with the North American Energy Standards Board. This will make tariff information accessible to the public, the industry, and the Commission staff from the Commission's web site. Implementation of the electronic tariff filing requirements will begin in FY 2010 to permit sufficient time for software development.

Financial Performance Overview

As of September 30, 2008, the financial condition of the Commission was sound with sufficient funds to meet program needs and adequate controls were in place to ensure Commission obligations did not exceed budget authority. The Commission prepared its financial statements in accordance with the accounting standards codified in the Statements of Federal Financial Accounting Standards and with OMB Circular No.A-136, Financial Reporting Requirements.

Sources of Funds. The Commission receives an appropriation from Congress that is available until expended. The Commission's FY 2008 new budget authority was $260.4 million. This represents an increase in new budget authority of approximately $38.5 million over FY 2007. Additional funds available to obligate in FY 2008 were $3.4 million from prior-year unobligated appropriations and $0.7 million of prior-year obligations that were subsequently de-obligated in the current year and submitted for re-allotment. The sum of all funds available to obligate in FY 2008 was $264.5 million. Additionally, the Commission receives an appropriation from Congress to pay states the fees it collected for the occupancy and use of public lands. The payments to states appropriation in FY 2008 was $3.1 million.

Consistent with the requirements of the Omnibus Budget Reconciliation Act of 1986, as amended, the Commission collected fees to offset 100% of its budget authority in FY 2008.

Costs by Function. The Commission incurred costs of $254.2 million in FY 2008, which was an increase of $14.1 million over FY 2007. Approximately 71 percent of costs were used for salaries and benefits. The remaining 29 percent was used to obtain technical assistance for the Commission's principal regulatory programs, to cover operating expenses, staff travel, and reimbursable work. Salaries and benefits increased by $6.6 million over 2007 while the net affect on the other cost categories was an increase of $7.5 million.

Costs by Function (millions)

Costs	FY 2008	FY 2007
Salaries and Benefits	$180.6	$174.0
Travel/Transportation	3.6	2.8
Rent/Comm/ Utilities	22.3	22.1
Contract Support	37.2	30.8
Printing/Supplies/Other	10.5	10.4
Total Costs	$254.2	$240.1

Audit Results. The Commission received an unqualified audit opinion on its FY 2008 financial statements. This was the fifteenth consecutive year the Commission has received an unqualified opinion. For FY 2008, no material weaknesses were identified by the audit.

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

Analysis of the Balance Sheet

The Commission's assets were approximately $101.9 million as of September 30, 2008. This is an increase of $40.9 million from September 30, 2007. The assets reported in the Commission's Balance Sheet are summarized in the Asset Summary table.

Assets Summary (millions)

Assets	FY 2008	FY 2007
Fund Balance with Treasury	$72.7	$48.4
Accounts Receivable, net	22.9	4.6
Property and Equipment, net	6.3	8.0
Total Assets	$101.9	$61.0

The Fund Balance with Treasury represents the Commission's largest asset of $72.7 million as of September 30, 2008, an increase of $24.3 million from the FY 2007 balance. This balance represents appropriated funds, collected penalties and other funds maintained at the Treasury until final disposition is determined. The increase from FY 2007 to FY 2008 is due to the Commission receiving a higher appropriation this year to fund increased staffing needs in the Commission's reliability and enforcement program areas.

The Accounts Receivable, net has a balance of $22.9 million as of September 30, 2008. This balance represents the outstanding amounts due from either annual charges, civil penalties or other penalties issued by the Commission to entities under its regulation. The $18.3 million increase from FY 2007 to FY 2008 is primarily the result of penalties issued by the Commission to entities under its regulation that are outstanding.

The Property and Equipment, net was $6.3 million as of September 30, 2008, a decrease of $1.7 million from FY 2007. The balance is comprised of the net value of the Commission's equipment, furniture, leasehold improvements, and computer hardware and software. The $1.7 million net decrease is primarily due to the decrease in Property and Equipment for depreciation of assets throughout the year.

The Commission's liabilities were $87.4 million as of September 30, 2008. The Liabilities Summary table shows an increase in total liabilities of $33.3 million from FY 2007. The $87.4 million balance is largely the result of penalties issued by the Commission to entities under its regulation found guilty of market manipulation that are subsequently due to other entities.

Liabilities Summary (millions)

Liabilities	FY 2008	FY 2007
Accounts Payable	$16.4	13.1
Federal Employee Benefits	7.7	6.4
Other Liabilities	63.3	34.7
Total Liabilities	$87.4	$54.1

The difference between total assets and total liabilities is net position. The Commission's net position was approximately $14.5 million as of September 30, 2008. The increase in net position in FY 2008 compared to FY 2007 is the result of the Commission's larger FY 2008 appropriation, which was not fully expended by year-end, and the amount the Commission overbilled the entities under its regulation.

Net Position Summary (millions)

Position	FY 2008	FY 2007
Unexpended Appropriations	$24.6	$4.5
Cumulative Results of Operations	($10.1)	$2.4
Total Net Position	$14.5	$6.9

Analysis of the Statement of Net Cost

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

Net Cost of Operations

Operation	FY 2008	FY 2007
Energy Infrastructure	$0	$0
Competitive Markets	0	0
Market Oversight	0	0
Net Cost of Ops	$0	$0

The Commission's net cost of operations for FY 2008 was $0 which is in line with $0 for FY 2007. The Commission is a full cost recovery agency and recovers all of its cost through the allocated annual charges to the entities that it regulates. In FY 2008, for financial reporting purposes, the Commission accrued its reimbursable revenue to match total reimbursable costs to report cost of $0 on its financial statements.

Analysis of Statement of Changes in Net Position

The Statement of Changes in Net Position reports the change in net position during the reporting period. Net position is affected by changes in its two components: Cumulative Results of Operations and Unexpended Appropriations. The overall increase in Net Position of $7.6 million is the result of increased billings and expended appropriations for FY 2008 compared to FY 2007.

Analysis of the Statement of Budgetary Resources

The Statement of Budgetary Resources shows the sources of budgetary resources available and the status at the end of the period. It represents the relationship between budget authority and budget outlays, and reconciles obligations to total outlays. For FY 2008, the Commission had budgetary resources available of $267.6 million, the majority of which was derived from new spending authority. This represents an increase of $36.1 million over FY 2007 budgetary resources available of $231.5 million. The unobligated budget authority available at September 30, 2008 was $16.8 million, which is an increase of $13.5 million from the FY 2007 amount of $3.4 million.

The status of budgetary resources includes obligations incurred of $250.9 million, or 94 percent of funds available. Similarly, FY 2007 obligations incurred were $228.0 million or 98.5 percent of funds available. Total net outlays for FY 2008 were $66.8 million, which represents a $10.5 million decrease from FY 2007 net outlays of $77.3 million. The decrease from last year is a result of fewer collections in FY 2008 of Commission distributed offsetting receipts, which include penalties and collections of costs over our appropriation.

Analysis of the Statement of Custodial Activity

The Statement of Custodial Activity displays the total Custodial Revenue and the Disposition of Collections related to that revenue activity. This statement ensures that revenue billed and collected by the Commission on behalf of another federal agency will not be reported twice as revenue on the consolidated government’s Statement of Net Cost. In FY 2008, the Commission reported $55.6 million in custodial revenue as of September 30, 2008 compared to $69.9 million in FY 2007. The majority of the decrease over FY 2007 is due to fewer civil penalties billed in FY 2008 to entities under the Commission’s regulation.

Controls, Systems, and Legal Compliance

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

- Federal Managers' Financial Integrity Act of 1982;
- Federal Financial Management Improvement Act of 1996;
- Prompt Payment Act;
- Debt Collection Improvement Act of 1996; and
- Revised OMB A-123.

Integrity Act Statement

During Fiscal Year 2008, the Commission responded to the challenge of a changing energy industry as it becomes more competitive. Our strategic plan contains three primary Commission goals which reflect the Commission's vision of "abundant, reliable energy in a fair competitive market". We are progressing on each goal and are tracking our achievements so that the real benefits of competition to consumers and the industry are not delayed. Our goals are: (1) promote the development of a strong energy infrastructure; (2) support competitive markets; and (3) prevent market manipulation.

To accomplish our goals, we must manage our resources efficiently and integrate our budget, performance measures, and management controls to improve performance and accountability. Our OMB A-123 internal control program is helping us accomplish this by monitoring our financial, human capital and information resources to safeguard our assets, improve the integrity of our reporting, and use our resources more effectively in reaching our goals. Problems that impede our progress continue to be brought to the attention of management and resolved within the Commission at the appropriate level. The auditors' FY 2007 report on the Commission's internal control structure disclosed no material weaknesses and no instances of noncompliance with laws and regulations. We will continue to maintain a strong management control system.

The Commission's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). In accordance with OMB Circular A-123, Management's Responsibility for Internal Controls; we evaluated the effectiveness and efficiency of our internal controls over operations and our compliance with applicable laws and regulations as of September 30, 2008. Based on the results of this evaluation, the Commission can provide reasonable assurance that its internal controls are operating effectively and that no material weaknesses were found in the design or operation of our internal controls.

In addition, the Commission assessed the effectiveness of internal controls over financial reporting, which includes the safeguarding of assets and our compliance with applicable laws and regulations in accordance with the requirements of OMB Circular A-123, Appendix A. The results of this assessment found no material weaknesses in the design or operation of our controls over financial reporting. The Commission can provide reasonable assurance that its internal controls over financial reporting as of September 30, 2008, are operating effectively.

Joseph T. Kelliher
Chairman
Federal Energy Regulatory Commission
September 2008

Federal Managers' Financial Integrity Act

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

The Integrity Act requires the Chairman to provide an assurance statement on the adequacy of management controls and conformance of financial systems with Government wide standards.

Management Control Review Program

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

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

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

FY 2008 Integrity Act Results

The Commission evaluated its management control systems for the fiscal year ending September 30, 2008. This evaluation provided reasonable assurance that the Commission's management controls achieved their intended objectives. As a result, management concluded that the Commission did not have any material weaknesses in its programmatic or administrative activities.

FY 2008 OMB A-123 Results

The Commission evaluated its internal controls over financial reporting for the fiscal year ending September 30, 2008. Based on the results of this evaluation, the Commission can provide reasonable assurance that its internal controls are operating effectively and that no material weaknesses were found in the design or operation of our internal controls.

Federal Financial Management Improvement Act

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

FY 2008 Improvement Act Results

As of September 30, 2008, the Commission evaluated its financial management system to determine if it complied with applicable federal requirements and accounting standards required by the Improvement Act. We found that the Commission's financial management system was in substantial compliance with the Federal financial management system requirements, applicable Federal accounting standards and the U.S. standard general ledger at the transaction level. In making this determination, we undertook financial reporting tests of the system and reviewed entries at the transaction level, and determined compliance with Federal requirements and accounting standards required by the Improvement Act.

Prompt Payment. The Prompt Payment Act requires Federal agencies to make timely payments to vendors for supplies and services, to pay interest penalties when payments are made after the due date, and to take cash discounts when they are economically justified. As of September 30, 2008, the Commission made 98% of its payments, that were subject to the Prompt Payment Act, on-time. The Commission incurred $304 in interest penalties in FY 2008, which was a decrease compared to the FY 2007 amount of $506. The agency made 98% of its vendor payments electronically in FY 2008.

Debt Collection. The Debt Collection Improvement Act of 1996 was enacted to enhance the ability of the Federal Government to service and collect debts. The agency goal is to maintain the delinquent debt owed to the Commission at year-end at less than two percent of its current annual billings. As of September 30, 2008, delinquent debt was $6.0 million, which was approximately two percent of its current annual billings. Included in this amount is a single delinquent debt of approximately $5.8 million. The Commission continues to aggressively pursue the collection of delinquent debt and continues to meet the requirement that all eligible delinquent debt over 180 days is referred to the U.S. Treasury for collection.

Possible Future Effects of Existing Events and Conditions

As of September 30, 2008, the Commission has a pending Bid protest case where the probability of success is reasonably possible. The amount of monetary relief, if awarded, would not exceed $100,000.

Limitations of the Financial Statements

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

Improper Payments Information Act (IPIA) Reporting

The Commission has performed a review of its payments through September 30, 2008 and it has processed 99% of its payments without error. The Commission found only 63 erroneous payments out of 6,261 total payments. The value of those erroneous payments totaled $0.1 million out of total payments of $49.3 million for fiscal year 2008.

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Financial Section

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

Office of the
Executive Director

Message from the Chief Financial Officer

I am pleased to present the Federal Energy Regulatory Commission's comparative financial results for fiscal years 2008 and 2007. The accompanying financial statements and related notes fairly present the Commission's financial position and were prepared in conformity with accounting principles generally accepted in the United States of America, and the Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements.

The Commission takes seriously its charge to regulate energy industries in the economic, environmental and safety interest of the American public. The Commission understands that these objectives must be achieved in a fiscally responsible manner. As a result, senior leadership has instilled a culture of accountability throughout the agency. Specifically, I am proud of the efforts made by my organization as vigilant stewards of public resources. Following are a few achievements in financial management that I consider noteworthy:

- The Commission obtained an unqualified opinion on its principal financial statements for the 15th consecutive year. In addition, it strengthened its internal control program by continuing on-going self-assessment efforts as required by OMB Circular A-123, Management's Responsibility for Internal Control. The Commission for the 3rd consecutive year asserted reasonable assurance that its internal controls over financial reporting were operating effectively.

- The Commission continued its efforts to enhance integration of performance and budgetary data. Specifically, it took measures which provided for greater transparency in its budget request. In the FY 2009 Congressional Budget Justification (CBJ), the Commission presented funding and full-time equivalents at the strategic objective level outlined in its Strategic Plan. The FY 2009 CBJ marks the first year the Commission has provided this level of detailed alignment in its budget presentation. Presentation of funding and resource data in this manner has provided federal appropriators, industry, and the American public greater insight into the Commission's specific resource needs. The Commission is planning to make additional changes to its FY 2010 CBJ that will provider greater visibility into its resource requirements and the effectiveness and efficiency of its programs.

- The Commission collected over $280 million in annual charge receipts during the fiscal year. Financial management staff worked together to compile the required financial data to issue these charges and implemented new processes utilizing internal applications to deliver the billing statements electronically. As a result of these efforts, the Commission exceeded statutory collection requirements to offset its annual appropriation by more than $20 million.

- The Commission maintained effective and efficient financial management operations. It paid over 99% of its vendor invoices electronically while remitting 98% of these payments within statutorily mandated due dates at an error rate of less than 1%. Moreover, it collected 98% of established accounts receivable by their respective due dates.

- The Commission awarded over 31% of its total contract dollars to small, women-owned and minority businesses. It exceeded its performance target by 6 %. The Commission values the pivotal role small businesses play in supporting the accomplishment of its mission.

Our accomplishments clearly demonstrate the considerable importance placed on financial management, accountability and public disclosure. This report demonstrates our commitment to fulfill our fiduciary responsibilities to Commission stakeholders and the American public.

Thomas R. Herlihy
Chief Financial Officer
Federal Energy Regulatory Commission
November 6, 2008

KPMG

KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report

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

We have audited the accompanying balance sheets of the Federal Energy Regulatory Commission (the Commission) as of September 30, 2008 and 2007, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity (hereinafter referred to as "financial statements") for the years then ended. The objective of our audits was to express an opinion on the fair presentation of these financial statements. In connection with our fiscal year 2008 audit, we also considered the Commission's internal controls over financial reporting and tested the Commission's compliance with certain provisions of applicable laws, regulations, and contracts that could have a direct and material effect on these financial statements.

Summary

As stated in our opinion on the financial statements, we concluded that the Commission's financial statements as of and for the years ended September 30, 2008 and 2007, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses as defined in the Internal Control Over Financial Reporting section of this report. However, we noted no matters involving the internal control and its operation that we considered to be material weaknesses as defined in this report.

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

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

Opinion on the Financial Statements

We have audited the accompanying balance sheets of the Federal Energy Regulatory Commission as of September 30, 2008 and 2007, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Federal Energy Regulatory Commission as of September 30, 2008 and 2007, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended, in conformity with U.S. generally accepted accounting principles.

The information in the Management's Discussion and Analysis is not a required part of the financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The information in the Performance Report and the Appendices are presented for purposes of additional analysis and are not required as part of the financial statements. This information has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

Internal Control Over Financial Reporting

Our consideration of the internal control over financial reporting was for the limited purpose described in the Responsibilities section of this report and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Commission's financial statements that is more than inconsequential will not be prevented or detected by the Commission's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Commission's internal control.

In our fiscal year 2008 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

We noted certain additional matters that we have reported to management of the Commission in a separate letter dated November 6, 2008.

Compliance and Other Matters

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

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

* * * * * * *

Responsibilities

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

Auditors' Responsibilities. Our responsibility is to express an opinion on the fiscal year 2008 and 2007 financial statements of the Commission based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin No. 07-04, as amended. Those standards and OMB Bulletin No. 07-04, as amended require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes:

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

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

In planning and performing our fiscal year 2008 audit, we considered the Commission's internal control over financial reporting by obtaining an understanding of the Commission's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of our audit was not to express an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

As part of obtaining reasonable assurance about whether the Commission's fiscal year 2008 financial statements are free of material misstatement, we performed tests of the Commission's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, as amended, including the provisions referred to in Section 803(a) of FFMIA. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, and contracts applicable to the Commission. However, providing an opinion on compliance with laws, regulations, and contracts was not an objective of our audit and, accordingly, we do not express such an opinion.

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

KPMG LLP

November 6, 2008

FEDERAL ENERGY REGULATORY COMMISSION

Balance Sheets

As of September 30, 2008 and 2007
(in dollars)

		2008		2007
Assets (note 3):				
Intragovernmental:				
Fund balance with Treasury (note 4)	$	72,693,742	$	48,361,676
Accounts receivable (note 5)		13,399		22,640
Total intragovernmental assets		72,707,141		48,384,316
Accounts receivable, net (note 5)		22,896,225		4,647,677
Property and equipment, net (note 6)		6,307,483		7,987,011
Total assets	$	101,910,849	$	61,019,004
Liabilities:				
Intragovernmental:				
Accounts payable	$	3,037,177	$	3,434,843
Other (note 7):				
Accrued payroll benefits		1,291,035		996,000
Resources transferable to Treasury and other Federal entities		478,500		4,618,517
Miscellaneous receipts transferable to Treasury		5,254		5,098
Workers' compensation payable (note 9)		850,484		758,944
Total intragovernmental liabilities		5,662,450		9,813,402
Accounts payable		13,346,630		9,664,254
Other (note 7):				
Accrued payroll and benefits		6,397,959		5,363,070
Commitments and contingencies (note 11)		100,000		-
Revenue collected under protest		-		97,776
Refunds and other amounts due		10,534,131		1,730,332
Accrued leave (note 9)		12,425,724		10,973,250
Resources transferable to other entities from disgorged funds		38,905,088		16,472,603
Total liabilities		87,371,982		54,114,687
Net Position:				
Unexpended appropriations		24,646,344		4,493,446
Cumulative results of operations		(10,107,477)		2,410,871
Total net position		14,538,867		6,904,317
Total liabilities and net position	$	101,910,849	$	61,019,004

The accompanying notes are an integral part of these statements.

FEDERAL ENERGY REGULATORY COMMISSION

Statements of Net Cost
For the Years Ended September 30, 2008 and 2007
(in dollars)

	2008	2007
Program costs:		
Regulation:		
Energy Infrastructure (note 14):		
Gross costs	$ 194,110,589	$ 183,580,477
Less: earned revenue	194,110,589	183,580,477
Net program costs	$ -	$ -
Competitive Markets (note 14):		
Gross costs	$ 30,313,293	$ 28,451,474
Less: earned revenue	30,313,293	28,451,474
Net program costs	$ -	$ -
Enforcement (note 14):		
Gross costs	$ 29,818,284	$ 28,018,671
Less: earned revenue	29,818,284	28,018,671
Net program costs	$ -	$ -
Total (note 14):		
Gross costs	$ 254,242,166	$ 240,050,622
Less: earned revenue	254,242,166	240,050,622
Net Cost of Operations	$ -	$ -

The accompanying notes are an integral part of these statements.

FEDERAL ENERGY REGULATORY COMMISSION

Statements of Changes in Net Position

For the Years Ended September 30, 2008 and 2007

(in dollars)

	2008	2007
Cumulative Results of Operations:		
Beginning balances	$ 2,410,871	$ 3,999,016
Budgetary Financing Sources:		
Appropriations used	240,272,102	226,871,540
Other Financing Sources (Non-Exchange):		
Transfers – out to Treasury without reimbursement	(263,440,238)	(239,839,793)
Imputed financing from costs absorbed by others (note 10)	10,649,788	11,380,108
Total Financing Sources	(12,518,348)	(1,588,145)
Net Cost of Operations	-	-
Net Change	(12,518,348)	(1,588,145)
Cumulative Results of Operations	$ (10,107,477)	$ 2,410,871
Unexpended Appropriations:		
Beginning balances	$ 4,493,446	$ 9,463,468
Budgetary Financing Sources:		
Appropriations received	260,425,000	221,901,518
Appropriations used	(240,272,102)	(226,871,540)
Total Budgetary Financing Sources	20,152,898	(4,970,022)
Total Unexpended Appropriations	$ 24,646,344	$ 4,493,446
Net Position	$ 14,538,867	$ 6,904,317

The accompanying notes are an integral part of these statements.

FEDERAL ENERGY REGULATORY COMMISSION

Statements of Budgetary Resources

For the Years Ended September 30, 2008 and 2007

(in dollars)

	2008	2007
Budgetary Resources:		
Unobligated balance, beginning of period	$ 3,429,690	$ 5,748,933
Recoveries of prior year unpaid obligations	651,567	676,291
Budgetary authority		
Appropriation	3,127,077	3,094,042
Collected	260,474,032	221,917,880
Change in unfilled customer orders		
Without advance from Federal Sources	(43,057)	40,979
Subtotal	263,558,052	225,052,902
Total Budgetary Resources	$ 267,639,310	$ 231,478,125
Status of Budgetary Resources:		
Obligations incurred: (note 15)		
Direct	$ 250,815,633	$ 228,015,257
Reimbursable	39,790	33,178
Subtotal	250,855,423	228,048,435
Unobligated balances available and apportioned		
Apportioned	16,783,887	3,429,690
Total status of budgetary resources	$ 267,639,310	$ 231,478,125
Change in Obligated Balance:		
Obligated balance, net		
Unpaid obligations, brought forward, October 1	$ 20,628,189	$ 23,174,182
Less: Uncollected customer payments from Federal sources, brought forward, October 1	(87,283)	(46,303)
Total unpaid obligated balance, net	20,540,906	23,127,879
Obligations incurred, net	250,855,423	228,048,435
Less: Gross outlays	(238,844,144)	(229,918,138)
Less: Recoveries of prior year unpaid obligations, actual	(651,567)	(676,291)
Change in uncollected customer payments from Federal sources	(43,057)	(40,979)
Obligations balance, net, end of period		
Unpaid obligations	31,987,901	20,628,189
Less: Uncollected customer payments from from Federal sources	(44,226)	(87,283)
Total, unpaid obligated balance, net, end of period	$ 31,943,675	$ 20,540,906

(Continued)

Net Outlays:				
Gross outlays	$	238,844,144	$	229,918,138
Less: Offsetting collections		(260,474,032)		(221,917,880)
Less: Distributed offsetting collections		(45,163,340)		(85,255,615)
Net outlays	$	(66,793,228)	$	(77,255,357)

The accompanying notes are an integral part of these statements.

FEDERAL ENERGY REGULATORY COMMISSION

Statements of Custodial Activity

For the Years Ended September 30, 2008 and 2007

(in dollars)

	2008	2007
Sources of collections:		
Cash collections – annual charges	$ 56,548,067	$ 82,035,815
Accrual adjustment	(940,339)	(12,179,467)
Total custodial revenue (note 12)	55,607,728	69,856,348
Disposition of collections:		
Transferred to others:		
United States Army – Corps of Engineers	(7,743,045)	(13,153,812)
Department of Interior	(6,726,135)	(8,774,079)
United States Treasury	(38,948,424)	(59,477,033)
Various states	(3,127,077)	(3,094,042)
Decrease (increase) in Amounts Yet to be transferred	936,953	14,642,618
Net Custodial Activities	$ -	$ -

The accompanying notes are an integral part of these statements.

FEDERAL ENERGY REGULATORY COMMISSION

Notes to Financial Statements

September 30, 2008 and 2007

(1) Description of Reporting Entity

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

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

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

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

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

Energy Infrastructure

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

Competitive Markets

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

Enforcement

The Commission also needs to ensure that competitive energy markets benefit the Nation over the long run. The Commission must offer the public and market participants credible assurance that the Commission will identify and remedy energy market problems to maintain just and reasonable rates. At the systemic level, the Commission needs to recognize problems before or when they develop and craft solutions quickly. Effective internal compliance programs within companies and self-policing will also help achieve this goal. The Commission will conduct traditional investigations and apply its expanded penalty authority when appropriate.

Cost Recovery

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

Annual Charges

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

Hydropower

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

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

Gas, Electric, and Oil

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

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

Filing Fees

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

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

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

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

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

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

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

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

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

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

(b) Budgets and Budgetary Accounting

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

(c) Basis of Accounting

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

(d) Revenue and Financing Sources

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

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

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

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

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

(e) Fund balance with Treasury

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

(f) Allowance for Doubtful Accounts

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

(g) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. The Commission capitalizes property (other than furniture) and equipment purchases with a cost greater than $25,000 and a total useful life exceeding two years. The Commission capitalizes furniture purchases with a cost greater than $50,000, and commercially purchased or internally developed software with a cost greater than $100,000. Depreciation is calculated based on an estimated useful life of 20 years for leasehold improvements, 10 years for furniture, 2 to 5 years for commercially purchased or internally developed software, and 5 years for all remaining assets. Expenditures for repairs and maintenance are charged to program costs as incurred.

(h) Liabilities

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

(i) Revenue Collected Under Protest

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

(j) Collections Due to States

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

(k) Accrued Leave

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

(l) Workers' Compensation Payable

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

(m) Disgorged Funds

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

(n) Net Position Accounts

Net position account balances consist of the following components:

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

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

(o) Tax Status

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

(p) Use of Estimates

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

(3) Non-Entity Assets

Non-entity assets at September 30, 2008 and 2007 consisted of:

	2008	2007
Intragovernmental:		
Fund balance with Treasury:		
Revenue collected under protest	$ -	$ 97,776
Disgorged funds	16,523,256	16,455,511
Miscellaneous receipts held in suspense	214,752	609,775
Special receipts fund	7,222,919	7,222,919
Other	5,254	5,098
Total intragovernmental	$ 23,966,181	$ 24,391,079
Accounts receivable, net	22,673,141	639,612
Total non-entity assets	$ 46,639,321	$ 25,030,691
Total entity assets	55,271,527	35,988,313
Total assets	$ 101,910,849	$ 61,019,004

(4) Fund balance with Treasury

Fund balance with Treasury at September 30, 2008 and 2007 consisted of:

	2008	2007
Fund balances:		
Appropriated funds	$ 48,727,561	$ 23,970,597
Revenue collected under protest	-	97,776
Disgorged funds	16,523,256	16,455,511
Miscellaneous receipts held in suspense	214,752	609,775
Special receipts fund	7,222,919	7,222,919
Other	5,254	5,098
Total	$ 72,693,742	$ 48,361,676
Status of Fund balance with Treasury		
Unobligated balance:		
Available	$ 16,068,828	$ 3,429,690
Unavailable	24,637,014	24,303,797
Obligated balance not yet disbursed	31,987,901	20,628,189
Total	$ 72,693,742	$ 48,361,676

(5) Accounts Receivable, net

Entity and nonentity accounts receivable at September 30, 2008 and 2007 consisted of:

	2008		
	Annual Charges	**Other**	**Total**
Entity			
Uncollected billings	$ 4,262,767	$ 75,960	$ 4,338,727
Uncollected intragovernmental billings	-	13,399	13,399
Allowance for doubtful accounts	(4,115,170)	(473)	(4,115,643)
Total entity accounts receivable, net	147,597	88,886	236,483
Non-entity			
Uncollected billings	2,041,448	54,910,598	56,952,046
Allowance for doubtful accounts	(1,750,139)	(32,528,766)	(34,278,905)
Total non-entity accounts receivable, net	291,309	22,381,832	22,673,141
Total accounts receivable, net	$ 438,906	$ 22,470,718	$ 22,909,624

	2007		
	Annual Charges	**Other**	**Total**
Entity			
Uncollected billings	$ 8,131,010	$ 58,343	$ 8,189,353
Uncollected intragovernmental billings	-	22,640	22,640
Allowance for doubtful accounts	(4,174,607)	(6,681)	(4,181,288)
Total entity accounts receivable, net	3,956,403	74,302	4,030,705
Non-entity			
Uncollected billings	6,892,979	32,545,858	39,438,837
Allowance for doubtful accounts	(6,270,459)	(32,528,766)	(38,799,225)
Total non-entity accounts receivable, net	622,520	17,092	639,612
Total accounts receivable, net	$ 4,578,923	$ 91,394	$ 4,670,317

(6) Property and Equipment, net

Property and equipment and related accumulated depreciation at September 30, 2008 and 2007 consisted of:

	2008		
	Acquisition Amount	Accumulated Depreciation	Net
Equipment	$ 2,631,985	$ 2,468,514	$ 163,471
Furniture	9,070,773	9,070,773	-
Leasehold improvements	9,491,415	6,130,111	3,361,304
ADP software	17,034,785	14,917,698	2,117,087
Internal software developed - WIP	655,955	-	655,955
Capital assets	29,000	19,334	9,666
Total Property and Equipment, net	$ 38,913,913	$ 32,606,430	$ 6,307,483

	2007		
	Acquisition Amount	Accumulated Depreciation	Net
Equipment	$ 4,826,522	$ 4,554,602	$ 271,920
Furniture	9,070,773	9,070,773	-
Leasehold improvements	9,491,415	5,655,540	3,835,875
ADP software	18,422,855	14,562,972	3,859,883
Capital assets	29,000	9,667	19,333
Total Property and Equipment, net	$ 41,840,565	$ 33,853,554	$ 7,987,011

(7) Other Liabilities

Other liabilities at September 30, 2008 and 2007 consisted of:

	2008		
	Current	Non-Current	Total
Intragovernmental			
Accrued payroll and benefits	$ 1,291,035	$ -	$ 1,291,035
Resources transferable to Treasury and other Federal entities	478,501	-	478,501
Miscellaneous receipts transferable to Treasury	5,254	-	5,254
Workers' compensation payable	605,264	245,220	850,484
Total intragovernmental liabilities	2,380,053	245,220	2,625,273
Accrued payroll and benefits	6,397,959	-	6,397,959
Commitments and contingencies	100,000	-	100,000
Refunds and other amounts due	10,534,131	-	10,534,131
Accrued leave	12,425,724	-	12,425,724
Resources transferable to other entities from disgorged funds	-	38,905,088	38,905,088
Total other liablities	$ 31,837,868	$ 39,150,308	$ 70,988,176

	2007		
	Current	Non-Current	Total
Intragovernmental			
Accrued payroll and benefits	$ 996,000	$ -	$ 996,000
Resources transferable to Treasury and other Federal entities	4,618,517	-	4,618,517
Miscellaneous receipts transferable to Treasury	5,098	-	5,098
Workers' compensation payable	164,054	594,890	758,944
Total intragovernmental liabilities	5,783,669	594,890	6,378,559
Accrued payroll and benefits	5,363,070	-	5,363,070
Revenue collected under protest	97,776	-	97,776
Resources transferable to other entities from disgorged funds	-	16,472,603	16,472,603
Refunds and other amounts due	1,730,332	-	1,730,332
Accrued leave	10,973,250	-	10,973,250
Total other liablities	$ 23,948,097	$ 17,067,493	$ 41,015,590

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

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

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

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

(8) Building Lease

The General Services Administration (GSA) enters into lease agreements for government buildings and maintains those lease agreements. The Commission pays GSA a standard level users charge for the annual rental of building space, of which Commission Headquarters is in Washington, DC and several other regional offices are located in various parts of the country. The standard level users charge approximates the commercial rental rates for similar properties. The Commission generally does not execute an agreement with GSA; the Commission, however, is normally required to give 30-120 days notice to vacate. Expenses incurred for building leases amounted to $21.5 million and $19.9 million for periods ended September 30, 2008 and 2007, respectively.

Real Property Operating Leases

Fiscal Year	GSA	Non-GSA	Total
FY 2009	11,006,950	97,709	11,104,659
FY 2010	11,006,950	73,280	11,080,230
FY 2011	11,006,950	23,074	11,030,024
FY 2012	11,006,950	12,573	11,019,523
FY 2013	11,006,950	-	11,006,950
Beyond FY 2013	22,013,900	-	22,013,900
Total future minimum lease payments	$ 77,048,650	$ 206,636	$ 77,255,286

(9) Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources at September 30, 2008 and 2007 consisted of:

	2008	2007
Intragovernmental		
Workers' compensation payable	$ 850,484	$ 758,944
Total intragovernmental	850,484	758,944
Accrued leave	12,425,724	10,973,250
Total liabilities not covered by budgetary resources	$ 13,276,208	$ 11,732,194

(10) Pension Expense

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

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

The actuarial present value of accumulated benefits, assets available for benefits, and unfunded pension liability of CSRS and FERS is not allocated to individual departments and agencies and is, therefore, not disclosed by the Commission. Total pension expense paid by the Commission for both plans for fiscal years 2008 and 2007 was approximately $12.8 million and $12.7 million, respectively as of September 30th. During fiscal years 2008 and 2007 as of September 30th, an additional $10.6 million and $11.4 million, respectively, of pension and life and health insurance expense was recognized by the Commission for amounts that will ultimately be funded through the Office of Personnel Management. This amount is also recorded as an imputed financing source.

(11) Contingencies

The Commission has a pending bid protest case where the probability of success is reasonably possible. The amount of monetary relief, if awarded, would not exceed $100,000.

(12) Custodial Activity

The Commission currently bills regulated companies annual charges as a custodian for certain Federal agencies. These agencies include the United States Army Corps of Engineers, the Department of Interior's Bureau of Reclamation, and the Treasury. Accrual accounting is used to account for the Commission's custodial activities. The receivables are maintained by the Commission, and the collections are processed to each Federal agency on a monthly basis. In addition to the annual charges, penalty and administrative costs are assessed on past-due bills and remitted to the Treasury when received. For fiscal years 2008 and 2007, these custodial collections totaled approximately $56.5 million and $82.0 million, respectively as of September 30th. For fiscal years 2008 and 2007, custodial revenue totaled approximately $55.6 million and $69.9 million, respectively as of September 30th.

(13) Earmarked Funds

In accordance with the Federal Accounting Standards Advisory Board's Statement on Federal Financial Accounting Standards (SFFAS) No. 27, the Commission is required to report separately on the Balance Sheets and Statements of Changes in Net Position, the non-exchange revenue, other financing sources, net cost of operations and net position attributable to earmarked funds. In addition, the Commission must disclose the earmarked fund for which it has program management responsibility. The Commission's Collections Due to States fund meets the criteria for earmarked funds. The balances as of September 30, 2008 and 2007 were $0 and $0 respectively.

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

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

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

Since the earmarked funds managed by the Commission are custodial in nature, there are no equity balances to report on the financial statements as of September 30, 2008 and 2007.

(14) Intragovernmental Costs and Exchange Revenue

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

Intragovernmental costs and exchange revenue at September 30, 2008 and 2007 consisted of:

		2008		2007
Energy Infrastructure:				
Intragovernmental costs	$	39,344,434	$	39,345,874
Public costs		154,766,154		144,234,603
Total Energy Infrastructure costs		194,110,589		183,580,477
Intragovernmental earned revenue		47,870		48,289
Public earned revenue		194,062,719		183,532,188
Total Energy Infrastructure earned revenue		194,110,589		183,580,477
Competitive Markets				
Intragovernmental costs		6,144,226		6,097,860
Public costs		24,169,067		22,353,614
Total Competitive Markets costs		30,313,293		28,451,474
Intragovernmental earned revenue		7,476		7,484
Public earned revenue		30,305,818		28,443,990
Total Competitive Markets earned revenue		30,313,293		28,451,474
Enforcement				
Intragovernmental costs		6,043,892		6,005,100
Public costs		23,774,392		22,013,571
Total Market Oversight costs		29,818,284		28,018,671
Intragovernmental earned revenue		7,353		7,370
Public earned revenue		29,810,930		28,011,301
Total Market Oversight earned revenue	$	29,818,284	$	28,018,671

(15) Apportionment Categories of Obligations Incurred

Apportionment categories of obligations incurred as of September 30, 2008 and 2007 consisted of:

	2008	2007
Category A:		
Direct	$ 250,815,633	$ 228,015,257
Reimbursable	39,790	33,178
Total obligations incurred	$ 250,855,423	$ 228,048,435

Category A apportionments distribute budgetary resources by fiscal quarters.

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

The Commission had no differences between the Statement of Budgetary Resources and the Budget of the United States as of September 30, 2007. The statement can be reconciled to the President's budget by combining both of the budgets for Federal Energy Regulatory Commission (89-0212-0-1-176) and Payments to States under Federal Power Act (89-5105-0-2-806). The reconciliation as of September 30, 2008 is not presented, because the submission of the FY 2010 budget occurs after publication of these financial statements. The Commission's Budget Appendix can be found under the Department of Energy on the OMB website (http://www.whitehouse.gov/omb/budget) and will be available in early February 2009.

(17) Undelivered Orders at the End of the Period

Undelivered orders are obligations made by the Commission for services and purchases that have not been received and accepted as of the balance sheet date. The amount of Commission budgetary resources reported as undelivered orders as of September 30th for fiscal years 2008 and 2007 were $7.9 million and $1.1 million respectively.

(18) Reconciliation of Net Cost of Operations to Budget

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

	2008	2007
Resources used to finance activities:		
Budgetary resources obligated:		
Obligations incurred	$ 250,855,423	$ 228,048,435
Less: spending authority from offsetting collections	(261,082,542)	(222,635,150)
Obligations, net of offsetting collections	(10,227,119)	5,413,285
Less: offsetting receipts	(45,163,340)	(85,255,615)
Net obligations	(55,390,459)	(79,842,330)
Other resources:		
Transfers-out, net of appropriations received	6,183,584	(17,938,275)
Imputed financing from costs absorbed by others (note 10)	10,649,788	11,380,108
Net other resources used to finance activities	16,833,372	(6,558,167)
Total resources used to finance activities	(38,557,087)	(86,400,497)
Resources used to finance items not part of the net cost of operations:		
Change in budgetary resources obligated for goods/services/benefits ordered but not yet provided (+/-)	(6,778,893)	2,624,898
Resources that fund expenses recognized in prior periods	-	(38,082)
Budgetary offsetting receipts that do not affect the net cost of operations	45,163,340	85,255,615
Resources that finance the acquisition of assets	(977,244)	(997,518)
Payments to States (note 12)	(3,127,077)	(3,094,042)
Total resources used to finance items not part of the net cost of operations	34,280,126	83,750,871
Total resources used to finance the net cost of operations	(4,276,961)	(2,649,626)
Components of the net cost of operations that will not require or generate resources in the current period:		
Components requiring or generating resources in the future periods:		
Increase in unfunded liabilities	1,644,014	265,753
Total components of net cost of operations that will require or generate resources	1,644,014	265,753

Components not requiring or generating resources:		
Depreciation and amortization	2,656,772	2,595,296
Other	(23,825)	(211,423)
Total components of net cost of operations that will not require or generate resources	2,632,946	2,383,873
Total net cost of operations that do not require or generate resources in the current period	4,276,961	2,649,626
Net Cost of Operations	$ -	$ -

Performance Report
(Unaudited)

Introduction

In accordance with Government Performance and Results Act of 1993, the Commission developed its Strategic and Business Plans, as well as its performance measures, to ensure it is fulfilling its mission. When comparing the planned and actual performance according to the guidelines set forth in Section 230 of OMB Circular A-11, the Commission:

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

In addition to the FY 2008 performance results that were highlighted in the Management's Discussion and Analysis, the tables on the following pages include the Commission's complete performance measurement data for fiscal years 2005 through 2008.

The Performance Measures for fiscal years 2005 through 2006 are aligned with the Commission's former Strategic Plan. The Performance Measures for fiscal years 2007 through 2008 are aligned with the Commission's updated Strategic Plan which was submitted to Congress on September 29, 2006. The updated Strategic Plan can also be found in Appendix B.

Performance Measurement Data for Energy Infrastructure: FY 2005 – FY 2008

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

FY 2005		
Performance Measurement	**Performance Target**	**Result**
Effectiveness of regional planning processes in each region of the country	Establish benchmarks assessing how well each region is meeting the necessary criteria for regional planning, which includes: ➢ an open and inclusive process for stakeholder involvement ➢ objective cost allocation criteria ➢ equal opportunity for a variety of technologies ➢ a process to reduce congestion	Target Met. In March 2005, benchmarks that meet the stated targets were developed and presented to the RTO and ISO Boards of Directors during a meeting at the Commission.
Timeliness of processing requests for cost recovery, new services, or changes to existing services	100% of all cases processed by statutory action date	Target Not Met. Almost 99.9% of the more than 3,000 statutory cases were completed by the statutory action date. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance.
Timeliness of Commission Opinions, to provide ratepayers with regulatory certainty with respect to rates set for hearing	85% of all Commission Opinions issued within 12 months of Briefs Opposing Exceptions to Initial Decisions on rates set for hearing	Target Met. During FY 2005, 100% of Commission Opinions were issued within 12 months of the Briefs Opposing Exceptions to Initial Decisions on rates set for hearing.
Timeliness of resolving cost recovery proposals for new infrastructure, to provide investors with regulatory certainty	85% of all merits orders accepting, modifying, or rejecting timely filed proposals, including time for hearing, ADR, or settlement judge participation, issued by date requested by applicant to meet its construction/financing schedule	Target Met. During FY 2005, The Commission issued 95% of the 224 merits orders to resolve cost recovery proposals for new infrastructure by requested date or, in the case of gas pipeline certificate applications, contributed rate inserts to allow timely completion.
Implementation of rate flexibility or incentives to encourage needed additions to energy infrastructure	Increase in the number of innovative or flexible rate designs in effect, by approving rate proposals or issuing policy statements providing rate flexibility or incentives needed for infrastructure additions	Target Met. During FY 2005, the Commission approved several rate proposals and issued a policy statement on independent transmission companies, which collectively accomplished the stated targets.
Participation with NERC in reliability readiness reviews over next 3 years to ensure grid reliability	One-third of the Nation's control areas reviewed with NERC annually	Target Met. During FY 2005, the Commission participated in 35 of the 44 NERC scheduled control area audits, which exceeds one-third of the Nation's approximately 100 control areas. This result is based on an estimate since NERC continues to re-define what constitutes a "control area." In future years, the Commission is no longer basing its performance on the number of "control areas," but rather on "load capacity."
Timeliness of processing proposals to recover prudently incurred costs to improve the reliability of the transmission grid	100% of all filings, including innovative proposals, seeking recovery of reliability costs in transmission rates processed by the statutory action date	Target Not Met. The Commission processed 99.7% (313 out of 314) of these filings by the statutory action date during FY 2005. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance.

<table>
<tr><th colspan="3">FY 2005</th></tr>
<tr><th>Performance Measurement</th><th>Performance Target</th><th>Result</th></tr>
<tr><td rowspan="2">Clarity and enforceability of reliability rules, with effective penalties for non-compliance</td><td>Assess each region's reliability rules and penalties to determine whether they specify reliability violations and include enforceable and effective penalties</td><td>Target Met. After assessing the reliability rules of the six existing RTOs/ISOs in various regions of the country, the Commission determined that the rules specify reliability violations and include enforceable and effective penalties.</td></tr>
<tr><td>Require each new RTO or ISO to address reliability considerations prior to becoming operational</td><td>Target Met. Prior to becoming operational, each of the six existing RTOs/ISOs addressed reliability considerations.</td></tr>
<tr><td>Enhance reliability oversight by creating a new reliability division</td><td>Division operational by end of fiscal year</td><td>Target Met. The Commission's Reliability Division was operational in October 2004.</td></tr>
<tr><td>Timeliness of processing proposals to recover prudently incurred costs to safeguard the security and safety of energy transportation and supply infrastructure</td><td>100% of all filings, including innovative proposals, seeking recovery of security and safety costs in jurisdictional rates processed by statutory action date</td><td>Target Met. The Commission processed 100% of the fourteen oil pipeline and three gas pipeline filings by the statutory action date.</td></tr>
<tr><td>Evaluate the effectiveness of Commission required resources protection measures, and disseminate information on the results.</td><td>Conduct a workshop and disseminate one report on the results of the evaluation.</td><td>Target Met. During FY 2005, the Commission conducted a workshop on shoreline management and issued a report on its evaluation of recreation mitigation effectiveness.</td></tr>
<tr><td>Maintain environmental quality at hydropower projects.</td><td>Resource protection measures constructed and implemented according to license requirements.</td><td>Target Met. Environmental inspections during FY 2005 indicated that all resource protection measures at inspected projects were constructed and implemented according to license articles.</td></tr>
<tr><td rowspan="3">Enhance dam safety</td><td>100% of high- and significant-hazard-potential dams inspected annually</td><td rowspan="3">Target Met. During FY 2005, the following percentage of dams met the stated targets:
➢ 100%
➢ 95%
➢ 100%</td></tr>
<tr><td>Percentage of high- and significant-hazard-potential dams meeting all current structural safety standards remains uniformly high</td></tr>
<tr><td>100% of qualifying dams in compliance with EAP requirements</td></tr>
<tr><td>Timely handling of CEII without disrupting requesters' participation rights in other proceedings</td><td>No requester's failure to obtain CEII in a timely manner will affect requester's ability to participate effectively in a proceeding</td><td>Target Met. The Commission received no complaints from requesters regarding their ability to participate effectively in a proceeding during FY 2005.</td></tr>
<tr><td>Prevent unauthorized access to security-related documents</td><td>No instances of unauthorized access to security-related documents</td><td>Target Met. During FY 2005, the Commission did not have an instance of unauthorized access to security-related documents reported.</td></tr>
</table>

FY 2005		
Performance Measurement	**Performance Target**	**Result**
Number of instances of improved regulation to facilitate security and emergency response	Number of specific measures (e.g., number of security surcharge requests approved and gas allocation principles set)	Target Met. During FY 2005, the Commission improved regulation to facilitate security and emergency responses by: ➢ approving all security surcharge requests received from oil pipelines; ➢ approving recovery of software costs to meet security requirements for an electric public utility; ➢ approving surcharges to recover capital costs (including costs to enhance security) for two natural gas pipelines; and ➢ issuing notices in response to Hurricanes Katrina and Rita, waiving certain reporting requirements and non-statutory deadlines for specified periods.

FY 2006		
Performance Measurement	**Performance Target**	**Result**
Develop strategic plan and timeline for transmission line siting group	By August 31, 2006	Target Met. The strategic plan and timeline were in place by August 31, 2006. Steps have been taken to establish a transmission line siting group including: the issuance of a Notice of Proposed Rulemaking to establish the necessary rules and regulations to process applications filed with the Commission and posting openings to fill these essential positions.
Issue final rules on mandatory pre-filing process for LNG terminal proposals	Within 60 days of enactment of EPAct 2005	Target Met. The Commission issued regulations on the mandatory pre-filing process for LNG terminal proposals within 60 days of the enactment of EPAct 2005. The Pre-Filing Rule was issued on October 7, 2005 in Docket No. RM 05-31-000, Order 665; the effective date of the rule was November 17, 2005.
Complete MOU with Secretary of Defense on coordination of LNG facilities affecting active military installations	By March 31, 2006	Target Not Met. Both DoD contacts retired or were transferred during negotiations. A new DoD contact was assigned in July 2006 and negotiations are underway again. This did not impact operations.
Issue reports to Congress on Alaska Natural Gas Pipeline	Reports issued in February 2006 and August 2006	Target Met. Reports issued February 1 and July 10, 2006.
Establish rules for transmission infrastructure incentives	Issue rules by August 8, 2006	Target Met. Docket No. RM06-4-000; Final Rule, Order No. 679, "Promoting Transmission Investment through Pricing Reform," issued July 20, 2006.
Identify requirements for establishing a communications system with transmission owners and RTOs on status of transmission lines	Issue report to Congress by February 4, 2006	Target Met. Report entitled "Steps to Establish a Transmission Monitoring System for Transmission Owners and Operators within the Eastern and Western Interconnections," submitted to Congress on February 2, 2006.

FY 2006		
Performance Measurement	**Performance Target**	**Result**
Establish process to review ERO proposed initial reliability standards	By March 31, 2006	Target Met. Developed a rulemaking process and timeline for addressing the initial reliability standards; the process and timeline were approved by the Commission in March 2006.
Issue report to Congress on operator training	By December 31, 2005	Target Not Met. Although a comprehensive study of the current state of control room operator training across the bulk power system of the United States was completed in early December, the report has not yet been sent to Congress. The Commission is currently involved in a comprehensive rulemaking related to ERO reliability standards which will include standards related to operator training. This did not negatively impact operations.
Percentage of qualifying, major, onshore-pipeline projects inspected during ongoing construction activity	100% of projects inspected at least once every four weeks	100%
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	➢ 94% ➢ 100%
Percentage of pipeline certificate cases of first impression or containing larger policy implications completed	90% within one year of filing	100%
Percentage of pipeline certificate cases requiring a major environmental assessment or environmental impact statement completed	90% within 18 months of filing	100%
Percentage of qualifying LNG plants inspected during ongoing construction activity	100% of plants inspected at least once every eight weeks	100%
Percentage of LNG import terminals inspected	100% inspected annually	100%
Percentage of LNG peak-shaving terminals inspected	50% inspected annually	50%
Percentage of ILP pre-filing notices for NOI/PAD and initial scoping document issued	85% within 60 days of NOI/PAD filing	100%
Percentage of ILP pre-filing scoping meetings and site visits completed	85% within 90 days of NOI/PAD filing	100%
Percentage of ILP pre-filing study plan determinations completed	85% within 315 days of NOI/PAD filing	100%
Percentage of final NEPA documents issued for ALP/TLP cases with settlement agreements	85% within 12 months	94%
Percentage of final NEPA documents issued for ALP/TLP cases without settlement agreements	85% within 24 months	94%

FY 2006		
Performance Measurement	**Performance Target**	**Result**
Percentage of non-independent transmission provider open access transmission tariffs that have standard generator interconnection procedures in compliance with Order No. 2003 and small generator final rule	75% by September 30, 2006	Target Met. 100% compliance with Order No. 2006, "Standardization of Small Generator Interconnection Agreements and Procedures," issued May 12, 2005, was established through language contained in paragraph 544 of the Final Rule, as follows: "On the effective date of this Final Rule…the OATTs [open access transmission tariffs] of all non-independent Transmission Providers are deemed revised to include the Final Rule SGIP [Standard Generator Interconnection Procedures] and SGIA [Standard Generator Interconnection Agreement]." In accordance with other language in the same paragraph, no further amendment to include the SGIP and SGIA in a Transmission Provider's OATT is required until compliance is due in the Commission's pending rulemaking on Electronic Tariff Filings. Compliance with Order No. 2003 (large generator rule) was completed and reported on during FY 2005 (see previous results).
Percentage of cases for cost recovery, new services, or changes to existing services processed	➢ 100% of NGA section 4 cases in 30 days ➢ 100% of FPA section 205 cases in 60 days	Target Met. 100% of the more than 3,350 statutory cases were completed by the statutory action date.
Percentage of rate cases set for hearing completed according to the established schedule	➢ 75% of Track I cases in 29.5 weeks ➢ 75% of Track II cases in 47 weeks ➢ 75% of Track III cases in 63 weeks	➢ There were no Track I cases ➢ 90% of Track II cases in 47 weeks ➢ 94% of Track III cases in 63 weeks
Percentage of rate cases set for hearing that achieve partial or complete consensual agreement	75%	78%
Percentage of Commission Opinions issued once Briefs Opposing Exceptions to Initial Decisions are filed	90% within 12 months	Target met. 100% (10 of 10) Initial Decisions processed within 12 months of Briefs Opposing Exceptions.
Percentage of merit orders accepting, modifying, or rejecting timely filed cost recovery proposals for new infrastructure submitted (including time for hearing, ADR, or settlement judge participation)	95% by applicant request date	Target Met. 96% of the 120 merit orders to resolve cost recovery proposals for new infrastructure were issued by statutory or requested date as applicable. In the case of gas pipeline certificate applications, contributed rate inserts to allow timely completion.
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 issued within 45 days of license issuances.
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	100%
Participation in NERC / industry reliability readiness reviews	➢ 100% of the Reliability Coordinators ➢ Large entities which represent 80% of the load served by all entities reviewed by NERC	Target Met. FERC participated in 100% of NERC's Reliability Coordinator reviews (5 of 5), and participated in 22 readiness reviews of large entities which represent 94.5% (125,503 MW) of the load served by all entities reviewed by NERC (132,796 MW).

FY 2006		
Performance Measurement	**Performance Target**	**Result**
Issue final rule on Electric Reliability Organization (ERO) certification and mandatory reliability standards enforcement	Rule issued by February 4, 2006	Target Met. Docket No. RM05-30-000; Final Rule, Order No. 672, "Rules Concerning Certification of the Electric Reliability Organization; and Procedures for the Establishment, Approval, and Enforcement of Electric Reliability Standards," issued February 3, 2006.
Percentage of new RTOs or ISOs performing reliability functions included in Orders No. 2000 or No. 888, respectively	100%	No new RTOs or ISOs were established during the performance period.
Percentage of merit orders accepting, modifying, or rejecting timely filed proposals to recover prudently incurred reliability costs submitted (including time for hearing, ADR, or settlement judge participation)	95% by applicant request date	Target Met. 100% of the 394 merit orders to resolve cost recovery proposals for reliability were issued by statutory or requested date, as applicable.
Percentage of merit orders accepting, modifying, or rejecting timely filed proposals to recover prudently incurred safety and security costs submitted (including time for hearing, ADR, or settlement judge participation)	95% by applicant request date	Target Met. 100% of the 20 relevant filings (i.e., oil pipelines) were completed by the statutory action date.
Percentage of high- and significant-hazard-potential dams inspected annually	100%	100%
Percentage of high- and significant-hazard-potential dams that either meet all current structural safety standards or are undergoing investigation or remediation	100%	100%
Percentage of qualifying dams that either comply with EAP requirements or are conducting follow-up action(s) on outstanding item(s)	100%	100%
Number of instances of unauthorized access to Critical Energy Infrastructure Information (CEII)	No instances	Target met. No instances.
Number of complaints from CEII requesters on inability to participate in a proceeding due to failure to obtain CEII in a timely manner	None	Target met. None.

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.

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

Encourage Investment and Effect Timely Cost Recovery		
Timeliness of applications processed for incentive rates under section 205 of the FPA	Processed by the statutory deadline for rate filings or the applicants' requested date, whichever is later	Target Met. 100% of the 11 statutory incentive rates cases were processed within statutory timeframes.

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

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

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of EIS documents that contain sections addressing safety for Hydropower Projects, LNG Facilities, Gas Pipeline Projects and Storage Facilities	100%	Target Met. 100% of EIS documents contain sections relating to safety for Hydropower Projects, LNG Facilities, Gas Pipeline Projects and Storage Facilities.
Control access to Critical Energy Infrastructure Information	No instances of improper access or improper denial affecting national security or Commission proceedings	Target met. No instances.
Percentage of qualifying dams that either comply with EAP requirements or are conducting follow-up action(s) on outstanding item(s)	100%	Target Met. 100% of qualifying dams comply with EAP requirements or are conducting follow-up action(s) on outstanding item(s).
Percentage of LNG facility authorizations that incorporate consultation with all appropriate agencies on security related matters	100%	Target Met. 100% of LNG facility authorizations incorporate consultation with all appropriate agencies on security related matters.
Incorporate Environmental Considerations into Commission Decisions		
Percentage of final NEPA documents issued for ALP/TLP cases: ➢ with settlement agreements ➢ without settlement agreements	➢ 85% within 12 months ➢ 85% within 24 months	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.

FY 2008		
Strategy		
Performance Measurement	**Performance Target**	**Results**
Percentage of pipeline certificate cases with no precedential issues completed	➢ 90% of unprotested cases within 159 days of filing ➢ 90% of protested cases within 304 days of filing	➢Target Met. 94% of unprotested pipeline certificate cases with no precedential issues were completed within 159 days of filing. ➢Target Met. 100% of protested pipeline certificate cases with no precedential issues were completed within 304 days of filing.
Percentage of pipeline certificate cases of first impression or containing larger policy implications completed	90% within 365 days of filing	Target Met. 97% of pipeline certificate cases of first impression or containing larger policy implications were completed within 365 days of filing
Percentage of pipeline certificate cases requiring a major environmental assessment or environmental impact statement completed	90% within 480 days of filing	Target Not Met. 75% (6 of 8) of pipeline certificate cases requiring a major environmental assessment or environmental impact state were completed within 480 days of filing. Bradwood Landing Project (CP08-365-000, et al, issued September 18, 2008) required additional time due to an unusually large number of environmental issues which resulted in processing delays beyond FERC's control. This project was the first new LNG import terminal and related sendout pipeline to serve the Pacific Northwest. Broadwater Energy Project (CP06-54 issued March 20, 2008) also required additional time due to novel environmental issues which resulted in processing delays beyond FERC's control. This project was the first floating terminal for the storage and delivery of liquefied natural gas in the United States. There were no adverse impacts as a result of these two delays.
Percentage of NEPA documents completed for projects utilizing the pre-filing processes	85% within 8 months of determining a pipeline or LNG facility application complete	Target Met. 87% of NEPA documents were completed within 8 months of determining a pipeline or LNG facility application was complete for projects utilizing the pre-filing process.
Percentage of qualifying LNG plants inspected during ongoing construction activity	90% of plants inspected every 8 weeks	Target Met. 100% of qualifying LNG plants were inspected at least once every 8 weeks during ongoing construction.
Percentage of ILP pre-filing study plan determinations completed	75% within 30 days of applicant filing revised study plan for Commission approval	Target Met. 100% of ILP pre-filing study plans determinations were completed within 30 days of the applicant filing a revised study plan.
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.

FY 2008		
Strategy		
Performance Measurement	**Performance Target**	**Results**

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

Assure Reliability of Interstate Transmission Grid		
Timely approval of ERO/RE budgets and business plans	Complete by November 1, 2007	Target Met. Order was issued on October 18, 2007.
Timeliness of processing proposed reliability standards	75% of filed proposed reliability standards are remanded or approved within 18 months, unless found incomplete	Target Met. 100% of Reliability Standards were remanded or approved within 18 months of filing. 100% of Cyber Security Standards were approved within 18 months of being filed.
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).

FY 2008		
Strategy		
Performance Measurement	**Performance Target**	**Results**
Percentage of load served, included in ERO / industry reliability readiness evaluations, in which FERC participates	35%	Target Met. Participated in 11 readiness evaluations which represented 78% of load served.
Percentage of ERO penalty action rulings reviewed or tolled to prevent inappropriate rulings from going into effect by default	100%	Target Met. 100% (37 out of 37) penalty action rulings were reviewed to prevent inappropriate rulings from going into effect. They were accepted by operation of law, *Guidance on Filing Notices of Penalty*, 124 FERC ¶ 61,015 (July 3, 2008)
Protect Safety at LNG and Hydropower Facilities		
Percentage of high- and significant-hazard-potential dams inspected annually	100%	Target Met. 100% of high- and significant-hazard-potential dams were inspected.
Percentage of high- and significant-hazard-potential dams that either meet all current structural safety standards or are undergoing investigation or remediation	100%	Target Met. 100% of high- and significant-hazard-potential dams met all current structural safety standards or are undergoing investigation or remediation.
Percentage of LNG import terminals inspected annually	90%	Target Met. 100% of the LNG import terminals were inspected.
Percentage of LNG peak-shaving facilities inspected biennially	90%	Target Met. 100% of peak shaving plants were inspected according to the biennial schedule.
Percentage of LNG facilities that meet all current safety standards or are subject of a compliance letter	100%	Target Met. 100% of the LNG facilities either met all current safety standards or received a compliance letter.
Percentage of qualifying dams that either comply with EAP requirements or are conducting follow-up action(s) on outstanding item(s)	100%	Target Met. 100% of qualifying dams comply with EAP requirements or are conducting follow-up action(s) on outstanding item(s).
Control access to Critical Energy Infrastructure Information	No instances of improper access or improper denial affecting national security or Commission proceedings	Target Met. No instances.
Incorporate Environmental Considerations into Commission Decisions		
Timeliness of issuing environmental licensing requirements	Licensing responsibility letters sent within 60 business days of license issuance date	Target Met. All licensing responsibility letters were issued within 60 days of license issue date.

FY 2008		
Strategy		
Performance Measurement	**Performance Target**	**Results**
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.

Performance Measurement Data for Competitive Markets: FY 2005 – FY 2008

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

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

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

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

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Review and propose revisions to OASIS standards	By June 30, 2006	Target Met. Docket No. RM05-5-000; Final Rule, Order No. 676, "Standards for Business Practices and Communication Protocols for Public Utilities," issued April 25, 2006.
Assess demand response	Issue annual report by August 8, 2006	Target Met. Staff report, "Assessment of Demand Response & Advanced Metering" (Docket No. AD-06-2-000) was delivered to Congress on August 4, 2006.
Issue final rule to implement PUHCA provisions of EPAct 2005	By January 31, 2006	Target Met. Final rule was issued on December 8, 2005.
Issue rules governing market manipulation in electricity and gas markets	By September 30, 2006	Target Met. The final rule (Order 670) was issued January 19, 2006 and an order denying rehearing was issued March 22, 2006 in Docket Nos. RM06-3, et al., Final Rule Prohibiting Energy Market Manipulation.

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Movement toward competitive markets in each region, including greater interregional coordination of broader, more efficient, and non-discriminatory energy markets	Increase in: ➢ new, independent regional transmission providers ➢ coordination between RTOs or between RTOs and neighboring non-member utilities	Target Met. Some examples: ➢ In order to create a more seamless administration between the tariffs of the Midwest ISO's energy markets and the non-market operations of Mid-Continent Area Power Pool's (MAPP) members that do not belong to the Midwest ISO, the Commission approved MAPP's proposal to conform its Available Transfer Capability (ATC) calculation methodologies to provisions of the Seams Operating Agreement between MAPP and the Midwest ISO. ➢ The Commission approved proposed revisions to the SPP/Midwest ISO Joint Operating Agreement (JOA) and to the Congestion Management Process (CMP) which is incorporated in the JOA to align them more closely with the JOA and CMP of the Midwest ISO/PJM. ➢ Action was taken on Midwest ISO and PJM and their respective transmission owners' proposed revisions to the JOA for allocating to customers in each RTO the cost of new transmission facilities that are built in one RTO but provide benefits to customers in the other RTO (the so-called cross-border facilities).
Increased presence at RTOs, to improve relationships with and knowledge of existing RTOs	Creation and staffing of an office at any new RTO within 6 months of commencement of operations (including establishment of virtual office processes)	No new RTOs were established during the performance period. All existing RTOs have either staff on location or a virtual office process in effect.
Percentage of filings to establish RTOs, ISOs, or Independent Transmission Companies (ITCs) processed	100% completed within 6 months of filing or before applicants' proposed effective date (whichever is later)	No filings were received to establish new RTOs, ISOs, or ITCs during the performance period.
RTO / ISO establishment of cost-effective market design elements per Order No. 2000	Within three years of commencement of operation, each approved RTO or ISO will implement (if cost effective): ➢ firm transmission rights ➢ resource adequacy approaches ➢ regional independent grid operation ➢ regional transmission planning process ➢ appropriate market monitoring and market power mitigation ➢ transparency and efficiency in congestion management ➢ spot markets to meet customers' real-time energy needs ➢ fair cost allocation for existing and new transmission	Target Met. With the exception of Southwest Power Pool (SPP), all RTOs/ISOs (PJM, ISO-NE, NY-ISO, Midwest ISO, and CAISO) have been operational over 3 years and all have implemented cost-effective market design elements. SPP has been operating as an RTO since November 1, 2004, and has received authorization during FY 2006 to commence a real-time energy imbalance market, as well as having received approvals for its market monitoring and mitigation plans.

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Demonstrable improvements in regional competitive market transparency and independence	In each region of the country, there will be: ➢ RTO adoption of additional market-oriented features, programs or rules ➢ improvement of open access tariff to reduce entry barriers or eliminate undue discrimination ➢ increase in the degree of transmission independence (ownership or control) from generation in regions primarily without RTOs	Target Met. During FY 2006, the Commission acted on a number of proceedings related to improving competitive market transparency and independence. Some actions by the Commission will have nationwide impact. In May 2006, the Commission issued a notice of proposed rulemaking (NOPR) proposing amendments to its regulations and the *pro forma* OATT to ensure that transmission services are provided on a basis that is just, reasonable and not unduly discriminatory or preferential. The NOPR aims to strengthen the OATT and address deficiencies that have become apparent since its adoption 10 years ago, particularly in the areas of available transfer capability calculation and transmission planning. In addition, the Commission approved four proposals by vertically integrated utilities (Duke, MidAmerican, Entergy, and Louisville Gas & Electric) to contract with an independent entity to serve as the independent coordinator of transmission (ICT). The ICT performs oversight over these utilities' transmission systems, including authority to administer utilities' OATT. Other actions taken on proceedings related to establishing new or revised market rules, rule changes in RTOs, and increased transmission independence were region-specific. For example: East In the New England area, the Commission issued an order accepting a proposal filed by ISO-NE and NEPOOL which included, most significantly, the addition of a locational component to the existing Forward Reserve Market and the coordination and optimization of pricing of energy and reserves in real time to be effective October 1, 2006, or later date. In addition, the Commission approved a contested settlement that provided an alternative to the Locational Installed Capacity mechanism called the Forward Capacity Market (FCM). The Commission found that the FCM, in conjunction with an interim mechanism, will provide the revenues needed by generators to preserve reliability in New England. The Commission also found that the forward looking nature of the FCM will provide appropriate price signals to investors when new infrastructure resources are necessary with sufficient lead time to allow that infrastructure to be put in place before reliability is sacrificed. (Continue on next page)

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
(continued from previous page) Demonstrable improvements in regional competitive market transparency and independence	(continued from previous page) In each region of the country, there will be: ➢ RTO adoption of additional market-oriented features, programs or rules ➢ improvement of open access tariff to reduce entry barriers or eliminate undue discrimination ➢ increase in the degree of transmission independence (ownership or control) from generation in regions primarily without RTOs	(Continued from previous page) With respect to the PJM area, the Commission issued an initial order on PJM's proposed reliability pricing model (RPM) designed to replace its existing capacity obligation rules. The Commission found the existing capacity rules to be unjust and unreasonable to ensure energy resources to meet reliability responsibilities, and established further procedures to resolve the remaining issues. At the same time, the Commission encouraged the parties to continue to seek a negotiated resolution, and offered the Commission's settlement judge procedures to facilitate these discussions. <u>Central</u> For the Midwest ISO region, the Commission approved the continuation of mitigation in Broad Constrained Areas; action on proposed revisions to real-time revenues sufficiency guarantee (RSG) payments; approval of revised rules defining less-than-seasonal financial transmission right (FTR) entitlements for network resources; approval of contractual arrangements related to the market monitor and balancing authorities; as well as offering guidance on Midwest ISO's future plans to implement ancillary service markets and an energy-only market. For the SPP region, the Commission provided guidance and approvals related to SPP's proposal to establish a real-time energy imbalance market. Regarding revisions to the OATT, the Commission approved various revisions to the Midwest ISO's creditworthiness provisions, reactive power requirements, as well as changes to the Midwest ISO *pro forma* interconnection agreement which reflect improvements or regional variations needed based upon its operational experience, including new pricing provisions. <u>West</u> In September 2006, the Commission conditionally approved the CAISO Market Redesign and Technology Upgrade (MRTU) market reforms and enhancements, such as a financially binding day-ahead market and more effective congestion management system. Elements of MRTU are intended to fix market design flaws, enhance reliability, better protect wholesale customers from price volatility and gaming, incorporate price-responsive demand in the markets, and encourage construction of new resources.

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of section 203 applications processed	98% completed within 90 days of the comments filing date	Target Met. 100% of the 145 section 203 corporate filings were processed by target completion dates in FY 2006.
Issue final rule on RTO and ISO accounting to improve oversight of RTO and ISO costs	By January 31, 2006	Target met. A final order on RTO accounting and financial reporting was issued on December 16, 2005 in Docket RM04-12-000, Order No. 668.
Percentage of market-based rate filings processed	100% of new filings within 60 days of filing date	Target Met. 100% of the 534 market-based rate filings were completed by the targeted deadline in FY 2006.
Percentage of competitive energy markets and market institution cases set for hearing completed according to the established schedule	➢ 75% of Track I cases in 29.5 weeks ➢ 75% of Track II cases in 47 weeks ➢ 75% of Track III cases in 63 weeks	➢ There were no Track I cases ➢ 87% of Track II cases in 47 weeks ➢ There were no Track III cases
Percentage of competitive energy markets and market institution cases set for hearing that achieve partial or complete consensual agreement	75%	100%
Percentage of applications filed by RTOs and ISOs to revise market rules to not inhibit demand response processed	100% within statutory deadlines	Target Met. The Commission processed all 5 filings involving demand response enhancements within the statutory deadlines: ➢ PJM submitted agreements to enhance demand response in the PJM region in a number of ways, including allowing demand resources to participate in PJM's ancillary services market by bidding into the PJM reserve markets. ➢ ISO-NE's Ancillary Services Market (ASM) Phase II will include measures allowing the owners of demand resources to bid their resources directly into the energy and reserve markets on an equal footing with generating resources. This change will establish the supporting market infrastructure that is needed to develop fully the potential for demand participation in the wholesale markets. ➢ NYISO's filing eliminated the sunset dates for NYISO's Day-Ahead Demand Response Program and its Emergency Demand Response Program. ➢ ISO-NE's proposal to establish a demand response reserve pilot program to test whether certain resources can reliably provide 30-minute and 10-minute Operating Reserve services. ➢ CAISO's MRTU tariff provides loads with demand response capability the opportunity to participate in the CAISO day-ahead, real-time, and ancillary services markets under comparable terms as supply.

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Support development of robust customer demand-side participation in energy markets in areas where it does not exist	Meet at least annually to discuss demand response issues with appropriate state commission officials	Target Met. Held technical conference on demand response in January 2006, where state representatives, including several state commissioners from all regions of the U.S., participated on panels. Met with NARUC officials in January 2006 to discuss Commission demand response report and seek their assistance in the FERC demand response and advanced metering survey. Met in April 2006 with Midwestern state officials, primarily Illinois Commissioners, on the development of a regional demand response initiative. Discussed demand response report with state officials and Commissioners at various events including the NARUC Winter Meeting in February 2006 and an EPRI Summer Seminar on Energy Efficiency and End-Use Technologies in August 2006.
Percentage of proposed NAESB business practice standards rulemakings completed	➢ 100% of non-controversial rulemakings within 9 months ➢ 100% of controversial rulemakings within 12 months	Target Met. During FY 2006, the Commission issued a final rule adopting the Wholesale Electric Quadrant's controversial first set of business practice and communication standards within 12 months of receiving NAESB's complete proposal. Docket No. RM05-5-000; Final Rule, Order No. 676, "Standards for Business Practices and Communication Protocols for Public Utilities," was issued April 25, 2006.
Percentage of initial orders completed on third-party complaints	➢ 80% within 60 days ➢ 95% within 180 days	➢ 60-day target not met. 49% (28 of 57 {1 projected}) issued within 60 days. This was an internal deadline, not statutorily based, and did not have a negative impact on operations. ➢ 180-day target met. 95% (49 {1 projected} of 51 {1 projected}) issued within 180 days.
Percentage of initial orders completed on fast track third-party complaints	90% within prescribed time frame	Target Met. One filing was received and completed on time.

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.

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
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.
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.

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
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.
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.
Reduce Barriers to Trade Between Markets and Among Regions		
Timeliness of processing complete filings to reduce or eliminate border utility issues between markets	100% processed by the statutory due date or applicant's requested date, whichever is later	Target Met. 100% (6 out of 6) filings dealing with border utility issues between markets were completed by statutory due dates.
Assure Proposed Mergers and Acquisitions are in the Public Interest		
Timeliness of processing complete filings for the disposition, consolidation, or acquisition, under section 203 of the FPA, of jurisdictional facilities (including transactions involving certain transfers of generation facilities and public utility holding company transactions, and issues of cross subsidization or encumbrances of utility assets)	➢ 100% processed within 180 days for non-major dispositions ➢ 100% processed within 360 days for major dispositions	➢ Target Met. 100% (142 out of 142) of non-major dispositions were completed by the statutory deadlines ➢ Target Met. 100% (7 out of 7) of major merger cases were completed by the statutory deadline.

FY 2008		
Strategy		
Performance Measurement	**Performance Target**	**Results**

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.

Performance Measurement Data for Enforcement: FY 2005 – FY 2008

FY 2005		
Performance Measurement	**Performance Target**	**Result**
Enhance institutional capability for overseeing energy markets	The Electronic Quarterly Report of electric transactions will be fully functional.	Target Met. In addition to the fully functional Electric Quarterly Report (EQR) for electric transactions, the Commission also identified several key data requirements to analyze energy markets via its Market Monitoring Center (e.g. Dow Jones' real time data, Genscape's alert system data, U.S. Waterborne LNG Report, NE Power Data, CERA's energy advisory service, CoalDat, and AirDaily).
	The Commission will identify further key data requirements needed to analyze energy markets.	
Development of market expertise	MMUs will produce standardized market metrics.	Target Met. During FY 2005, the Commission completed the development of 13 standardized market metrics and used those metrics to analyze and report on how well the energy markets are working in the State of the Markets report and the MMU Metrics paper.
	The Commission will use standard metrics developed by the MMUs to develop a balanced scorecard to determine how well energy markets are working	
Enhance the Commission's and public's understanding of energy markets	Issue Market Surveillance Reports to the Commission in conjunction with the Commission's public meeting schedule.	Target Met. In conjunction with the Commission's public meeting schedule, fifteen Market Surveillance Reports were completed in FY 2005. In addition, the Commission published a Winter and Summer Seasonal Assessment Report (November 2004 and May 2005, respectively) along with its June 2005 State of the Markets report.
	Publish Market Assessments, State of the Market Reports, and other reports as conditions warrant.	
Identify and remedy market problems	Provide analysis and recommendations on major market problems.	Target Met. During FY 2005, analysis and recommendations on major market problems were provided at Closed Commission meetings via Market Surveillance Reports. The problems included EIA's storage reporting process, major weather disturbances (e.g., Hurricanes Katrina and Rita), and pre-summer markets issues in California and the West.
Timeliness of industry wide financial audits	Complete 90% of audits within 120 days	Target Not Met. During FY 2005, none of the financial audits were completed within the 120 day targeted timeframe. This was due to the increasing complexities and management oversight of the audits, and due to a stricter interpretation of the audit timeframe (e.g., total days under audit as opposed to audit field-work days). In future years, this target has been narrowed to require a report to the Commission within 120 days of the audit Commencement Letter.
Timeliness of Hotline call resolutions	Close 60% within 2 weeks of initial contact	Target Met. During FY 2005, 74% of Hotline calls were closed within 2 weeks of initial contact.

FY 2005		
Performance Measurement	**Performance Target**	**Result**
Timely resolution of allegations of market misconduct	Resolution within established timeframes for FERC investigations and litigation, as posted on the Commission internet site	Target Met. Of the 5 cases under this performance measure in FY 2005, three cases were settled; one case is pending Commission consideration of the global Enron proceeding; and one case terminated by initial decision within the established timeframe, which varies from case-to-case based on the outlook of the Chief Judge and the Commission.
Number of major rule violations for a particular set of business practices	None or Few	Target Not Met. During FY 2005, the Commission conducted 29 investigations, eight of which were settled. Although this result did not meet the “None or few” target, the performance measure and target do not reflect the true goal of the Commission’s enforcement function, which is to investigate and remedy violations of the Commission’s statutes, orders, and regulations. While the Commission acknowledges that “deterrence” is an important part of enforcement, we do not believe it is reasonable to assume that no violations will occur. In future years, this measure has been removed and replaced with better performance measures and targets to evaluate the enforcement function.
Number of requests and referrals for ADR services	Maintain at or increase levels achieved in FY 2004	Target Met. The 65 requests or active cases in FY 2005 represented a 20.4% increase over the 54 logged in FY 2004.
Percentage of processes that achieve consensual agreements	Maintain at or increase levels achieved in FY 2004	Target Met. The Administrative Law area maintained their FY 2004 success rate as 90.2% of cases achieved settlement in FY 2005. DRS increased their FY 2004 success rate as 95.8% of cases achieved settlement in FY 2005.
Timeliness of formal complaint resolutions	Complete 80% within target time frames for various paths for resolution of complaints as specified by the Commission	Target Met. During FY 2005, all three of the Commission’s initial decisions on complaints were completed within the specified deadlines, which vary from case-to-case based on the outlook of the Chief Judge and the Commission. Of the six additional complaints the Commission handled during FY 2005, three were settled, two were withdrawn, and one was returned to the Commission for further action.

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Reduce duplicative information requests through coordination with CFTC	50% reduction by September 30, 2006	Target met. Investigations coordinated with CFTC on all known cases of joint interest and there were no known duplicative information requests.
Timeliness of verification of EQR submissions	Within 10 business days of submission	Target met. Verified within 10 business days.

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Review EQR submissions for completeness and contact companies that make up at least 80% of reported revenue for incomplete submissions	Within 10 business days of submission	Target met. Contacted 100% of companies in the EQR database that had filed incomplete submissions within 10 business days of filing deadline.
Conduct follow up reviews of companies that make up at least 80% of reported revenue on exercise of market power or market manipulation	Within 60 days of final submission	Target Met. Conducted follow-up reviews of EQR filers that make up at least 80% of reported revenue for the third quarter of 2005 for market manipulation or exercise of market power within 60 days of final submission.
Timeliness of reporting to Commission on important market events	Analysis complete within 60 days of event	Target Met. Provided the Commission with seven presentations at open Commission meetings, 26 Weekly Market Reviews beginning in April 2006 reviewing weekly market developments and performance, and seven end-of-day summaries on market conditions during heat waves in the summer of 2006.
Percentage of Hotline calls resolved	60% within 2 weeks of initial contact	Target Met. Since October 1, 2005, 80% of hotline calls were resolved within two weeks of initial contact.
Percentage of non-environmental, non-tribal ADR processes (agreed to by parties) concluded	75% within 120 days (convening and process)	Target Met. The DRS completed 25 cases in FY 2006 that were non-environmental and non-tribal, and in which the parties agreed to pursue an ADR process. Of these, 22 were completed within 120 days after being referred the DRS (88%)
Number of ADR requests and referrals to the Dispute Resolution Service	Minimum number of requests and referrals equal to FY 2004	Target Met. The DRS addressed 70 new requests or ongoing cases from a previous year, involving gas, electric, hydroelectric, oil, and pipeline matters. This represents a 29.6% increase over FY 2004
Favorable Dispute Resolution Service customer satisfaction	80% customer satisfaction rate	Target Met. For training given by DRS, customer satisfaction rate was 89%. For casework concluded in FY 2006, all participants who completed evaluations gave the DRS staff favorable comments, for a satisfaction rate of 100%.
Percentage of market manipulation cases set for hearing completed according to the established schedule	➢ 75% of Track I cases in 29.5 weeks ➢ 75% of Track II cases in 47 weeks ➢ 75% of Track III cases in 63 weeks	There were no Track I, II, or III cases
Percentage of market manipulation cases set for hearing that achieve partial or complete consensual agreement	75%	100%
Timeliness of reporting to the Commission on operational audits	85% reported to the Commission within 120 days of Commencement Letter	Target Met. Since the beginning of the rating year, 100% of operational audits were reported to the Commission within 120 days of Commencement Letters.
Percentage of operational audit recommendations issued and implemented	85%	Target Met. 100% of operational audit recommendations have been issued and implemented.
Timeliness of reporting to the Commission on financial audits	85% reported to the Commission within 120 days of Commencement Letter	Target Met. Since the beginning of the rating year, 100% of financial audits were reported to the Commission within 120 days of Commencement Letters.
Percentage of financial audit recommendations issued and implemented	85%	Target Met. 100% of financial audit recommendations have been issued and implemented.

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Timeliness of reporting to the Commission on Standards of Conduct compliance audits	85% reported to the Commission within 120 days of Commencement Letter	No Standards of Conduct compliance audits were initiated during FY 2006.
Percentage of Enforcement investigations completed	75% within one year	Target Met. From October 1, 2005 to the present, 88% of cases were closed within one year (84% within 9 months and 60% within 6 months).

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.

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Establish Clear and Fair Processes		
Improve Forensic Audits and Investigations information technology tools	Implement capability to search e-mails and voice recordings by June 30, 2007	Target met. The capability to search voice recordings was implemented beginning in September 2006 and the capability to search e-mails was implemented beginning in August 2006.
Improve Forensic Audits and Investigations capabilities	90% of enforcement and compliance staff participate in forensics training and interviewing skills by June 30, 2007	Target met. 95% of enforcement and compliance staff received training on forensic interviewing and auditing. Classes were held in August 2005 and May 2006.
Timeliness of reporting to the Commission on operational audits	100% reported to the Commission within 120 days of Commencement Letter	Target met. 100% of operational audits (24 out of 24 from 10/1/06 – 9/30/07) were reported to the Commission within 120 days of the Commencement Letter.
Percentage of operational audit recommendations issued and implemented	90%	Target met. 100% of operational audit recommendations issued were implemented within 6 months.
Timeliness of reporting to the Commission on financial audits	100% reported to the Commission within 120 days of Commencement Letter	Target met. 100% of financial audits (43 out of 43 from 10/1/06 – 9/30/07) were reported to the Commission within 120 days of the Commencement Letter.
Percentage of financial audit recommendations issued and implemented	90%	Target met. 100% of financial audit recommendations issued were implemented within 6 months.
Conduct Investigations Promptly and Impose Penalties Where Appropriate		
Percentage of enforcement investigations completed	75% within one year of initiation	Target met. 94.8% of investigations were closed within a year of being initiated.
Percentage of Hotline calls resolved	70% within 2 weeks of initial contact	Target met. 75% of Hotline calls were resolved within 2 weeks of initial contact.
Encourage Self-Policing and –Reporting of Violations		
Percentage of regulated entities audited to ensure internal compliance programs and processes are in place	85% of regulated entities included in annual audit plan	Target met. 95% of regulated entities included in the annual audit plan were audited (74 out of 78).
Timeliness of responses to regulated entities seeking guidance and clarification on compliance issues	Within 60 days	Target met. Responded to 100% of regulated entities seeking guidance and clarification on compliance issues within 60 days.
Timeliness of completing recommendations on compliance issues raised by regulated entities	Within 180 days, where Commission action is required	Target met. 100% of recommendations to the Commission (where Commission action was required) were completed within 180 days of completing an investigation originated by a self report.
Timeliness of reporting on compliance issues raised by regulated entities	Reports completed monthly	Target met. The Pending Case Report is issued at the end of each month and reports on compliance issues (i.e., self reports) raised by regulated entities.

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

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

Performance Measurement Data for Supporting Initiatives: FY 2005 – FY 2008

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

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

FY 2005		
Performance Measurement	**Performance Target**	**Result**
Improved reliability and availability of FERRIS	Increase customer satisfaction 25% over FY 2003	Target Met. During FY 2005, customer feedback from the eLibrary Helpdesk showed that 100% of customers felt they received a high quality of service.
Network availability	99%	Target Met. The Commission did not experience a major network outage in FY 2005, with average uptime reported at 100% (per contractor FY 2005 self-evaluation reports).
Desktop reliability	Increase reliability by 5% per year	Target Met. Compared to FY 2004 , the number of PC breakdowns (or re-images) during FY 2005 reduced by 9.2% from 54 re-images to 49 re-images. With no means to capture positive reliability data (e.g. reliability increases from FY 2004 to FY 2005), the current performance measure and target do not appear in future performance plans.
Standard office automation platform and PC rate of refresh	33%	Target Met. The Commission's FY 2005 upgrade percentage was 37%.
Timeliness of virus file updates on servers and workstations	Updates within 24 hours from release by vendors	Target Met
Implementation of Federal Information Security Management Act (FISMA) for small agencies	95%	Target Met. According to the Putnam scorecard, the measurement used to grade implementation of FISMA, the Commission earned a 100% (or A) rating for FY 2005.
Development of initial enterprise architecture	Complete by October 30, 2004	Target Met. The Commission's IT Enterprise Architecture was completed and in place by October 31, 2004.
Develop Communications Plan	Increase number of proactive interactions with the Press, Elected Officials, and Industry by 25%	Target Met. In FY 2005, the total number of proactive interactions increased by 27.6%.
Redesign Internet Website	Make internet site more useful and user-friendly	Target Met. In addition to several new user-friendly features, the Commission added eleven new project- / initiative-targeted web pages during FY 2005.
Engage Stakeholders	Provide 50 presentations to government or other groups of stakeholders	Target Met. The Commission provided over 70 presentations to government and/or other stakeholder groups during FY2005.
Discussions with State regulatory bodies on Commission policies and actions	Formal, effective interactions between FERC and state officials on policy issues	Target Met. The Commission participated in 61 different meetings with state officials during FY 2005.

FY 2005		
Performance Measurement	**Performance Target**	**Result**
Foster communication with States and Governors on infrastructure	Hold infrastructure conferences in each region	Target Not Met. The Commission held a total of seven infrastructure related conferences during FY 2005 in the Northeast, Western, Appalachian, and Rocky Mountain regions. This performance target was set at an approximate level, and the deviation from that level is slight. The Commission's inability to hold a conference in each region did not have an effect on overall program performance.
Maintain liaison with market monitors in RTOs and ISOs	Meet at least twice annually with RTO and ISO market monitors	Target Met. The Commission met with RTO and ISO market monitors twice during FY 2005, both at Commission-hosted conferences (December 2004 and July 2005).
Outreach to stakeholder groups to encourage use of conflict resolution mechanisms	Increase number of outreach opportunities with stakeholders by 25%	Target Met. The 83 active projects in FY 2005 represent a 29.7% increase over the 64 projects in FY 2004.
Support further discussions with Canada and Mexico	Formal interaction with Canadian and Mexican regulators on policy issues	Target Met. The Commission held or participated in 20 different meetings with Canadian and/or Mexican officials on issues related to infrastructure, reliability, and other policy initiatives during FY 2005.
Monitoring of manage-to-budget process	Bi-weekly tracking of office salary levels and quarterly review of salary levels between CFO and Office Directors	Target Not Met. Due to the National Finance Center processing of payroll distributions migration in March 2005, bi-weekly tracking information was briefly delayed. In addition, ongoing reviews and discussions between the Budget Division, individual office contacts, and the Chief Financial Officer did not necessitate the need for quarterly reviews with Office Directors. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance.
Monitoring of business plan	➢ Clarity of fit between projects, activities, and objectives ➢ Periodic monitoring of completions and adjustments to plan and related resources	Target Met. Both of the business plan updates that took place during FY 2005 accomplished the stated targets. A final FY 2005 update will be completed during the first week in November.
Timeliness of annual charges collections	Collect 98% of outstanding receivables within 45 days of billing	Target Not Met. The Commission received 92.7% of its annual charge collections within 45 days of billing. This performance target was set at an approximate level, and the deviation from that level is slight. Since the collections during the 45-day period off-set the Commission's FY 2005 appropriation and the Commission received 97.3% of its annual charge collections prior to the end of FY 2005, this difference had no effect on overall program performance,

FY 2005		
Performance Measurement	**Performance Target**	**Result**
Invoices paid by electronic funds transfer	98%	Target Met. The Commission paid 99% of its invoices via electronic funds transfer during FY 2005.
Percentage of payments accomplished without error	98%	Target Not Met. The Commission made 97% of its payments without error during FY 2005. This performance target was set at an approximate level, and the deviation from that level is slight. Since all incorrect payments were recovered via internal or Department of Treasury collection actions, this difference had no effect on overall program performance.
Accuracy and completeness of annual financial statements	Unqualified opinion	Target Met. The Commission received an unqualified opinion on its FY 2004 financial statement audit.
Percentage of contracts performance-based	85%	Target Met. Of the 118 procurement actions that required a performance-based statement of work, 100% were awarded as performance-based.
Percentage of contracts advertised online	85%	Target Met. Of the 3 procurement actions eligible for advertising, 100% were advertised online.

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of summer interns hired into permanent positions	30%	Target Not Met. 14.3% of summer interns eligible to be rehired accepted offers of permanent employment. Conversions of summer interns have steadily declined since its high in 2003 with 33%. As EPAct of 2005 requirements have evolved, the need for skill sets not represented in the summer intern population has dictated hiring from other sources. This measure is omitted in 2007 and reduced in 2008 to 20%.
Implement entry-level Professional Development Program	Complete by September 30, 2006	Target Met. FERC Entry-Level Retention Program distributed to Program Offices in September 2006.
Percentage of minorities among senior-level positions (GS-14, GS-15, SL, and SES positions)	Increase over FY 2005	Target Met. Percentage of minorities among senior-level positions increased by 1% over FY 2005.
Implement Commission-wide Business Requirements guidelines	Complete by September 30, 2006	Target Met. Commission-wide Business Requirements Guidelines distributed to the Training Council in September 2006
Reliability of IT infrastructure	99% network availability rate	Target Met.
FISMA compliance according to the Putnam scorecard	Grade of “A”	Target Met. FERC received a grade of an "A" based on the Putnam scorecard for its most recent FISMA report which ended September 30, 2006.

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Integrate the Business Plan, CPIC process, and IT architecture into the Commission's Enterprise Architecture	Complete by September 30, 2006	Target Met. DCIO's current CPIC process requires all requests to map to the FERC Business Plan. Pursuant to the CPIC process Information Technology (IT) projects are approved or denied based on a number of criteria one being whether or not it supports the Commission's mission. Approved IT projects generate a Control Board action producing document. The data from the approved CCN is used to update the IT architecture which is entered into the Commission's Enterprise Architecture through the use of the Metis tool.
Percentage of approved IT initiatives with supporting documentation per the Commission's CPIC process	100%	Target Met. The CPIC Investment Review Board approved 21 projects of which all 21 went through the CPIC review process. Therefore, 100% of the approved IT projects went through the CPIC approval process.
Establish earned value management schedule and cost performance indices for all major projects	Complete by September 30, 2006	Target Met. As implemented in FERC Capability Maturity Model Integration level 2 (CMMI-2) policies and procedures, EVM is used to measure progress on major projects and major phases of multi-phased projects.
Develop and implement automated Business plan	Complete by September 30, 2006	Target Not Met. Though Software development for Phase 2 of the Activity and Tracking Management System (ATMS) has been completed, the target was not met because extensive testing of Phase 2 due to integration with other eGovernment systems will push deployment to February 2007. Though Phase 2 will support business plan reporting that is integrated with the HR time reporting system (MAPS), that reporting will depend on requisite information (e.g. proper use of time reporting codes, MAPS data, etc.) input by FERC's program and other offices. And since full automation will require Commission-wide deployment (Phases 3 and 4) and additional reporting requirements definition and software development, the target will not be fully met until ATMS Phase 4. Since manual processes for business planning will remain in place until they are replaced by an automated Business plan, there is no impact on operations or program performance.
Percentage of qualified-procurements that are performance-based	100%	Target Met. Of the 676 actions awarded during the period, a total of 78 actions were identified as performance-based. All 78 of these actions were awarded under performance-based contracts.
Percentage of qualified-procurements that are advertised on-line	100%	Target Met. Of the 676 actions awarded during the period, a total of 4 actions qualified for on-line advertisement, and all 4 actions were advertised on-line with Federal Business Opportunities (fedbizops.)
Percentage of total procurement dollars awarded to small, women-owned, and minority businesses	5% increase over FY 2005	Target Met. In FY 2005, the Commission awarded 22% of its total procurement dollars to small, women-owned and minority businesses. In FY 2006, the Commission awarded 34% of its total procurement dollars to these entities which constitutes a 12% increase over the FY 2005 performance level.

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of invoices paid via electronic funds transfer	99%	Target Met. During FY 2006, the Commission paid 99% of its invoices via EFT.
Percentage of payments in compliance with Prompt Payment Act deadlines	100%	Target Not Met. During FY 2006, the Commission processed 94% of its payments in compliance with Prompt Payment Act deadlines. The primary cause was the Commission's acceptance of invoices during the FY 2006 Continuing Resolution (October - December) which could not be paid. Since January, the Commission has processed 98% of its payments in compliance with Prompt Payment Act deadlines.
Percentage of payments made without error	100%	Target Not Met. During FY 2006, the Commission made 99% 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	90% of invoices collected by due dates	Target Met. During FY 2006, the Commission collected 94% of its invoice balances by the stated due date.
Complete and accurate annual financial statements	Unqualified opinion on audited financial statements	Target Met
Percentage of filings capable of being received electronically	95%	Target Not Met. 42% of all document types are currently capable of being received electronically. Meeting the target has been delayed because of two primary factors: 1) The Commission has been responsive to industry feedback regarding the most efficient way for tariff filings to be filed electronically and has extended the prototyping and discussion of proposed solutions; and 2) The Commission has delayed to improve infrastructure (supporting database, storage, server, and disaster recovery infrastructure). To mitigate the effects of the delay the Commission encourages the filing of non-eFiling-capable documents on digital media (CD, DVD); routinely accepts non-eFiling-capable documents electronically on an exception basis when requested by filers; and performs OCR and full-text indexing on documents submitted on paper. In addition, the Commission is actively planning and gathering requirements for an eFiling system release that will meet the target. Given the mitigation efforts, there have been no negative impacts on program performance or operations.
Percentage of Commission orders approved during open meetings issued	99% within 5 business days	Target Met. 321 agenda items were approved in open meeting during the rating period. All but 2 were issued within 5 business days.

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of Commission orders approved by notational vote issued	99% within 1 business day of adoption date	Target Not Met. 933 agenda items were approved through the notational process. 40 items were issued after one day of adoption date; these were all issued on the following business day. Percentage is 96%. This is a remarkable accomplishment considering the significant increase in notational items during this appraisal period and the target did not change from last appraisal period. This did not have a negative impact on operations.
Percentage of legally required notices issued	95% within 3 business days of being posted on eLibrary	Target Not Met. This measure includes notices for electric rate filings prepared by the Secretary; notices for other industries are prepared by program offices. Number of electric rate notices during the appraisal period is 2,667. Of these, 632, or 76%, were issued three days after filing was posted on eLibrary. This target was not met due to staff shortages. However, no Commission proceeding or action was negatively affected.
Percentage of press releases on important agency actions issued	95% within 1 hour of order being issued	Target Met. In FY 2006, 90 out of 92 or 97.8% of press releases were issued within 1 hour of action being taken.
Percentage of responses to public inquiries	➢ 60% within 3 business days ➢ 100% within 5 business days	Target Met. In FY 2006, OEA responded to approximately 2,800 public inquiries. Over 90% of these inquiries were responded to within 1 business day of receipt. All public inquiries were responded to within 5 business days.
Percentage of agency actions and time-sensitive content posted on the FERC Internet Website	95% within 1 hour of order being issued	Target Met. In FY 2006, 3,159 of 3,201 or 98.7% of important agency actions were posted on the Commission's internet website within 1 hour of issuance.
Timeliness of notices to NEB (Canada) and CRE (Mexico) of FERC activities pursuant to Memorandum of Understanding	Within 1 business day	Target Met. The NEB and CRE are routinely notified of significant Commission activities that impact their respective countries through emails with summaries and links to these orders within one business day of the order being issued.
Timeliness of regional hearings or conferences email notifications sent to State officials and Governors	Within 1 business day	No regional hearings/conferences took place during the review period.
Submit FY 2005 Annual Report to Congress	Complete by June 30, 2006	Target Not Met. FY 2005 Annual Report has not been sent to Congress. The target was not met due to a significant change in the format of the Annual Report to improve the overall product by making it more targeted to the audience groups. The decision to re-format the Annual Report to track the agency's Strategic Plan resulted in a significantly more time-consuming review process and an extended period for obtaining the content for the Annual Report. There were no negative impacts on operations. The process for the FY 2006 Annual Report has already been initiated and the expectation is that the target will be met.
Submit FY 2005 international exchange and training activity data to U.S. Department of State	Complete by April 1, 2006	Target Met. FY 2005 international exchange and training activity data was sent to the U.S. Department of State in March 2006.

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Submit FY 2005 FOIA Annual Report to Department of Justice	Complete by February 1, 2006	Target Met. FY 2005 FOIA Annual Report to the Department of Justice was submitted on January 27, 2006.
Submit FY 2005 Information Quality Agency Annual Report to OMB	Complete by January 1, 2006	Target Met. FY 2005 Information Quality Agency Annual Report was submitted to OMB prior to January 1, 2006.

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

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

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

FY 2007		
Performance Measurement	**Performance Target**	**Data Source**
	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	members of Congress were sent out on 340 significant Commission actions within 1 to 2 business days of the underlining action. Briefing offers were made on appropriate items. ➢ In FY 2007, the Commission provided 38 briefings to members of Congress. ➢ In FY 2007, 178 email notifications to State regulatory agencies were sent out on significant Commission actions within 1 to 2 business days of the underlining action. ➢ In FY 2007, OEA hosted 71 visits from 75 countries and organizations.
Percentage of cases set for hearing that achieve partial or complete consensual agreement	75%	Target Met. 88% of cases set for hearing achieved partial or complete consensual agreement.
Percentage of cases set for hearing completed according to the established schedule	➢ 75% of Track I cases in 29.5 weeks ➢ 75% of Track II cases in 47 weeks ➢ 75% of Track III cases in 63 weeks	Targets Met. ➢ There were no Track I cases. ➢ 80% of Track II cases in 47 weeks. ➢ 88% of Track III cases in 63 weeks.
Issue well-reasoned initial decisions, based on facts, law, and Commission policies which are upheld in whole or in part	80% of initial decisions upheld in whole or in part	Target Met. 91% of initial decisions were upheld in whole or in part.

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

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

FY 2008		
Performance Measure	**Performance Target**	**Results**
		Central Training Fund prioritization.
Maintain an effective performance management system	➢ All employees receive training annually ➢ Provide feedback to managers to ensure ratings reflect meaningful distinctions between performance ➢ High achievers are rewarded appropriately	➢ Target Met. FERC Non-Supervisory Employees received training in August and September 2008. ➢ Target Met. All FERC managers received feedback on ratings and training on meaningful distinctions during the corresponding rating cycle of their program office. ➢ Target Met. Report analysis shows that higher monetary awards are commensurate with higher performance ratings.
Ensure appropriate representation of women and minorities at all levels within the organization	Increase over FY 2007 baseline	Target Not Met. ➢ Women. The representation of women was 45.5% in FY 2008, a 7.4% decrease from FY 2007. ➢ Minorities. Overall, the representation of minorities was 32.7% in FY 2008, a 0.5% decrease from FY 2007.
Maintain reliable financial management systems which generate accurate and timely financial information to support operating, budget, and policy decisions	➢ Unqualified audit opinion on financial statements ➢ Unqualified assurance assertion on internal controls	➢ Target Met. Unqualified opinion received November 6, 2008. ➢ Target Met. Unqualified assurance asserted over internal controls September 12, 2008.
Manage acquisitions in accordance with federal requirements and ensure process provides for the efficient use of Commission resources	➢ 25% of total procurement dollars awarded to small, women-owned, and minority businesses ➢ 100% of qualified procurements are performanced-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%.

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Appendix A

Organizational Chart

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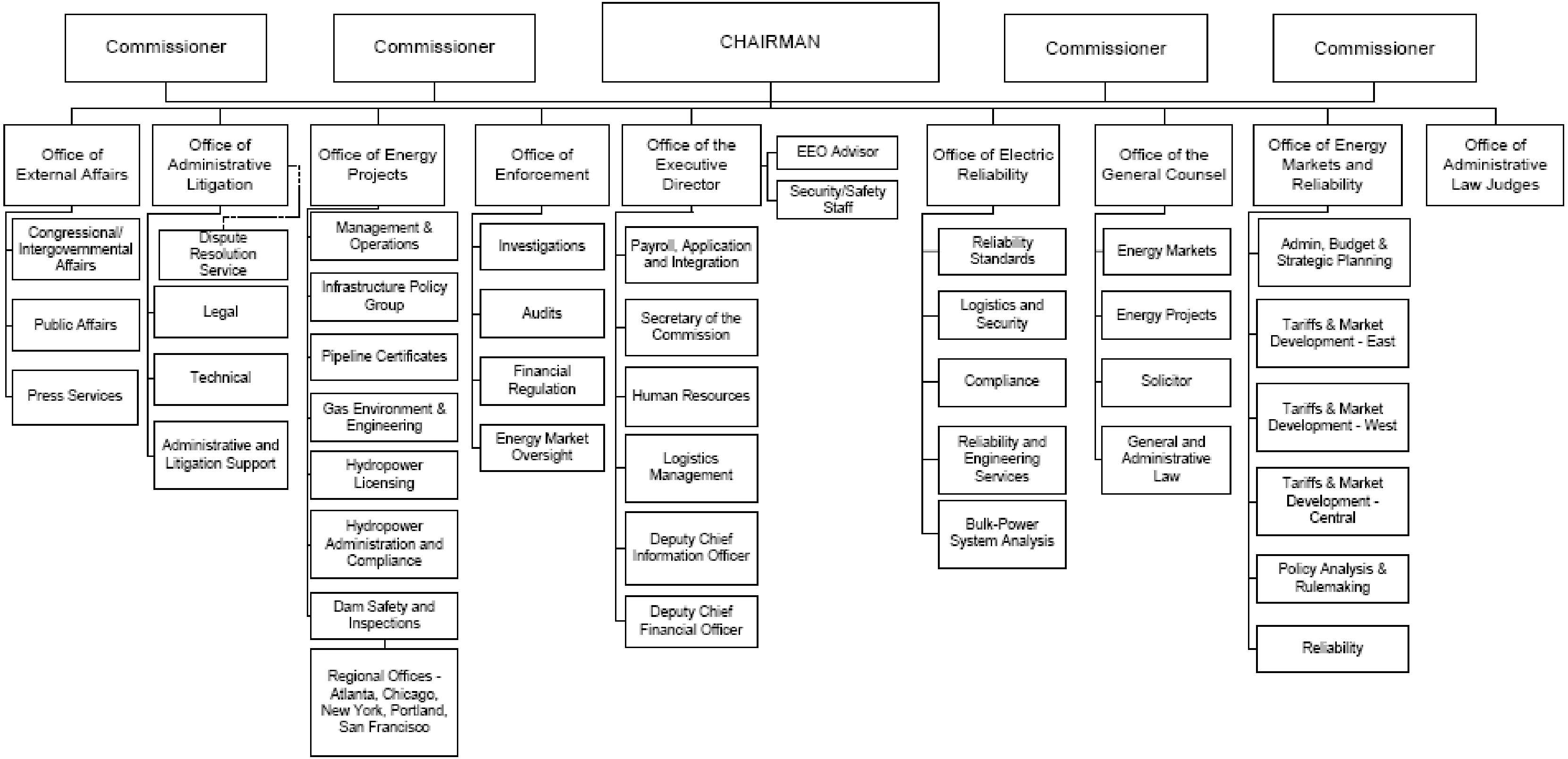
FEDERAL ENERGY REGULATORY COMMISSION



As of September 30, 2008

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Appendix B

Strategic Plan

Federal Energy Regulatory Commission

Strategic Plan FY 2006 – FY 2011

Mission

Regulate and oversee energy industries in the economic, environmental, and safety interests of the American public.

Vision

Abundant, reliable energy in a fair competitive market.

Guiding Principles that Strengthen the Commission's Overall Performance

To fulfill its Mission, the Federal Energy Regulatory Commission commits to…

Organizational Excellence

Use resources efficiently and effectively to achieve its strategic priorities.

Due Process & Transparency

Complete regulatory proceedings in an open and fair manner, consistent with established regulations.

Regulatory Certainty

Provide regulatory certainty through consistent Commission approaches and actions.

Stakeholder Involvement

Ensure that interested parties are informed and provided an appropriate opportunity to participate in Commission proceedings.

Timeliness

Act on regulatory matters in an expeditious manner.

Goal 1: Energy Infrastructure

Promote the Development of a Strong Energy Infrastructure

Objective A: Stimulate Appropriate Infrastructure Development

- Resolve regulatory and other challenges to needed development
- Encourage investment and effect timely cost recovery

Objective B: Maintain a Reliable and Safe Infrastructure

- Assure reliability of interstate transmission grid
- Protect safety at LNG and hydropower facilities
- Incorporate environmental considerations into Commission decisions

Goal 2: Competitive Markets

Support Competitive Markets

Objective A: Develop Rules that Encourage Fair and Efficient Competitive Markets

- Employ best practices in market rules
- Reduce barriers to trade between markets and among regions

Objective B: Prevent Accumulation and Exercise of Market Power

- Assure proposed mergers and acquisitions are in the public interest
- Address market power in jurisdictional wholesale markets

Goal 3: Enforcement

Prevent Market Manipulation

Objective A: Provide Vigilant Oversight

- Identify and remedy problems with structure and operations in energy markets

Objective B: Provide Firm but Fair Enforcement

- Establish clear and fair processes
- Conduct investigations promptly and impose penalties where appropriate
- Encourage self-policing and -reporting of violations

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Appendix C

Statutory Authority

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

Electric, Hydropower, & General Statutes

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

Natural Gas Statutes

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

Oil Statutes

Interstate Commerce Act
Oil Pipeline Regulatory Reform

Environmental and Other Statutes

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

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Appendix D

Acronyms

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Acronym	Full Description
CAISO	California System Operator Corporation
CIP	Critical Infrastructure Protection
DOE	Department of Energy
EQR	Electric Quarterly Reports
ERCOT	Electric Reliability Council of Texas
ERO	Electric Reliability Organization
FERC	Federal Energy Regulatory Commission
FPA	Federal Power Act
FPC	Federal Power Commission
FTE	Full Time Equivalent
FY	Fiscal Year
ISO	Independent Transmission System Operator
LNG	Liquefied Natural Gas
MISO	Midwest Independent Transmission System Operator
NOP	Notices of Penalty
OASIS	Open Access Same-time Information System
OE	Office of Enforcement
OER	Office of Electric Reliability
OMB	Office of Management and Budget
RE	Regional Entities
RTO	Regional Transmission Organization
SPP	Southwest Power Pool
TRP	Technical Review Panel

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