FY 2006
PERFORMANCE AND ACCOUNTABILITY REPORT

FEDERAL ENERGY REGULATORY COMMISSION
NOVEMBER 2006

Joseph T. Kelliher
Chairman

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

OFFICE OF THE CHAIRMAN

Letter from Chairman Kelliher

I am pleased to present the Federal Energy Regulatory Commission's Performance and Accountability Report for fiscal year 2006. This report was prepared in accordance with the guidelines set forth in OMB Circular No. A-136 and Section 230 of Circular No. A-11.

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

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

Sincerely,

Joseph T. Kelliher
Chairman
Federal Energy Regulatory Commission

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Management's Discussion and Analysis

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Introduction

In accordance with the guidelines set forth in Office of Management and Budget (OMB) Circular No. A-136 and Section 230 of Circular No. A-11, this report presents the Federal Energy Regulatory Commission's (the Commission's, FERC's) FY 2006 audited annual financial statements and program performance report. The financial section includes the Commission's audited balance sheet; statements of net cost, changes in net position, budgetary resources, financing, and custodial activity; and notes to the financial statements. The performance report section includes performance measurement data for fiscal years 2003 through 2007. Additionally, this report includes an overview of the Commission, including its mission and organizational structure.

This Performance and Accountability Report serves as a guide to the Commission's key initiatives and activities, both during FY 2006 and beyond.

Overview of the Commission

The Commission is an independent regulatory agency within the U.S. Department of Energy (DOE) whose function is to oversee major aspects of the Nation's 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. The following paragraphs will highlight the Commission's federal statutory authority, with a more comprehensive listing available in Appendix C.

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

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

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

Since 1935, the Commission has regulated certain electric industry activities under the Federal Power Act (FPA). Under FPA sections 205 and 206, the Commission oversees the rates, terms and conditions of sales for resale of electric energy and transmission service in interstate commerce by public utilities. The Commission must ensure that those rates, terms and conditions are just, reasonable, and not unduly discriminatory or preferential. Under FPA section 203, as amended by the Energy Policy Act of 2005 (EPAct 2005), the Commission reviews mergers and certain corporate transactions involving public utilities and public utility holding companies. Under FPA sections 203, 205 and 206, the Commission primarily regulates investor-owned utilities. Government-owned utilities (e.g., Tennessee Valley Authority, federal power marketing agencies, and municipal utilities) and most cooperatively-owned utilities are not subject to Commission regulation (with certain exceptions).

Regulation of retail sales and local distribution of electricity are matters left to the states. In addition, the Commission does not have a role in authorizing the construction of new generation facilities (other than non-federal hydroelectric facilities) as regulation of such construction is the responsibility of state and local governments. EPAct 2005 gave the Commission authority to permit the construction or modification of transmission facilities in national interest electric transmission corridors designated by the Secretary of Energy, if certain conditions are met.

A major new area of Commission regulation as a result of EPAct 2005 is oversight of the Electric Reliability Organization (ERO) that will develop and enforce mandatory reliability standards for the Nation's bulk power system, subject to Commission approval. On July 20, 2006 the Commission conditionally certified the North American Electric Reliability Council (NERC) as the ERO. All owners, users and operators of the bulk power system will be subject to mandatory reliability standards approved by the Commission.

The Commission's role regulating the natural gas industry is largely defined by the Natural Gas Act (NGA). Under sections 3 and 7 of the NGA, the Commission regulates the construction of new on-shore liquefied natural gas (LNG) import terminals and natural gas pipelines and related facilities. Under sections 4 and 5 of the NGA, it oversees the rates, terms and conditions of sales for resale and transportation of natural gas in interstate commerce. The Commission's jurisdiction over wholesale sales of natural gas, however, is limited by the Natural Gas Policy Act of 1978 and the Wellhead Decontrol Act of 1989. Pipeline siting and construction is authorized by the Commission if found to be required by public convenience and necessity. As with hydropower licensing, the Commission's actions on LNG and pipeline projects typically require consideration of factors under the National Environmental Policy Act of 1969 (NEPA), the Endangered Species Act, the Coastal Zone Management Act and other such statutes. Regulation of the production and gathering of natural gas, as well as retail sales and local distribution of natural gas, are matters left to the states.

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

Full Cost Recovery

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

Organizational Structure

Approximately 1,261 full time equivalents (FTEs) carried out the Commission's mission in FY 2006 using a budget of $220.4 million.

The following is a list of the offices within the Commission and a brief description of their operational role. An organizational chart, as of August 2006, is included in Appendix A.

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

Office of Energy Markets and Reliability – Deals with matters involving the markets, tariffs and rates relating to electric, natural gas and oil pipeline facilities and services. A main focus of this office is the reliability of the interstate transmission grid.

Office of Enforcement – Serves the public interest by guiding the evolution and operation of energy markets to ensure effective regulation and protecting customers through understanding markets and their regulation, timely identifying and remedying market problems, assuring compliance with rules and regulations, and detecting and crafting penalties to address market manipulation.

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

Office of the General Counsel – Provides legal services to the Commission, represents the Commission before the courts and Congress, and is responsible for the legal phases of the Commission's activities.

Office of Administrative Litigation – Represents the public interest in administrative proceedings at the Commission. This office also provides testimony, exhibits and studies on electric rate, transmission, open access and restructuring cases and in natural gas rate-design cases. Included in this office is the Commission's Dispute Resolution Service (DRS), which assists participants to achieve resolution of disputes through consensual decision making.

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

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

Strategic Plan Overview

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

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

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

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

2. *Competitive Markets*. Goal: Prevent Exercise of Market Power by Reliance on Effective Competition.
This goal focuses on the competitive forces within the electric and gas markets, and the rules that govern those markets. This involves the Commission establishing clear market rules in wholesale electric markets, promoting transparency in electric and gas markets, and reforming market policies where necessary. Along with some traditional work in the area of rate determinations, this goal includes various initiatives in the electric and natural gas markets.

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

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

On September 29, 2006, the Commission submitted to Congress its updated Strategic Plan which will guide the Commission through fiscal year 2011. During this update process, the Commission reassessed its vision, mission, and strategic goals. The Commission identified strategies and realigned resources to accomplish the mission of regulating and overseeing energy industries in the economic, environmental, and safety interests of the American public. In the updated Strategic Plan, the Commission has three strategic goals:

- *Energy Infrastructure*: Promote the development of a strong energy infrastructure.
- *Competitive Markets*: Support competitive markets.
- *Enforcement*: Prevent market manipulation.

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

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, protecting the energy infrastructure, and ensuring the security of the interstate transmission grid. By focusing on infrastructure, this goal covers many of the Commission's important traditional responsibilities such as, pipeline certificates, hydropower licenses and preliminary permits, compliance activities, environmental and other licensing conditions, dam safety inspections and most rate determinations.

2. *Competitive Markets*. Goal: 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 new and 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 tenets: 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.

Business Plan

The Commission's annual Business Plan details the activities and resource allocations used to meet the Strategic Plan's goals and objectives. This increases internal accountability by enabling management to link individual office responsibility, due dates, priorities, and budget resources to Commission activities. Although developing the Business Plan is an iterative process, it is helping to identify which activities help the Commission achieve particular goals and objectives. During FY 2006, the Commission reported estimated and actual FTE usage at a detailed activity level in its Business Plan, which improved Offices' ability to organize and allocate resources.

Guarding the Consumer

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

The Commission is charged with regulating the electric and natural gas industries under the FPA and NGA, laws that were written in the 1930s. Although these 1930-era laws recently underwent important reforms in EPAct 2005, and although the Commission's electric regulatory responsibilities also include the Public Utility Regulatory Policies Act of 1978 (as modified by EPAct 2005) and the Public Utility Holding Company Act of 2005 (PUHCA 2005), the FPA and NGA remain the Commission's core statutory responsibilities. The central charge of the Commission in the area of electric regulation, expressed in the 30-year-old quote to the left, is the same today – protecting wholesale power customers and transmission customers from unjust and unreasonable rates and from undue discrimination and preference. With respect to natural gas regulation, the Commission is charged with the same duty – protecting gas pipeline shippers from unjust and unreasonable rates and from undue discrimination and preference. In carrying out these duties, the Commission relies on both regulation and competition.

Despite perceptions to the contrary, deregulation has never been the Commission's policy with respect to electric or natural gas markets. While the Commission has encouraged competitive wholesale markets, competitive markets are not completely unregulated. The notion that a regulatory agency must choose between relying on regulation or competition is false, as markets subject to the Commission's jurisdiction are subject to both competition and regulation.

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

Developing the best possible mixture of reliance on competition and regulation is exactly what the Commission has been doing over the past decade, particularly in the area of electric regulation. In wholesale power markets, Commission policies have promoted effective competition as a means to assure just and reasonable rates. The Commission first pursued this goal in the 1980's by authorizing wholesale power sales at market-based rates, rather than cost-based rates. This marked a fundamental change in Commission policy, with the objective to lower wholesale power prices through a greater reliance on competitive pressures. The courts ultimately affirmed this policy change.

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

The Commission also promoted effective competition in wholesale power and natural gas markets by adopting orders establishing rules for open access gas transportation and electric transmission. Open access in gas markets was completed in 1992 with the adoption of Order No. 636. The Commission began to impose electric open access requirements in market-based rate cases and mergers in the 1980's. In 1996, Order No. 888 extended the open access requirements to all jurisdictional public utilities. 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. The foundation for today's wholesale gas and electric energy markets lies in the reliance on open-access transportation and transmission service. This allows independent suppliers to compete for gas and electricity sales at market-based prices and to offer market choices for customers.

The Commission also promoted development of regional transmission organizations (RTOs) and independent transmission system operators (ISOs). RTOs and ISOs are not affiliated with energy market participants and thus have no incentive to discriminate in the provision of transmission service. They operate the transmission grid in a certain state or region, thereby eliminating rate pancaking and providing for regional planning. Most RTOs and ISOs also now run energy markets. In some respects, they operate more like (and some say even resemble) securities and commodities exchanges like the New York Stock Exchange or the Chicago Board of Trade than a traditional public utility. The Commission has begun taking steps to lower RTO costs by encouraging greater cost accountability by RTOs and ISOs.

The Commission's policies have resulted in significant entry and construction of new generation capacity by independent power producers. At the same time, investment in transmission infrastructure has not kept pace, resulting in increased transmission congestion in some regions. This raises a significant concern for the

Commission because transmission congestion acts like an import quota, resulting in higher energy prices.

The Commission monitors the markets to ensure that its policies mitigate market power, and toward that end, has reformed many of its rules in recent years. Since 2001, the Commission has modified its use of regulatory tools to prevent the exercise of market power by focusing on its generation market power policies. In particular, the Commission strengthened its reporting requirements (Orders Nos. 2001 and 652) and acted to prohibit and sanction market manipulation through its Market Behavior Rules. Provisions of EPAct 2005 broadly prohibit fraud in energy market transactions. The Commission has implemented these provisions by adopting new electric and gas market anti-manipulation rules in Order No. 670. In 2004, the Commission bolstered its generation market power test by issuing interim market power screens and in May 2006 issued a notice of proposed rulemaking proposing to adopt the existing market power screens in principle with several enhancements.

The Commission also has remained vigilant regarding transmission market power. It issued a proposed rulemaking in May 2006 to reform its electric transmission open access policies to eliminate the remaining potential to engage in undue discrimination and preference in transmission service.

In addition to these reforms, the Commission has other new regulatory tools to guard the consumer. Because of the dramatic changes that have occurred in the electric and gas industries over the past 25 years, the Commission needed these new regulatory tools to discharge its historical duties to protect consumers against unjust and unreasonable rates and undue discrimination and preference. In particular, EPAct 2005 expanded the Commission's authority to review mergers and generation facility acquisitions and granted the Commission authority to impose significant civil penalties. The Commission will judiciously exercise this new authority to prevent the exercise of market power.

Finally, EPAct 2005 directed the Commission to facilitate price transparency in wholesale commodity and transmission and transportation markets by permitting the Commission to issue rules to assure timely dissemination of price information to market participants and the public. The Commission continues to monitor industry progress on market transparency and stands ready to use its statutory transparency authority as necessary.

Energy Infrastructure that Serves the Nation's Needs

A strong energy infrastructure is critical to the health of the nation, as evidenced by the immediate impact of Hurricanes Katrina and Rita. The damage to offshore oil and gas production facilities and the disruption to natural gas, oil and petroleum product pipelines caused a surge in energy prices, leading to increased public fears about the adequacy of the Nation's energy supply.

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

To meet the growing demand for natural gas, the Commission must respond quickly to the Nation's need to expand existing, or construct new, pipelines and related facilities. Once natural gas reserves are located and developed, the Commission's role is to evaluate proposals to expand or construct interstate pipelines, enabling companies to bring those supplies to the market. Similarly, the timely review of LNG terminal projects to ensure their safe construction and operation is crucial to support the Nation's need for additional gas supplies.

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

As an example, the Commission recently considered a combined project in the Southeastern United States consisting of 209 miles of pipeline crossing southern Georgia and northern Florida ranging in diameter from 12 to 36 inches and three new compressor stations. The companies voluntarily used the Commission pre-filing process. Though it was not one of the Commission's largest projects, the environmental analysis for this project determined that it:

- would affect about 2,713 acres, including 680 acres of wetland;
- would cross 56 perennial streams and rivers (6 of which would be major crossings more than 100 feet wide) and 52 intermittent streams; and
- could occur in the vicinity of 20 federally-listed or proposed endangered or threatened species and 19 state-listed endangered or threatened species.

In the environmental impact statement (EIS), Commission staff evaluated two major route alternatives, several route variations, a no-action alternative, and a postponed-action alternative. The companies subsequently adopted one of the route variations recommended in the draft EIS, resulting in a significant reduction in land use impacts and forest clearing. The environmental review was completed and the Commission took final action on the proposal within 12 months.

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

The Commission also regulates natural gas storage projects. Natural gas storage capacity has remained relatively static for many years while demand has increased. Between 1998 and 2003, gas storage capacity expanded only 1.4 percent while demand rose 24 percent. The volatility of natural gas prices rose sharply during this period. In order to reduce volatility in natural gas prices, the Commission is encouraging the development of new natural gas storage capacity. In June 2006, the Commission, responding to EPAct 2005, issued final rules reforming the Commission's pricing policies for natural gas storage. The rules will provide further incentive for the development of new natural gas storage capacity to ensure access to storage services at just and reasonable rates while at the same time ensuring that adequate storage capacity will be available to meet anticipated market demand.

The Commission also has an important role in assuring a strong electricity infrastructure. In setting rates for both wholesale power sales and transmission in interstate commerce, the Commission intends its pricing policy will encourage investment in generation and transmission facilities. Transmission capacity per megawatt (MW) of peak demand declined during much of the past three decades, prompting the Commission to consider pricing policies to encourage the construction of new transmission facilities. After the Commission initiated a proceeding on these policies, Congress amended the FPA, through EPAct 2005, to require the Commission to establish incentive-based rate treatments for transmission within one year of enactment of the new statute. In late 2005, pursuant to this new directive, the Commission proposed rules to promote greater capital investment in new transmission capacity. In July 2006, the Commission issued a final rule to increase investment in transmission infrastructure, promote reliability, and lower costs for consumers by reducing transmission congestion. The final rule allows companies, among other things, to seek:

- incentive rates of return on equity for new investment in transmission facilities;
- full recovery of prudently incurred transmission-related construction work in progress in rate base; and
- full recovery of prudently incurred pre-commercial operations costs.

The Commission also proposed a number of reforms to improve the development of transmission infrastructure in its May 2006 transmission open access proposed rulemaking. For example, the Commission proposed to amend its pro forma open access transmission tariff to require coordinated, open, and transparent transmission planning on both a sub-regional and regional level. It also proposed to require transmission providers to prepare annual studies identifying significant and recurring congestion and possible remedies for the elimination of the congestion.

In addition, EPAct 2005 amended the FPA to grant the Commission new authority to promote an energy infrastructure that serves the Nation's needs. The new law granted the Commission – for the first time – authority to site electric transmission facilities under certain conditions. While this new authority is more limited than the Commission's gas pipeline siting authority, it should help lower the regulatory barriers to investment in the transmission grid. In June 2006, the Commission proposed rules to implement this new authority in accordance with the specific criteria established in EPAct 2005.

Program Performance Overview

The performance measurement data samples and other achievements included below constitute a few of the Commission's key achievements during FY 2006. The performance measures and targets were selected from the Commission's FY 2007 Performance Budget Request. A complete list of the Commission's performance measurement data for fiscal years 2003 through 2007 is included in the Performance Report section of this report.

Performance Measurement Data for Energy Infrastructure

Goal: Promote Development of a Robust Energy Infrastructure.

Performance Measurement	Performance Target	Result
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.

EPAct 2005 directed the Commission, within 60 days of enactment, to issue regulations requiring the pre-filing process to commence at least six months prior to the filing of an LNG project application. The Commission considers this requirement to be a validation of its success in the use of the pre-filing process since 2001 on a voluntary basis. With the issuance of Order No. 665, the Commission established pre-filing regulations based on the knowledge gained from the use of the process since 2001. This rule also encourages prospective applicants to cooperate with state and local government officials to address safety and security considerations.

Performance Measurement	Performance Target	Result
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%

In FY 2006, the Commission completed NEPA documents for eleven pipeline and LNG projects that were filed after using the pre-filing process. Most notably, the Commission issued the Environmental Assessment for Transco's Leidy to Long Island Project less than four months after the applications were filed. In addition, the EIS for the Centerpoint Carthage to Perryville Project was issued less than six months after filing. Completing these NEPA documents well ahead of schedule allows the Commission to act timely on subsequent issues related to the projects.

Performance Measurement	Performance Target	Result
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.

Order No. 679 was written to bolster investment in the nation's aging transmission infrastructure and to promote electric power reliability and lower costs for consumers, by reducing transmission congestion. Greater grid investment will also make it more difficult to engage in undue discrimination and preference in transmission service.

This Order identifies specific incentives the Commission would allow based on a case-by-case analysis of individual transmission proposals. Key provisions of the rule include:

- incentive rates of return on equity for new investment by public utilities (both traditional utilities and stand-alone transmission companies, or transcos);
- full recovery of prudently incurred construction work in progress;
- full recovery of prudently incurred pre-operations costs;
- full recovery of prudently incurred costs of abandoned facilities;
- use of hypothetical capital structures;
- accumulated deferred income taxes for transcos;
- adjustments to book value for Transco sales/purchase;
- accelerated depreciation;
- deferred cost recovery for utilities with retail rate freezes; and
- a higher rate of return on equity for utilities that join and/or continue to be members of transmission organizations such as, but not limited to, RTOs and ISOs.

The rule does not grant utilities all of the listed incentives, but rather allows utilities on a case-by-case basis to select and justify the package of incentives needed to support new investment. Additionally, the rule provides expedited procedures for the approval of incentives to provide utilities greater regulatory certainty and facilitate the financing of projects.

Performance Measurement	Performance Target	Result
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).

NERC established its reliability readiness review program in response to the August 2003 blackout that affected about 50 million people in the U.S. and Canada. Review teams typically include representatives from FERC and industry volunteers with considerable expertise from other interconnections, other regions, and neighboring operating entities. Each team is led by a NERC staff member and a regional co-leader.

The reliability readiness review program independently reviews the operations of balancing authorities, transmission operators, and reliability coordinators in North America, and determines their readiness to maintain safe and reliable operations. Reviews identify areas of excellence in operations and areas in need of improvement. Additionally, the reviews are designed to ensure that operators of the bulk electric system have the tools, processes, and procedures in place to operate reliably, and help balancing authorities, transmission operators, and reliability coordinators recognize and assess their reliability responsibilities and evaluate how their operations support those responsibilities.

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.

Pursuant to EPAct 2005, the Commission issued Order No. 672 to delineate the process for certification of a single independent ERO, development of reliability standards, enforcement of those standards, delegation of authority to Regional Entities, ERO funding, and other matters necessary to implement the statute. The final rule established:

- criteria that an entity must satisfy to qualify to be the ERO;
- procedures under which the ERO may propose new or modified reliability standards for Commission review;
- a process for timely resolution of any conflict between a reliability standard and a Commission-approved tariff or order;

- the process for resolution of an inconsistency between a state action and a reliability standard;
- regulations pertaining to the funding of the ERO;
- procedures governing an enforcement action by the ERO, regional entity or the Commission;
- criteria under which the ERO may enter into an agreement to delegate authority to a regional entity for the purpose of proposing reliability standards to the ERO and enforcing reliability standards;
- regulations governing the issuance of periodic reliability reports by the ERO that assess the reliability and adequacy of the bulk power system in North America; and
- procedures for the establishment of regional advisory bodies that may provide advice to the Commission, the ERO or a regional entity on matters of governance, applicable reliability standards, the reasonableness of proposed fees within a region, and any other responsibilities requested by the Commission.

In July 2006, the Commission took a critical step in establishing a strong foundation for assuring reliability of the transmission network by certifying NERC as the Nation's ERO. In addition, the Commission accepted, with some modifications and clarifications, their proposed governance structure, funding, reliability standards development process, enforcement program and pro forma Regional Entity delegation agreement.

As the ERO, NERC will be responsible for developing and enforcing mandatory electric reliability standards under the Commission's oversight. The standards will apply to all users, owners and operators of the bulk power system. The ERO and Regional Entities must monitor compliance with the reliability standards. They may direct violators to comply with the standards, and impose penalties for violations, subject to review by, and appeal to, the Commission. While the ERO is responsible for compliance and enforcement under Commission oversight, the statute provides that the Commission can investigate compliance and impose penalties independently of the ERO.

Other Accomplishments

EPAct 2005 specified a significant number of actions to be taken by the Commission with quite challenging deadlines, all of which the Commission met or exceeded. While many of these actions are addressed in the performance results, the following are also noteworthy.

During FY 2006 Commission staff completed a preliminary assessment of 102 reliability standards filed by NERC, the first step in an open and inclusive process to establish technically sound and legally enforceable Reliability Standards that meet statutory criteria. The Commission is currently soliciting industry comment on the potential deficiencies in the current standards and the appropriate process and timeline for addressing them.

Order No. 681, issued July 20, 2006, amended the regulations to require transmission organizations that are public utilities with organized electricity markets to make available long-term firm transmission rights that satisfy certain guidelines adopted by the Commission in this rule. These guidelines will increase long-term transmission price certainty in the organized electricity markets and allow for new investments and other long-term power supply arrangements.

Along with the repeal of the Public Utility Holding Company Act of 1935 (PUHCA 1935), EPAct 2005 expanded the Commission's corporate review authority to include authority over certain holding company mergers and acquisitions, as well as certain public utility acquisitions of generating facilities. It also imposed statutory deadlines for acting on mergers and other jurisdictional corporate transactions. The Commission implemented these new provisions of EPAct 2005 by providing blanket authorizations for certain transactions while ensuring that captive utility customers are protected. The Commission acted quickly, so that new rules would be in effect before the effective dates of the new corporate review authority and PUHCA 2005, and the repeal of PUHCA 1935, all of which became effective on February 8, 2006.

After hurricanes Katrina and Rita, the Commission promoted various avenues for operators to quickly initiate recovery projects. The Commission adopted rules which:

- provided incentives to facilitate the development of new natural gas storage capacity;
- ensured access to storage services at just and reasonable rates, while at the same time ensuring that adequate storage capacity would be available to meet anticipated market demand;
- extended blanket certificate authority to interstate natural gas facilities previously ineligible for such consideration; and
- raised project cost limits under the blanket certificate program.

The Commission revised some reporting requirements to better monitor and assess the physical state of the interstate natural gas pipeline grid and gas storage infrastructure when service is disrupted due to damage caused by a hurricane, other natural disasters or acts of terrorism.

Performance Measurement Data for Competitive Markets

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

Performance Measurement	Performance Target	Result
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. The Commission approved several proposals to advance competitive energy markets.

The Commission approved Mid-Continent Area Power Pool's (MAPP) proposal to conform its Available Transfer Capability calculation methodologies to provisions of the Seams Operating Agreement between MAPP and the Midwest ISO in order to create a more seamless administration between the tariffs of the Midwest ISO's energy markets and the non-market operations of MAPP's members that do not belong to the Midwest ISO.

The Commission also approved proposed revisions to the Southwest Power Pool (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 RTO (PJM). Action was also 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).

Performance Measurement	Performance Target	Result
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 taken by the Commission to improve market transparency and independence will have nationwide impact. In May 2006, the Commission issued a notice of proposed rulemaking proposing amendments to its regulations and the *pro forma* open access transmission tariff to ensure that transmission services are provided on a basis that is just, reasonable and not unduly discriminatory or preferential. The proposed rulemaking aims to strengthen the tariff 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' open access transmission tariff.

Other actions taken on proceedings related to establishing new or revised market rules, rule changes in RTOs/ISOs, and increased transmission independence were region-specific. For example:

- In the New England area, the Commission issued an order accepting a proposal filed by ISO-New England (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.

- With respect to the PJM area, the Commission issued an initial order on PJM's proposed reliability pricing model 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.

- 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 payments; approval of revised rules defining less-than-seasonal financial transmission right 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 open access transmission tariff, 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.

- In September 2006, the Commission conditionally approved the California Independent System Operator (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.

Performance Measurement	Performance Target	Result
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.

Demand response can play a key role in both wholesale and retail markets. In wholesale markets, it can introduce needed price responsiveness when wholesale prices spike and can help reduce the ability to exercise market power. In retail markets, demand response can assist load serving entities hedge their positions and meet their load obligations at the least cost. The Commission addressed demand response in several filings during FY 2006.

- 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 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.

- New York ISO's (NYISO) 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.

Performance Measurement	Performance Target	Result
Issue final rule to implement PUHCA provisions of EPAct 2005	By January 31, 2006	Target Met. Final rule was issued on December 8, 2005.

The Commission issued Order No. 667 in December 2005 which finalized the Commission's rules to implement the repeal of PUHCA 1935 and enactment of PUHCA 2005, as it relates to federal access to books and records. Order No. 667 emphasizes that the Commission's primary means of overseeing jurisdictional companies that are members of holding companies continues to be the FPA and the NGA. These statutes enable the Commission to detect and disallow from jurisdictional rates any imprudently incurred, unjust or unreasonable or unduly discriminatory or preferential costs from affiliate transactions between companies in the same holding company system.

Performance Measurement	Performance Target	Result
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.

The Commission adopted regulations on January 26, 2006 prohibiting the use of any manipulative devices or contrivances in wholesale energy markets. This new authority was granted to the Commission in the EPAct 2005.

Performance Measurement Data for Market Oversight

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

Performance Measurement	Performance Target	Result
Percentage of operational audit recommendations issued and implemented	85%	Target Met. 100% of operational audit recommendations have been issued and implemented.

The Commission completed 61 operational audits in FY 2006. The Commission worked with high-level corporate officials to develop stringent compliance plans involving a commitment from jurisdictional entities to invest millions of dollars to: ensure compliance with Commission regulations, orders and policies through processes and procedural changes; establish or enhance compliance programs with adequate staffing; self-police and self-report violations to the Commission; and implement structural changes to address prohibited access to transmission and market information.

For example, the MidAmerican Energy Corporation audit resulted in a $23 million investment in transmission system upgrades to increase transmission capacity in congested areas. This audit also provided information to the Commission as it developed revisions to the open access transmission tariff. Also, in the Louisville Gas & Electric audit, the company's senior management agreed to invest millions of dollars in improving federal compliance, including structurally separating the company's wholesale merchant operations from its unregulated operations.

Performance Measurement	Performance Target	Result
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).

In less than ten months, the Commission completed an investigation of violations related to the breach of the upper Taum Sauk reservoir in Missouri. The breach released 1.3 billion gallons of water, injured nine persons, and did significant damage to the environs. At the end of FY 2006, the Commission was poised to approve a settlement in which AmerenUE, operator of the project, would pay a significant civil penalty plus an additional amount to fund improvements to the area over and above the cost of remediation of the environmental and property damage.

Other Accomplishments

In FY 2006, the Commission held 34 transparency outreach meetings with groups from the entire value chains for natural gas and electricity and with information providers. The wide range of responses and understanding of market interactions, how prices are formed and what information is available prompted staff to hold a workshop on September 26, 2006. At the workshop, staff covered the major venues where energy market interactions take place (New York Mercantile Exchange, RTO/ISO's, IntercontinentalExchange, Inc, Voice Brokers and Index Forming) and the kind of information that is available from each venue. The workshop helped facilitate a common understanding of the market and the language that will be used at a technical conference in FY 2007.

Following the grant by EPAct 2005 of significant new civil penalty authority under the Federal Power Act Part II and the Natural Gas Act, the Commission issued the Policy Statement on Enforcement in October 2005. The Policy Statement articulated the Commission's intent to have "firm but fair" enforcement of its statutes, orders, rules, and regulations, and emphasized the importance of internal compliance, self-reporting of violations, and cooperation.

The former Office of Market Oversight and Investigations implemented a major reorganization to become the Office of Enforcement. Although the Office of Enforcement's mission remained the same, the new structure has four main focuses: investigations, audits, financial regulation, and market oversight. This new structure provides increased operational efficiency and more accurately reflects the functions of each division.

Performance Measurement Data for Management Initiatives

Performance Measurement	Performance Target	Result
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.

Federal Information Security Management Act of 2002 (FISMA), Chapter 35 of title 44, United States Code amended, provides the framework and mechanisms for implementing information security controls supporting federal operations and assets. In its simplest form, agencies provide proof that all major systems have been Certified and Accredited (C&A), these systems have contingency plans and controls that have been tested, everyone in the agency has had security awareness training with specialized training for the selected staff, and the agency has security policies and standards. The Inspector General (IG) evaluates key cyber security program areas and provides its results separately.

The Commission had a positive response to the FISMA questionnaire reporting complete compliance in the survey. The IG concurred with the Commission's position in the IG's questionnaire reporting complete compliance and further stating that the assessment of the C&A process was "Excellent" (the highest score). The Putman score card rates these general categories on a completion scale of 0 to 100 percent. The Commission achieved 100 percent this year as it did last year. FERC's improvement came from the IG who reported only a "Good" last year in the C&A process, the only category receiving less that the highest grade. The IG raised that evaluation to "Excellent" this year. All other IG rates where record at the highest mark.

Performance Measurement	Performance Target	Result
Complete and accurate annual financial statements	Unqualified opinion on audited financial statements	Target Met.

The Commission received an unqualified ("clean") audit opinion on its FY 2006 annual financial statements with no material deficiencies. An "unqualified opinion" is the highest level of assurance that an audit firm can give on an organization's financial statements. The accomplishment is noteworthy because it is the thirteenth consecutive year the Commission has met this financial standard, despite fluctuating OMB, Treasury, and DOE reporting requirements and the changes to information technology that are driven by those requirements. Unlike most federal agencies, the Commission bills out its full costs to the industries and returns receipts back to the Treasury. This unique interface raises the need for maintaining sustained superior financial performance so that the Commission's accounting can be relied on by the energy industries we regulate.

Other Accomplishments

The Commission successfully implemented OMB Circular A-123, Appendix: A: Management's Responsibility for Internal Controls over Financial Reporting. The Commission put into action a vigorous plan to assess, document, and test the adequacy of the controls affecting financial reporting and the systems that support it. The scope and pursuit of this implementation was substantial and it raised the awareness of internal controls for the employees involved in financial operations. To implement A-123, the Commission:

- evaluated the entity level control environment;
- identified the business processes that impact the financial statement line items;
- documented the business process and sub-processes;
- identified the control activities and the key controls in each business process;
- assessed the design and effectiveness of the controls to determine whether they would prevent or detect errors or misstatements in the selected financial statement line items;
- tested the key control activities for a material account or a significant risk; and
- established corrective action plans for the internal controls identified as not effective.

After reviewing the financial systems and evidence gathered during the implementation process, the Commission determined that there is reasonable assurance that the internal controls over financial reporting and the supporting the information technology systems are operating effectively. No material weaknesses were found in the design or operation of the internal controls.

In another management initiative, the Commission increased its hiring rate this year by 54 percent to accommodate increased staffing levels required for new requirements associated with the electric reliability program and other programs associated with EPAct 2005. To achieve this, the Commission made full use of available hiring incentives. Also, the Commission was one of less than approximately 30 agencies to obtain provisional certification of the Senior Executive Service pay for performance system which was critical in the retention and recruitment of senior executives to the agency.

Financial Performance Overview

As of September 30, 2006, the financial condition of the Commission was sound with sufficient funds to meet program needs and adequate control of these funds in place to ensure Commission obligations did not exceed budget authority. The Commission prepared its financial statements in accordance with the accounting standards codified in the Statements of Federal Financial Accounting Standards and with OMB Circular No. A-136, Financial Reporting Requirements.

Sources of Funds. The Commission receives an appropriation from Congress that is available until expended. The Commission's FY 2006 new budget authority was $220.4 million. This represents an increase in new budget authority of approximately $10.4 million over FY 2005. Additional funds available to obligate in FY 2006 were $9.0 million from prior-year appropriations. The sum of all funds available to obligate in FY 2006 was $229.4 million. The Commission also receives an appropriation from Congress to pay states the fees it collected for the occupancy and use of public lands. The appropriation related to payments to states in FY 2006 was $3.0 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 2006.

Costs by Function. The Commission incurred costs of $234.3 million in FY 2006, which was an increase of $11.4 million over FY 2005. Approximately 69 percent of costs were used for salaries and benefits and the remaining 31 percent was used to obtain technical assistance for the Commission's principal regulatory programs, to cover operating expenses, (e.g., building rentals, transportation, printing, security services, supplies, office automation, and training), staff travel, and reimbursable work. The increase in FY 2006 costs were mainly due to higher salaries as a result of higher pay increases and higher benefits, increased rent, increased contract support, and increased materials and supplies. The unobligated budget authority available at the end of FY 2006 was $5.7 million, which is a decrease of $3.3 million over the FY 2005 amount of $9.0 million.

Costs by Function (millions)

Costs	FY 2006	FY 2005
Salaries and Benefits	$162.6	$158.9
Travel/Transportation	3.0	3.5
Rent/Comm/ Utilities	22.1	20.0
Contract Support	37.2	34.0
Printing/Supplies/Other	9.4	6.4
Reimbursable Work	.02	.05
Total Costs	$234.3	$222.9

Audit Results. The Commission received an unqualified audit opinion on its FY 2006 financial statements. This was the thirteenth consecutive year the Commission has received an unqualified opinion. For FY 2006, 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 related footnotes appear in the financial section of this report. Analysis of the principal statements follows.

Analysis of the Balance Sheet

The Commission's assets were approximately $98.1 million as of September 30, 2006. This is a decrease of $42.6 million from September 30, 2005. The assets reported in the Commission's Balance Sheet are summarized in the Asset Summary table.

Asset Summary (millions)

Asset	FY 2006	FY 2005
Fund Balance with Treasury	$62.2	$111.3
Accounts Receivables, Net	26.3	20.0
Property, Plant, & Equipment, Net	9.6	9.3
Due from Regulated Entities	0.0	0.1
Total Assets	$98.1	$140.7

The Fund Balance with Treasury represents the Commission's largest asset of $62.2 million as of September 30, 2006, a decrease of $49.1 million from the September 30, 2005 balance. This balance represents appropriated funds, collected license fees, and other funds maintained at the Treasury until final disposition is determined. The majority of the decrease from FY 2005 to FY 2006 is due to a payment out of the disgorged fund account, in the amount $36.0 million. Disgorged funds are the result of a settlement with a number of regulated western electric utility companies having conducted inappropriate trading practices in violation of California tariffs. In addition, the Commission resolved appeals dealing with prior year other agency costs which amounted to the disposition of approximately $42.3 million.

Accounts Receivable, Net, as of September 30, 2006, were $65.6 million net of an offsetting allowance for doubtful accounts of $39.3 million. As a result of increased billings in FY 2006, the Commission has a larger balance of uncollected outstanding receivables in FY 2006 as compared to FY 2005, which accounts for the increase.

The net book value of Property and Equipment, Net, was $9.6 million. The balance is comprised of equipment, furniture, leasehold improvements, and computer hardware and software. The increase in FY 2006 as compared to FY 2005 is due to the recording of several internally developed software items in FY 2006.

The Commission's liabilities were $84.6 million as of September 30, 2006. The Liabilities Summary table shows a decrease in total liabilities of $36.7 million from the September 30, 2005 balance of $121.3 million. The majority of the decrease is due to the payment of $36.0 million from disgorged funds account and the disposition of approximately $44.7 million in prior year appeals**.**

Liabilities Summary (millions)

Liabilities	FY 2006	FY 2005
Accounts Payable	$13.5	$9.4
Other Liabilities	71.1	111.9
Total Liabilities	$84.6	$121.3

The difference between total assets and total liabilities is net position, and it was approximately $13.5 million as of September 30, 2006.

Net Position Summary (millions)

Position	FY 2006	FY 2005
Unexpended Appropriations	$9.5	$13.7
Cumulative Results of Operations	4.0	5.7
Total Net Position	$13.5	$19.4

Analysis of the Statement of Net Cost

The Statement of Net Cost presents the net cost of the Commission's three strategic goals as identified in the Commission's Strategic Plan. The purpose of this statement is to show separately the components of the net cost of operations that will provide information that can be linked to program performance under the Government Performance and Results Act of 1993 (GPRA) reporting to the cost of programs. The Commission's net cost of operations for FY 2006 was ($.03) million. This net surplus is a result of the reduction of FY 2006 reimbursable costs due to the over accrual of FY 2005 costs. As a result, current year reimbursable billings were greater than costs. Net costs by strategic goal are shown in the Net Cost of Operations table.

Net Cost Of Operations (millions)

Operation	FY 2006	FY 2005
Energy Infrastructure	($.022)	$.009
Competitive Markets	(.005)	.003
Market Oversight	(.003)	.002

Analysis of Statement of Changes in Net Position

The Statement of Changes in Net Position reports the change in net position during the reporting period. Net position is affected by changes in its two components: Cumulative Results of Operations and Unexpended Appropriations. The decrease in Net Position of $5.9 million from FY 2005 to FY 2006 represents the net change in Cumulative Results of Operations and Unexpended Appropriations. The majority of the decrease is a result of the Commission expending more of its appropriation in FY 2006 than in FY 2005.

Analysis of the Statement of Budgetary Resources

The Statement of Budgetary Resources shows the sources of budgetary resources available and the status at the end of the period. It presents the relationship between budget authority and budget outlays, and reconciles obligations to total outlays. For FY 2006, the Commission had budgetary resources available of $232.4 million, the majority of which was derived from new spending authority. This represents an increase of $13.1 million over FY 2005 budgetary resources available of $219.3 million.

The status of budgetary resources includes obligations incurred of $226.7 million, or 98 percent of funds available. Similarly, FY 2005 obligations incurred were $210.3 million, 96 percent of funds available. Total net inflows for FY 2006 were $51.2 million, which represents a $42.0 million increase from FY 2005 net inflows of $9.2 million. The increase was primarily due to settlement of the appeals related to prior year other agency costs.

Analysis of the Statement of Financing

The Statement of Financing is designed to provide the bridge between financial (proprietary) accounting in the Statement of Net Cost and budgetary accounting information in the Statement of Budgetary Resources by reporting the differences and reconciling the two statements. This reconciliation ensures that the proprietary and budgetary accounts in the financial management system are in balance. The Statement of Financing reconciles budgetary obligations incurred of $226.7 million to the net cost of operations of ($.03) million by adding non-budgetary resources, and deducting costs not requiring resources and financing sources yet to be provided.

Analysis of the Statement of Custodial Activity

The Statement of Custodial Activity displays the total Custodial Revenue and the Disposition of Collections related to that revenue activity. This statement ensures that revenue of another agency is not reported on the Commission's Statement of Net Cost so the revenue will not be reported twice. In FY 2006, the Commission reported $45.8 million in custodial activity compared to $45.4 million in FY 2005.

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 Appendix A of OMB Circular A-123, Management's Responsibility for Internal Control.

Integrity Act Statement

During Fiscal Year 2006, 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 robust energy infrastructure; (2) prevent exercise of market power by reliance on effective competition and; (3) prevent exercise of market power by reliance on effective regulation.

To accomplish our goals, we must manage our resources efficiently and integrate our budget, business plan, performance measures, and management controls to improve performance and accountability. We have developed a business plan that outlines detailed objectives and resources for each goal and through this plan we track our progress. Problems that impede our progress continue to be brought to the attention of management and resolved within the Commission at the appropriate level. The auditors' FY 2006 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. I have completed an assessment of the effectiveness of internal controls over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, Management's Responsibility for Internal Control, for the Federal Energy Regulatory Commission in effect as of the fiscal year ending September 30, 2006. Based on the results of this evaluation, the Commission can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations was operating effectively, our financial systems conform with government-wide standards and no material weaknesses were found in the design or operation of the internal controls.

In addition, the Commission conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of the OMB Circular A-123. Based on the results of this evaluation, the Commission can provide reasonable assurance that its internal control over financial reporting as of June 30, 2006 was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting.

Joseph T. Kelliher
Chairman
Federal Energy Regulatory Commission
September 2006

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

Management Control Review Program

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

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

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

FY 2006 Integrity Act Results

The Commission evaluated its management control systems for the fiscal year ending September 30, 2006. 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 2006 Revised Appendix A of OMB Circular A-123, Management's Responsibility for Internal Control

The Commission conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of the OMB Circular A-123. Based on the results of this evaluation, the Commission can provide reasonable assurance that its internal control over financial reporting as of June 30, 2006 was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting.

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 2006 Improvement Act Results

As of September 30, 2006, 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, 2006, the Commission made 94% of its payments that were subject to the Prompt Payment Act on-time. The

Commission incurred $1,026 in interest penalties in FY 2006, which was an increase over the FY 2005 amount of $390. The agency made 99% of its vendor payments electronically in FY 2006.

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, 2006, delinquent debt was $9.0 million, which was approximately three percent of its current annual billings. Included in this amount is a single delinquent debt of approximately $6.6 million which is currently under appeal at the Commission. 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.

Improper Payments Information Act (IPIA) Reporting

The Commission has performed a review of its payments through September 30, 2006 and it has processed 99% of its payments without error. The Commission found only 11 erroneous payments out of 6,909 total payments.

Possible Future Effects of Existing Events and Conditions

Certain hydroelectric licensees previously filed appeals on two basic grounds. First, some licensees contested that the Commission used flawed methodology to calculate the “other agency costs” (costs incurred by other federal agencies in administering Part I of the FPA) component of the licensees’ annual charges. Second, some licensees disputed the dollar amount of the annual charges assessed by the Commission. The appeals dealing with prior year other agency costs were resolved as of FY 2006. However, as a result of the June 2006 notice on OFA costs and the subsequent FY 2006 bills, additional current appeals were filed. The combined liability of these annual charges appeals total approximately $4.7 million as of September 30, 2006; this amount is included in the financial statements as revenue collected under protest. If the licensees ultimately prevail in their claims against the Commission, then the Commission might be obligated to grant legal or equitable relief to appellants. If the Commission loses any of these cases, it would be liable for the amount(s) of the judgment(s) rendered against it. However, the majority of the contingent liability is funded, while the remaining portion is considered immaterial and therefore poses no adverse or material future effect on the Commission’s financial position.

Limitations of the Financial Statements

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

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Financial Section

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FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

Office of the
Executive Director

Letter from the Chief Financial Officer

I am pleased to present the Commission's comparative financial results for fiscal years 2006 and 2005. The Commission is continuing to make progress in achieving measurable improvements in its financial management practices. With the submission of this report we have successfully issued our Performance and Accountability Report in accordance with the Office of Management and Budget's (OMB) requirements.

The Commission's financial statements provided in this report have been reviewed by independent auditors and received an unqualified opinion. During fiscal year 2006, we successfully overcame the challenge of implementing revised requirements promulgated in the revised OMB Circular A-123. Through this effort, we validated the sound design and effectiveness of our key controls affecting financial reporting.

The Commission did not have any material weaknesses reported with regard to its financial management practices from previous years; moreover, we have addressed the majority of reportable conditions identified during the previous year's audit. We continually work to remediate a single finding related to the management of access controls associated with our general support systems. We are enhancing our internal review procedures in this area to address these issues and prevent future recurrences of similar deficiencies. The Commission did not identify any material weaknesses resulting from its current year assessment of internal controls over financial reporting. We are actively working to correct all reportable conditions identified during the course of the current year's financial statement audit and our OMB Circular A-123 self-assessment. We will continue to set aggressive time tables for correcting all findings identified during these annual reviews to improve internal controls and promote operational efficiencies.

We are ultimately dedicated to serve as effective stewards of resources being employed in the conduct of the Commission's mission. I believe you will find this Performance and Accountability Report demonstrates the Commission takes this responsibility seriously and, through a sustained focus on results, is working diligently to ensure that resources are safeguarded appropriately through the maintenance of an effective management control system. We look forward to continued improvement in meeting our commitment to the American people in the years to come.

Thomas R. Herlihy
Chief Financial Officer
Federal Energy Regulatory Commission
November 7, 2006

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KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report

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

We have audited the accompanying balance sheets of the Federal Energy Regulatory Commission (the Commission) as of September 30, 2006 and 2005, and the related statements of net cost, changes in net position, budgetary resources, financing, and custodial activity (herein after 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 (FY) 2006 audit, we also considered the Commission's internal controls over financial reporting and performance measures 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, 2006 and 2005, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

Our consideration of internal controls over financial reporting and performance measures would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses as defined in the Internal Control Over Financial Reporting and the Internal Controls Over Performance Measures sections 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*, issued by the Comptroller General of the United States, or Office of Management and Budget (OMB) Bulletin No. 06-03, *Audit Requirements for Federal Financial Statements*.

The following sections discuss our opinion on the Commission's financial statements; our consideration of the Commission's internal controls over financial reporting and performance measures; 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, 2006 and 2005, and the related statements of net cost, changes in net position, budgetary resources, financing, and custodial activity, for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of September 30, 2006 and 2005, and its net costs, changes in net position, budgetary resources, reconciliation of net costs to budgetary obligations, and custodial activities, for the years then ended, in conformity with 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 and OMB Circular No. A-136, *Financial Reporting Requirements*. 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 section and the Appendices are not required as a 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 internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses under standards issued by the American Institute of Certified Public Accountants. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal control, misstatement due to error or fraud may nevertheless occur and not be detected. However, we noted no matters involving the internal control and its operation that we considered to be material weaknesses as defined above.

We did, however, note other matters that we reported to the management of the Commission in a separate letter dated November 7, 2006.

Internal Controls Over Performance Measures

Under OMB Bulletin No. 06-03, the definition of material weaknesses is extended to other controls as follows. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud, in amounts that would be material in relation to a performance measure or aggregation of related performance measures, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal control, misstatements due to error or fraud may nevertheless occur and not be detected.

Our consideration of the design and operation of the internal controls over the existence and completeness assertions related to key performance measures would not necessarily disclose all matters involving the internal control and its operation related to the design and operation of the internal control over the existence and completeness assertions related to key performance measures that might be reportable conditions.

In our FY 2006 audit, we noted no matters involving the design and operation of the internal control over the existence and completeness assertions related to key performance measures that we considered to be material weaknesses as defined above.

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 *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. 06-03.

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

Responsibilities

Management's Responsibilities

Management is responsible for the financial statements, including:

- Preparing the financial statements in conformity with U.S. generally accepted accounting principles;
- Preparing the Management's Discussion and Analysis (including the performance measures);
- Establishing and maintaining internal controls; and,
- Complying with laws, regulations, and contracts applicable to the Commission, including FFMIA.

In fulfilling this responsibility, management is required to make estimates and judgments to assess the expected benefits and related costs of internal control policies.

Auditors' Responsibilities

Our responsibility is to express an opinion on the FY 2006 and FY 2005 financial statements of the Commission based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, and OMB Bulletin No. 06-03. Those standards and OMB Bulletin No. 06-03 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 FY 2006 audit, we considered the Commission's internal control over financial reporting by obtaining an understanding of the Commission's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in *Government Auditing Standards* and OMB Bulletin No. 06-03. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of our audit was not to provide an opinion on the Commission's internal control over financial reporting. Consequently, we do not provide an opinion thereon.

As required by OMB Bulletin No. 06-03, in our FY 2006 audit, with respect to internal control related to performance measures determined by management to be key and reported in the Management's Discussion and Analysis and Performance Report sections, we obtained an understanding of the design of internal controls relating to the existence and completeness assertions and determined whether these internal controls had been placed in operation. We limited our testing to those controls necessary to test and report on the internal control over key performance measures in accordance with OMB Bulletin No. 06-03. However, our procedures were not designed to provide an opinion on internal control over reported performance measures and, accordingly, we do not provide an opinion thereon.

As part of obtaining reasonable assurance about whether the Commission's FY 2006 financial statements are free of material misstatement, we performed tests of the Commission's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 06-03, including certain provisions referred to in FFMIA. We limited our tests of compliance to the provisions described in the preceding sentence and we did not test compliance with all laws, regulations, and contracts applicable to the Commission. However, providing an opinion on compliance with laws, regulations, and contracts was not an objective of our audit and, accordingly, we do not express such an opinion.

Under OMB Bulletin No. 06-03 and FFMIA, we are required to report whether the Commission's financial management systems substantially comply with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA Section 803(a) requirements.

Restricted Use

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

KPMG LLP

November 7, 2006

FEDERAL ENERGY REGULATORY COMMISSION
Balance Sheets
September 30, 2006 and 2005

	2006	2005
Assets (note 3):		
Intragovernmental assets:		
Fund balances with Treasury (note 4)	$ 62,235,809	$ 111,328,121
Accounts receivable (note 5)	3,116,978	2,635,221
Total intragovernmental assets	65,352,787	113,963,342
Accounts receivable, net (note 5)	23,201,271	17,281,896
Property and equipment, net (note 7)	9,584,790	9,343,478
Other assets (note 6)	5,994	119,154
Total assets	$ 98,144,842	$ 140,707,870
Liabilities:		
Intragovernmental:		
Accounts payable	$ 2,651,245	$ 2,492,461
Other (note 8):		
Accrued payroll benefits	990,179	912,400
Resources transferable to Treasury and other Federal entities	21,314,038	14,898,128
Miscellaneous receipts transferable to Treasury	1,765	8,102
Workers' compensation payable (note 10)	493,190	539,555
Total intragovernmental liabilities	25,450,417	18,850,646
Accounts payable	10,828,696	6,916,645
Other (note 8):		
Accrued payroll and benefits	4,855,118	5,084,000
Revenue collected under protest (note 12)	4,660,347	44,423,159
Resources transferable to other entities from disgorged funds	20,435,812	34,147,570
Refunds and other amounts due	7,411,636	1,629,764
Accrued leave (note 10)	11,011,332	10,280,921
Capital lease liability	29,000	-
Total liabilities	$ 84,682,358	$ 121,332,705
Commitments and contingencies (note 12)		
Net position:		
Unexpended appropriations - earmarked funds	$ -	$ -
Unexpended appropriations - other funds	9,463,468	13,629,244
Cumulative results of operations - earmarked funds	-	-
Cumulative results of operations - other funds	3,999,016	5,745,921
Total net position	$ 13,462,484	$ 19,375,165
Total liabilities and net position	$ 98,144,841	$ 140,707,870

The accompanying notes are an integral part of these statements

FEDERAL ENERGY REGULATORY COMMISSION

Statements of Net Cost
For the Years Ended September 30, 2006 and 2005

Program Costs:		2006		2005
Regulation:				
Energy Infrastructure (note 15):				
Gross costs	$	174,498,313	$	146,869,168
Less: Earned Revenue		174,520,854		146,859,935
Net Program Costs	$	(22,541)	$	9,233
Competetive Markets (note 15):				
Gross costs	$	32,725,356	$	44,041,530
Less: Earned Revenue		32,729,620		44,038,732
Net Program Costs	$	(4,264)	$	2,798
Market Oversight (note 15):				
Gross costs	$	27,075,620	$	32,012,348
Less: Earned Revenue		27,079,276		32,010,389
Net Program Costs	$	(3,656)	$	1,959
Total (note 15):				
Gross costs	$	234,299,289	$	222,923,046
Less: Earned Revenue		234,329,750		222,909,056
Net Program Costs	$	(30,461)	$	13,990

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, 2006 and 2005

		2006		2005
Cumulative Results of Operations:				
Beginning balances	$	5,745,921	$	4,496,053
Adjustments:				
(a) Changes in accounting principles (+/-)		-		-
(b) Correction of errors (+/-)		-		-
Beginning balances, as adjusted		5,745,921		4,496,053
Budgetary financing sources:				
Appropriations received		-		-
Appropriations used		224,565,776		213,852,949
Unexpended appropriation – adjustment		-		-
Other financing sources:				
Transfers – out to Treasury without reimbursement		(236,767,551)		(223,758,624)
Imputed financing from costs absorbed by others (note 11)		10,424,409		11,169,533
Total financing sources		(1,777,366)		1,263,858
Net cost of operations		30,461		(13,990)
Net Change		(1,746,905)		1,249,868
Cumulative Results of Operations	$	3,999,016	$	5,745,921
Unexpended Appropriations:				
Beginning balances	$	13,629,244	$	17,482,193
Adjustments:				
(a) Changes in accounting principles (+/-)		-		-
(b) Correction of errors (+/-)		-		-
Beginning balances, as adjusted		13,629,244		17,482,193
Budgetary financing sources:				
Appropriations received		220,400,000		210,000,000
Appropriations used		(224,565,776)		(213,852,949)
Other Adjustments		-		-
Total budgetary financing sources		(4,165,776)		(3,852,949)
Total Unexpended Appropriations	$	9,463,468	$	13,629,244
Net Position	$	13,462,484	$	19,375,165

The accompanying notes are an integral part of these statements

FEDERAL ENERGY REGULATORY COMMISSION

Statements of Budgetary Resources

For the Years Ended September 30, 2006 and 2005

	2006	2005
Budgetary Resources:		
1. Unobligated balance, beginning of period	$ 8,961,795	$ 6,248,461
2. Recoveries of prior year unpaid obligations	55,181	-
3. Budgetary authority		
3A. Appropriation	3,023,934	2,968,924
3B. Borrowing Authority	-	-
3C. Contract authority	-	-
3D. Spending authority from offsetting collections		
3D1. Earned		
3D1a . Collected	220,444,346	210,025,317
3D1b . Change in receivables from Federal sources	-	-
3D2. Change in unfilled customer orders		
3D2a . Advance received	-	-
3D2b . Without advance from Federal Sources	(91,949)	38,112
3D3. Anticpated for rest of year, without advances	-	-
3D4. Previously unavailable	-	-
3D5. Expenditure transfers from trust funds	-	-
3E. Subtotal	223,376,331	213,032,353
4. Nonexpenditure transfers, net, anticipated and actual	-	-
5. Temporarily not available pursuat to Public law	-	-
6. Permanently not available	-	-
7. Total Budgetary Resources	$ 232,393,307	$ 219,280,814
Status of Budgetary Resources:		
8. Obligations incurred		
8A. Direct	$ 226,609,667	$ 210,292,373
8B. Reimbursable	34,708	26,646
8C. Subtotal (note 16)	226,644,375	210,319,019
9. Unobligated balances available and apportioned		
9A. Apportioned	5,748,932	8,960,483
9B. Exempt from apportionment	-	-
9C. Subtotal	5,748,932	8,960,483
10. Unobligated balance not available	-	1,312
Total status of budgetary resources	$ 232,393,307	$ 219,280,814

Change in Obligated Balance:		
12. Obligated balance, net		
12A. Unpaid obligations, brought forward, October 1	$ 20,208,438	$ 25,261,839
12B. Less: Uncollected customer payments from Federal sources, brought forward, October 1	(138,252)	(100,140)
12C. Total unpaid obligated balance, net	20,070,186	25,161,699
13. Obligations incurred, net	226,644,375	210,319,019
14. Less: Gross outlays	(223,623,450)	(215,372,420)
15. Obligated balance transferred, net		
15A. Actual transfers, unpaid obligations (+/-)	-	-
15B. Actual transfers,uncollected customer payments from Federal sources (+/-)	-	-
15C. Total Unpaid obligated balance transferred, net	-	-
16. Less: Recoveries of prior year unpaid obligations, actual	(55,181)	-
17. Change in uncollected customer payments from Federal sources	91,949	(38,112)
18. Obligations balance, net, end of period		
18A. Unpaid obligations	23,174,182	20,208,438
18B. Less: Uncollected customer payments from from Federal sources	(46,303)	(138,252)
18C. Total, unpaid obligated balance, net, end of period	$ 23,127,879	$ 20,070,186
Net Outlays:		
19. Net Outlays:		
19A. Gross outlays	$ 223,623,450	$ 215,372,420
19B. Less: Offsetting collections	(220,444,346)	(210,025,317)
19C. Less: Distributed Offsetting Collections	(54,362,118)	(14,595,982)
19D. Net Outlays	$ (51,183,014)	$ (9,248,879)

The accompanying notes are an integral part of these statements

FEDERAL ENERGY REGULATORY COMMISSION

Statements of Financing
For the Years Ended September 30, 2006 and 2005

	2006	2005
Resources used to finance activities:		
Budgetary resources obligated:		
Obligations incurred	$ 226,644,375	$ 210,319,019
Less: spending authority from offsetting collections and recoveries	(220,407,578)	(210,063,429)
Obligations, net of offsetting collections	6,236,797	255,590
Less: offsetting receipts	(54,362,118)	(14,595,982)
Net obligations	(48,125,321)	(14,340,392)
Other resources:		
Transfers-out, net of appropriations received	(16,367,551)	(13,758,625)
Imputed financing from costs absorbed by others (note 11)	10,424,409	11,169,533
Net other resources used to finance activities	(5,943,142)	(2,589,092)
Total resources used to finance activities	(54,068,463)	(16,929,484)
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	903,687	6,533,364
Resources that fund expenses recognized in prior periods	(46,364)	198,506
Budgetary offsetting receipts that do not affect the net cost of operations	54,362,118	14,595,982
Resources that finance the acquisition of assets	(3,244,509)	(3,697,908)
Payments to States	(3,023,934)	(2,968,924)
Total resources used to finance items not part of the net cost of operations	48,950,998	14,661,021
Total resources used to finance the net cost of operations	(5,117,465)	(2,268,463)
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 (note 19)	730,411	-
Refund due to regulated entities	1,356,389	-
Total components of net cost of operations that will require or generate resources	2,086,800	-
Components not requiring or generating resources:		
Depreciation and amortization	2,991,774	2,627,684
Other	8,431	(345,231)
Total components of net cost of operations that will not require or generate resources	3,000,205	2,282,453
Total net cost of operations that do not require or generate resources in the current period	5,087,005	2,282,453
Net cost of operations	$ (30,461)	$ 13,990

The accompanying notes are an integral part of these statements

FEDERAL ENERGY REGULATORY COMMISSION

Statements of Custodial Activity

For the Years Ended September 30, 2006 and 2005

		2006		2005
Sources of collections (note 13):				
Cash Collections - annual charges	$	44,609,120	$	53,436,050
Accrual adjustment		1,201,267		(8,076,985)
Total custodial revenue		45,810,387		45,359,065
Disposition of collections:				
Transferred to others:				
United States Army – Corps of Engineers		(7,609,937)		(4,926,352)
Department of Interior		(6,355,362)		(4,685,479)
United States Treasury		(27,121,021)		(33,304,005)
Various states		(3,023,934)		(2,968,979)
Decrease (increase) in amounts to be transferred		(1,700,133)		525,750
Net custodial activities	$	-	$	-

The accompanying notes are an integral part of these statements

FEDERAL ENERGY REGULATORY COMMISSION
Notes to Financial Statements
For the Years Ended September 30, 2006 and 2005

(1) Description of Reporting Entity

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

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

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

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

The Energy Policy Act of 2005 (EPAct 2005) granted the Commission new or additional authority in two important areas: (1) the authority to permit the construction or modification of transmission facilities in national interest electric transmission corridors designated by the Secretary of Energy, if certain conditions are met; and (2) oversight of the Electric Reliability Organization (ERO) that will develop and enforce mandatory reliability standards for the Nation's bulk power system, subject to Commission approval.

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

Energy Infrastructure

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

Competitive Markets

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

Market Oversight

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

Cost Recovery

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

Annual Charges

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

Hydropower

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

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

Gas, Electric, and Oil

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

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

Filing Fees

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

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

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

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

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

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

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

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

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

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

(b) Budgets and Budgetary Accounting

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

(c) Basis of Accounting

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

(d) Revenue and Financing Sources

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

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

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

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

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

(e) Fund Balance with Treasury

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

(f) Allowance for Doubtful Accounts

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

(g) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. The Commission capitalizes property and equipment purchases with a cost greater than $25,000 and a total useful life exceeding two years. The Commission capitalizes commercially purchased or internally developed software with a cost greater than $100,000 and a total useful life exceeding two years. Depreciation and amortization 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. No amortization is calculated on internally developed software prior to system acceptance. Expenditures for repairs and maintenance are charged to program costs as incurred.

(h) Liabilities

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

(i) Revenue Collected Under Protest

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

(j) Collections Due to States

The Commission disburses 50% of the fees it collects from licensees for the occupancy and use of public lands to affected states in the year following collection. These collections are initially deposited into the Treasury's miscellaneous receipts fund. In accordance with the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standards No. 27, the Commission is required to report separately on the Balance Sheet and Statement of Changes in Net Position the nonexchange 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.

(k) Accrued Leave

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

(l) Workers' Compensation Payable

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

(m) Disgorged Funds

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

(n) Net Position Accounts

Net position account balances consist of the following components:

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

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

(o) Tax Status

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

(p) Use of Estimates

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

(q) Distributed Offsetting Receipts

Based on new Treasury guidance in FY 2006 requiring miscellaneous receipts to be reported as distributed offsetting receipts on the Statement of Budgetary Resources, the Commission reported receipts related to civil penalties, penalty, interest, administrative charges, lands, dams and other agency costs on both the statements of Custodial Activity and Budgetary Resources.

(r) Changes in Presentation

Certain FY 2005 amounts have been reclassified to conform to the FY 2006 presentation requirements prescribed by OMB Circular No. A-136.

(3) Non-Entity Assets

Non-entity assets at September 30, 2006 and 2005 consisted of:

		2006		2005
Intragovernmental:				
Accounts receivable	$	3,082,821	$	2,590,005
Fund balances with Treasury:				
Collections due to states		-		55
Revenue collected under protest		4,660,347		44,423,159
Disgorged funds		15,418,720		29,130,478
Miscellaneous receipts held in suspense		6,055,247		1,511,426
Special Receipts fund		7,222,919		7,222,919
Other		1,765		8,102
Total Intragovernmental		36,441,819		84,886,144
Accounts receivable, net		14,233,076		13,610,269
Total non-entity Assets		50,674,895		98,496,413
Total entity assets		47,469,947		42,211,457
Total assets	$	98,144,842	$	140,707,870

(4) Fund Balance with Treasury

Fund balances with Treasury at September 30, 2006 and 2005 consisted of:

		2006		2005
Fund Balances:				
Appropriated funds	$	28,876,812	$	29,031,982
Revenue collected under protest		4,660,347		44,423,159
Disgorged funds		15,418,720		29,130,478
Miscellaneous receipts held in suspense		6,055,247		1,511,426
Special Receipts fund		7,222,919		7,222,919
Other		1,765		8,157
Total	$	62,235,809	$	111,328,121
Status of Fund Balance with Treasury				
Unobligated Balance:				
Available	$	5,748,933	$	8,961,795
Unavailable		33,358,997		82,296,139
Obligated Balance not yet disbursed		23,127,879		20,070,187
Total	$	62,235,809	$	111,328,121

(5) Accounts Receivable, net

Entity and nonentity accounts receivable at September 30, 2006 and 2005 consisted of:

	2006		
	Annual Charges	**Other**	**Total**
Entity			
Uncollected billings	$ 13,147,842	29,246	$ 13,177,088
Uncollected intragovernmental billings	-	34,157	34,157
Allowance for doubtful accounts	(4,202,930)	(5,963)	(4,208,893)
Total entity accounts receivable, net	8,944,912	57,440	9,002,352
Nonentity			
Uncollected billings	6,631,616	42,695,898	49,327,514
Uncollected intragovernmental billings	3,082,821	-	3,082,821
Allowance for doubtful accounts	(2,565,595)	(32,528,843)	(35,094,438)
Total non-entity accounts receivable, net	7,148,842	10,167,055	17,315,897
Total accounts receivable, net	$ 16,093,754	$ 10,224,495	$ 26,318,249

	2005		
	Annual Charges	**Other**	**Total**
Entity			
Uncollected billings	$ 8,988,231	$ 45,847	$ 9,034,078
Uncollected intragovernmental billings	26,482	18,734	45,216
Allowance for doubtful accounts	(5,353,234)	(9,217)	(5,362,451)
Total entity accounts receivable, net	3,661,479	55,364	3,716,843
Nonentity			
Uncollected billings	10,788,572	37,915,612	48,704,184
Uncollected intragovernmental billings	2,590,005	-	2,590,005
Allowance for doubtful accounts	(2,565,096)	(32,528,819)	(35,093,915)
Total non-entity accounts receivable, net	10,813,481	5,386,793	16,200,274
Total accounts receivable, net	$ 14,474,960	$ 5,442,157	$ 19,917,117

(6) Other Assets

Other assets at September 30, 2006 and 2005 consisted of:

	2006	**2005**
Due from regulated entities	$ -	$ 94,687
Advances to others	5,994	24,467
Total other assets	$ 5,994	$ 119,154

(7) Property and Equipment, Net

Property and equipment and related accumulated depreciation at September 30, 2006 and 2005 consisted of:

	2006		
	Acquisition Amount	Accumulated depreciation	Net
Equipment	$ 4,760,722	$ 4,202,613	$ 558,109
Furniture	9,070,773	9,070,773	-
Leasehold improvements	9,491,415	5,180,970	4,310,445
ADP software	16,346,302	12,803,902	3,542,400
Internal software developed	1,144,836	-	1,144,836
Capital assets	29,000	-	29,000
Total Property and Equipment, Net	$ 40,843,048	$ 31,258,258	$ 9,584,790

	2005		
	Acquisition Amount	Accumulated depreciation	Net
Equipment	$ 5,346,314	$ 4,222,437	$ 1,123,877
Furniture	9,070,773	8,932,371	138,402
Leasehold Improvements	9,491,415	4,706,399	4,785,016
ADP software	14,589,357	11,293,174	3,296,183
Total Property and Equipment, Net	$ 38,497,859	$ 29,154,381	$ 9,343,478

The $29,000 capital asset refers to a lease of a vehicle acquired by the Commission in FY 2006.

(8) Other Liabilities

Other liabilities at September 30, 2006 and 2005 consisted of:

	2006		
	Non-Current	Current	Total
Intragovernmental			
Accrued payroll and benefits	$ -	$ 990,179	$ 990,179
Resources transferable to Treasury and other Federal entities	-	21,314,038	21,314,038
Miscellaneous receipts transferable to Treasury	-	1,765	1,765
Workers' compensation payable	221,515	271,675	493,190
Total Intragovernmental liabilities	221,515	22,577,657	22,799,172
Accrued payroll and benefits	-	4,855,118	4,855,118
Revenue collected under protest	-	4,660,347	4,660,347
Resources transferable to other entities from disgorged funds	20,435,812	-	20,435,812
Refunds and other amounts due	-	7,411,636	7,411,636
Accrued leave	-	11,011,332	11,011,332
Capital lease liability	-	29,000	29,000
Total other liablities	$ 20,657,327	$ 50,545,090	$ 71,202,417

	2005		
	Non-Current	Current	Total
Intergovernmental			
Accrued payroll benefits	$ -	$ 912,400	$ 912,400
Resources transferable to Treasury and other Federal entities	-	14,898,128	14,898,128
Miscellaneous receipts transferable to Treasury	-	8,102	8,102
Workers' compensation payable	271,675	267,880	539,555
Total Intragovernmental liabilities	271,675	16,086,510	16,358,185
Accrued payroll and benefits	-	5,084,000	5,084,000
Revenue collected under protest	44,423,159	-	44,423,159
Resources transferable to other entities from disgorged funds	34,147,570	-	34,147,570
Refunds and other amounts due	-	1,629,764	1,629,764
Accrued leave	-	10,280,921	10,280,921
Total other liablities	$ 78,842,404	$ 33,081,195	$ 111,923,599

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 represents monies that ultimately will be returned to entities due to overpayments of prior billings.

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

(9) Building Lease

The General Services Administration (GSA) enters into lease agreements for government buildings and maintains those lease agreements. The Commission pays GSA a standard level users charge for the annual rental of building space, of which Commission Headquarters is in Washington, DC and several other regional offices are located in various parts of the country. The standard level users charge approximates the commercial rental rates for similar properties. The Commission generally does not execute an agreement with GSA; the Commission, however, is normally required to give 30-120 days notice to vacate. Expenses incurred for building leases amounted to $20.5 million and $19.7 million for fiscal years ended September 30, 2006 and 2005, respectively.

Real Property Operating Leases

Fiscal Year	GSA	Non-GSA	Total
FY 2007	$ 21,184,268	$ -	$ 21,184,268
FY 2008	21,730,930	-	21,730,930
FY 2009	22,297,296	-	22,297,296
FY 2010	23,096,344	-	23,096,344
FY 2011	23,630,143	-	23,630,143
Beyond FY 2011	106,514,752	-	106,514,752
Total future minimum lease payments	$ 218,453,733	$ -	$ 218,453,733

(10) Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources at September 30, 2006 and 2005 consisted of:

	2006	2005
Intragovernmental		
Worker's compensation payable	$ 493,190	$ 539,555
Total intragovernmental	493,190	539,555
Accrued leave	11,011,332	10,280,921
Total liabilities not covered by budgetary resources	$ 11,504,522	$ 10,820,476

(11) Pension Expense

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

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

The actuarial present value of accumulated benefits, assets available for benefits, and unfunded pension liability of CSRS and FERS is not allocated to individual departments and agencies and is, therefore, not disclosed by the Commission. Total pension expense paid by the Commission for both plans for fiscal years 2006 and 2005 was approximately $11.3 million and $14.3 million, respectively as of September 30. During fiscal years 2006 and 2005 as of September 30, an additional $10.4 million and $11.2 million, respectively, of pension and life and health insurance expense was recognized by the Commission for amounts that will ultimately be funded through the Office of Personnel Management. This amount is also recorded as an imputed financing source.

(12) Contingencies

Certain hydroelectric licensees filed appeals on two basic grounds. First, some licensees contested that the Commission used flawed methodology to calculate the "other agency costs" (costs incurred by other federal agencies in administering Part I of the FPA) component of the licensees' annual charges. Second, some licensees disputed the dollar amount of the annual charges assessed by the Commission. The combined amount of these appeals as of September 30, 2005 was $44.4 million and is included in the financial statements as revenue collected under protest. The appeals dealing with prior year other agency costs were resolved as of FY 2006.

As a result of the June 2006 notice on OFA costs and the subsequent FY 2006 bills, additional current appeals were filed. The liability of these annual charges appeals total approximately $4.7 million as of September 30, 2006 and is included in the financial statements as revenue collected under protest. Additionally, there is a prior year annual charge assessment currently being disputed that is not funded by the amounts held in protest with a reasonably possible chance of success against the Commission. The monetary amount of the dispute is approximately $330,000. If the licensees ultimately prevail in their claims against the Commission, then the Commission might be obligated to grant legal or equitable relief to appellants. If the Commission loses any of these cases, it would be liable for the amount(s) of the judgment(s) rendered against it. However, the majority of the contingent liability is funded.

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

(13) Custodial Activity

The Commission currently bills regulated companies annual charges as a custodian for certain Federal agencies, including the United States Army Corps of Engineers, the Department of Interior's Bureau of Reclamation, and Treasury. The accrual basis of accounting is used to account for custodial activity. The receivables are maintained by the Commission, and the collections are processed directly to each Federal agency on a monthly basis. In addition to the annual charges billed yearly, penalty and administrative costs are assessed on past-due bills and remitted to the Treasury when received. For fiscal years 2006 and 2005, these custodial transactions totaled approximately $45.8 million and $45.4 million, respectively as of September 30.

(14) Earmarked Funds

In accordance with the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standards 27, the Commission is required to report separately on the Balance Sheet and Statement of Changes in Net Position the nonexchange 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.

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, 2006.

(15) Intragovernmental Costs and Exchange Revenue

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

Intragovernmental costs and exchange revenue as of September 30, 2006 and 2005 consisted of:

Regulation	**2006**	**2005**
Energy Infrastructure:		
Intragovernmental Costs	$ 36,730,749	$ 39,199,121
Public Costs	137,767,564	107,670,047
Total Energy Infrastructure Costs	174,498,313	146,869,168
Intragovernmental Earned Revenue	58,092	34,257
Public Earned Revenue	174,462,762	146,825,678
Total Energy Infrastructure Earned Revenue	174,520,854	146,859,935
Competitive Markets		
Intragovernmental Costs	7,445,422	11,757,356
Public Costs	25,279,934	32,284,174
Total Competitive Markets Costs	32,725,356	44,041,530
Intragovernmental Earned Revenue	11,775	10,275
Public Earned Revenue	32,717,845	44,028,457
Total Competitive Markets Earned Revenue	32,729,620	44,038,732
Market Oversight		
Intragovernmental Costs	5,459,976	8,544,314
Public Costs	21,615,644	23,468,034
Total Market Oversight Costs	27,075,620	32,012,348
Intragovernmental Earned Revenue	8,635	7,467
Public Earned Revenue	27,070,641	32,002,922
Total Market Oversight Earned Revenue	$ 27,079,276	$ 32,010,389

(16) Apportionment Categories of Obligations Incurred

Apportionment categories of obligations incurred as of September 30, 2006 and 2005 consisted of:

	2006	2005
Category A:		
Direct	$ 226,609,667	$ 210,292,373
Reimbursable	34,708	26,646
Total obligations incurred	$ 226,644,375	$ 210,319,019

Category A apportionments distribute budgetary resources by fiscal quarters.

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

The Commission had no differences between the Statement of Budgetary Resources and the Budget of the United States as of September 30, 2005. 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, 2006 is not presented, because the submission of the FY 2008 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 2007.

(18) Undelivered Orders at the End of the Period

The amount of budgetary resources obligated by the Commission for undelivered orders as of September 30, 2006 was $ 3,825,937. The amount of budgetary resources obligated by the Commission for undelivered orders as of September 30, 2005 was $ 4,802,932.

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

Liabilities that are not covered by realized budgetary resources and for which there is not certainty that budgetary authority will be realized, such as enactment of an appropriation, are considered liabilities not covered by budgetary resources. These liabilities totaling $11.5 million and $10.8 million on September 30, 2006 and 2005, respectively, are discussed in Note 10, Liabilities Not Covered by Budgetary Resources. Decreases in these liabilities result from current year budgetary resources that were used to fund expenses recognized in prior periods. Increases in these liabilities represent unfunded expenses that were recognized in the current period. These increases represent components of current period net cost of operations that will require or generate budgetary resources in future periods. Any decreases represent resources that fund expenses recognized in the prior period. The changes in liabilities not covered by budgetary resources are comprised of the following:

Fiscal years ended September 30, 2006 and 2005:

	2006	2005
Components of net cost of operations requiring or generating resources in future periods:		
Increase in Accrued Annual Leave Liability	$ 730,411	$ -
Increase in Refund due to regulated entities	1,356,389	-
Total components of net cost of operations requiring or generating resources in future periods	$ 2,086,800	$ -

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Performance Report

(Unaudited)

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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 No. A-11, the Commission:

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

In addition to the FY 2006 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 2003 through 2007.

The Performance Measures for fiscal years 2003 through 2006 are aligned with the Commission's former Strategic Plan. The FY 2007 Performance Measures are aligned with the Commission's updated Strategic Plan which was submitted to Congress on September 29, 2006.

Performance Measurement Data for Energy Infrastructure

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

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

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

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

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

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

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

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

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

FY 2006		
Performance Measurement	**Performance Target**	**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.
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%

FY 2006		
Performance Measurement	**Performance Target**	**Result**
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	Office of Energy Projects / Office of the General Counsel
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	Office of Energy Projects / Office of the General Counsel

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of pipeline certificate cases of first impression or containing larger policy implications completed	90% within 365 days of filing	Office of Energy Projects / Office of the General Counsel
Percentage of pipeline certificate cases requiring a major environmental assessment or environmental impact statement completed	90% within 480 days of filing	Office of Energy Projects / Office of the General Counsel
Percentage of qualifying LNG plants inspected during ongoing construction activity	100% of plants inspected every 8 weeks	Office of Energy Projects
Percentage of ILP pre-filing study plan determinations completed	85% within 315 days of NOI/PAD filing	Office of Energy Projects / Office of the General Counsel
Percentage of infrastructure studies completed	➢ 100% for regional and issue-based infrastructure conferences ➢ 100% for Commission- and Congressional-directed studies	Office of Energy Projects
Percentage of NEPA documents completed for projects utilizing the pre-filing processes	85% within 8 months of determining a pipeline or LNG facility application complete	Office of Energy Projects / Office of the General Counsel
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	Office of Energy Markets and Reliability / Office of the General Counsel

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	Office of Energy Markets and Reliability / Office of the General Counsel
Process cost recovery cases within reasonable timeframes	➢ 100% of statutory cases within statutory deadlines ➢ 90% of cases set for hearing within 12 months of briefs opposing exceptions	Office of Energy Markets and Reliability / Office of the General Counsel
Percentage of complete proposals allowing recovery of 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	Office of Energy Markets and Reliability / Office of Energy Projects / Office of the General Counsel

Assure Reliability of Interstate Transmission Grid		
Percentage of proposed reliability standards reviewed	100%	Office of Energy Markets and Reliability / Office of the General Counsel
Develop procedures to review the performance of the ERO	Complete by March 31, 2007	Office of Energy Markets and Reliability
Percentage of NERC / industry reliability readiness reviews of Reliability Coordinators in which FERC participates	100%	Office of Energy Markets and Reliability

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of load served, included in NERC / industry reliability readiness reviews, in which FERC participates	50%	Office of Energy Markets and Reliability
Percentage of ERO penalty action rulings reviewed to prevent inappropriate rulings from going into effect by default	100%	Office of Energy Markets and Reliability / Office of the General Counsel

Protect Safety at LNG and Hydropower Facilities		
Percentage of high- and significant-hazard-potential dams inspected annually	100%	Office of Energy Projects
Percentage of high- and significant-hazard-potential dams that either meet all current structural safety standards or are undergoing investigation or remediation	100%	Office of Energy Projects
Percentage inspected annually: ➢ LNG import terminals ➢ LNG peak-shaving facilities	➢ 100% ➢ 50%	Office of Energy Projects
Percentage of LNG facilities that meet all current safety standards or are subject of a compliance letter	100%	Office of Energy Projects
Percentage of EIS documents that contain sections addressing safety for Hydropower Projects, LNG Facilities, Gas Pipeline Projects and Storage Facilities	100%	Office of Energy Projects
Control access to Critical Energy Infrastructure Information	No instances of improper access or improper denial affecting national security or Commission proceedings	Office of the General Counsel
Percentage of qualifying dams that either comply with EAP requirements or are conducting follow-up action(s) on outstanding item(s)	100%	Office of Energy Projects
Percentage of LNG facility authorizations that incorporate consultation with all appropriate agencies on security related matters	100%	Office of Energy Projects

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	Office of Energy Projects / Office of the General Counsel
Timeliness of issuing environmental licensing requirements	Licensing responsibility letters sent within 45 business days of license issuance date	Office of Energy Projects / Office of the General Counsel
Percentage of qualifying, major, onshore-pipeline projects inspected during ongoing construction activity	100% of projects inspected at least once every four weeks	Office of Energy Projects

Performance Measurement Results for Competitive Markets

FY 2003		
Performance Measurement	**Performance Target**	**Result**
Percentage of country covered by approved RTOs or ISOs (percentage of electricity load)	70% of electricity load in regions where we have jurisdiction	59% of load in jurisdictional areas under an RTO/ISO.
Enhanced regulatory support for market institutions	Creation of OMOI	OMOI established
	Creation of market performance indicators	Market performance indicators created with an ongoing process to add or delete metrics as appropriate.
Timely processing of proposed rulemakings adopting consensus industry-wide business practice and reliability standards (North American Energy Standards Board (NAESB) and North American Electric Reliability Council (NERC))	Benchmarks to be established in FY 2003	Target is established for FY 2004 as follows: Non-controversial rulemakings completed within 9 months/controversial rulemakings completed within 12 months of external party action. ➢ During October 2002, NAESB filed natural gas industry standards with the Commission. The Commission codified the standards, on which all segments of the natural gas industry had reached consensus, in its Regulations in a Final Rule issued in March 2003, five months after submission. ➢ In June 2003, NAESB filed creditworthiness standards on which all segments of the natural gas industry participants were able to reach consensus; NAESB also reported additional proposed creditworthiness standards on which consensus was not reached. Action is pending on the creditworthiness standards.
Timely processing of RTO filings	Benchmarks to be established in FY 2003	Upon review, we have concluded that it is impractical to put to put into effect an average processing time for filings as dissimilar in scope, complexity, and number of issues needing resolution as are RTO filings. For example, it took 26 months to grant RTO status to PJM (Pennsylvania-New Jersey-Maryland); 11 months for Midwest ISO. A sampling of other RTO filings or petitions for declaratory orders also revealed significant variances in processing times, as shown below: ➢ SeTrans – Filed on 6/27/02; Commission issued initial order on 10/9/02 (less than 4 months). (SeTrans has not yet formally requested authority to form, or to operate an RTO.) ➢ RTO West – filed on 10/16/00; first order was issued on 4/26/01 (over 6 months); order on Stage 2 issued on 9/18/02 (23 months). ➢ WestConnect – filed on 10/16/01; order issued on 10/10/02 (12 months) (Neither RTO West nor WestConnect has filed a Section 205 requesting RTO status). ➢ Cal ISO – filed on 6/1/01; no order has been issued in this proceeding.

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

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

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

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

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

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

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

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
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: <u>East</u> 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		
Issue rules or orders requiring open access by non-public utilities	By June 30, 2007	Office of Energy Markets and Reliability / Office of the General Counsel
Issue rules or orders requiring RTO and ISO cost accountability	By June 30, 2007	Office of Energy Markets and Reliability / Office of the General Counsel
Timeliness of review of RTO and ISO proposed market rules	By the statutory due date or the applicants' requested date, whichever is later	Office of Energy Markets and Reliability / Office of the General Counsel
Percentage of proposed NAESB business practice standards rulemakings completed	➢ 100% of non-controversial rulemakings within 9 months ➢ 100% of controversial rulemakings within 12 months	Office of Energy Markets and Reliability / Office of the General Counsel

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Timeliness of applications processed on requests by RTOs and ISOs to encourage demand response in organized markets	100% within 60 days of filing date or applicants' requested date, whichever is later	Office of Energy Markets and Reliability / Office of the General Counsel
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	Office of Energy Markets and Reliability / Office of the General Counsel
Assure Proposed Mergers and Acquisition Are in the Public Interest		
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)	100% within 180 days	Office of Energy Markets and Reliability / Office of the General Counsel
Timeliness of processing section 203 applications that raise issues of cross subsidization or encumbrances of utility assets	100% within 180 days	Office of Energy Markets and Reliability / Office of the General Counsel
Address Market Power in Jurisdictional Wholesale Markets		
Revise Open Access Transmission Tariff	Issue final rule by June 30, 2007	Office of Energy Markets and Reliability / Office of the General Counsel
Percentage of market-based rate filings processed	100% of new filings within 60 days of filing date or by the applicant's requested date, whichever is later	Office of Energy Markets and Reliability / Office of the General Counsel
Finalize generation market power screens for electric market based rates	Issue final rule by June 30, 2007	Office of Energy Markets and Reliability / Office of the General Counsel
Act timely on complaints	80% within 60 days or, for fast-track cases only, within the designated timeframe	Office of the General Counsel / Office of Energy Markets and Reliability

Performance Measurement Results for Market Oversight

FY 2003		
Performance Measurement	**Performance Target**	**Result**
Enhance institutional capability for overseeing energy markets	Establish the Office of Market Oversight and Investigations	Complete
	Publish regular summer and winter Seasonal Market Assessments	Reported winter 2002-2003 and summer 2003 assessments in formal presentations to the Commission and published on Commission's website.
	Develop metrics/indicators of gas and electric market performance measures	Developed 5 standard metrics for electric markets that agreed with market monitoring units.
Top to bottom review of all existing information systems to monitor markets	Complete entire review	The complete review has been delayed until FY 2004.
Development or acquisition of usable electronic baselines and databases to support market oversight objectives	Complete development of all baselines and databases by end of FY 2003	Complete
Timeliness of audits	Complete 90% of audits on time	Target achieved
Development of market expertise	Training on market issues for 40% of OMOI and 20% of OMTR, OGC, and other staff	OMOI: 50% of OMOI staff received training explicitly related to markets. OMTR: Target met through a combination of formal and informal training opportunities available to or required of OMTR staff. Examples of informal training: attendance at events sponsored by OMOI such as presentations by guest speakers with market expertise and courses on the operations of ISOs in New York and New England; market development discussions at selected Commission meetings which are aired live as well as videotaped for later viewing; access to material relevant to Commission conferences posted on the web site; speakers brought in by group managers to discuss various topics—including market-related issues—at their group meetings; and hands-on training conducted in our divisions.
	Hiring of staff with market expertise	Hiring target achieved
	Issuance of market assessment products and data analysis demonstrating market understanding	Produced comprehensive market surveillance report for each closed Commission meeting (every two to three weeks); seasonal assessments; and daily market reports for Commission staff. Also analyzed key issues in detail, for example, natural gas spike and energy price index reaction.
Establishment of protocols between the Commission and independent market monitoring units of RTOs	All approved RTOs	Target achieved

FY 2003		
Performance Measurement	**Performance Target**	**Result**
Timeliness of corporate application orders	Less than 20% of merger applications will require examination or the imposition of mitigation measures beyond the initial review period, with such percentage targeted to decrease as further policy guidance is issued in cases requiring more time to address market power	Since the Commission received no merger requests in FY 2003, it has no results to report for this performance measure.
Timeliness of Hotline calls resolutions	Resolve 80% within 1 week of initial contact	74% of Hotline calls were closed by the end of the two-week period in which they were received during FY 2003.
Timeliness of formal complaints resolutions	Complete 80% within target time frames for various paths for resolution of complaints as specified by the Commission	**OALJ/OAL:** Issued six initial decisions on complaints set for hearing. 84% were completed within expected targets (4 out of 6). OALJ also handled 17 additional complaints; 12 settled; 5 were either returned to the Commission for further action or set for hearing before a judge (no targets were set for those cases while in settlement mode).
Percentage of customers satisfied with ADR processes	85%	**DRS:** 14 of 20 cases (70%) that were completed in FY 2003 achieved settlement.
Number of requests and referrals for ADR services	Maintain at or increase levels achieved in FY 2001	**DRS:** 38 requests or active cases were initiated in FY 2003. This number includes simple inquiries about ADR, cases in which persons eventually indicated that they were not interested in using ADR, cases referred to Enforcement Hotline, and cases that are ongoing into FY 2004. Note: There were 51 requests in FY 2002, and 38 requests in FY 2003. While this represents a decrease in cases, the DRS efforts devoted to outreach projects have increased dramatically by comparison.

FY 2003		
Performance Measurement	**Performance Target**	**Result**
Percentage of cases in time frames ➢ ADR processes completed ➢ litigated cases reaching initial decision	➢ 20% of ADR cases within 60 days ➢ 30% of ADR cases within 100 days ➢ 75% of ADR cases within 150 days ➢ 100% of ADR cases within 200 days ➢ 95% of simple litigated cases within 206 days (29.5 weeks) ➢ 95% of complex litigated cases within 329 days (47 weeks) ➢ 95% of exceptionally complex cases, 441 (63 weeks) ➢ 95% of regular complaints, 60 days	**ADR Cases – OALJ/OAL:** 76 cases were successfully completed through the use of ADR: ➢ 2 cases completed in < 60 days (2.6%) ➢ 10 cases completed in < 100 days (13%) ➢ 15 cases completed in <150 days (20%) ➢ 14 cases completed in < 200 days (18%) ➢ 35 cases completed in >200 days **ADR Cases – DRS:** 20 cases completed through the use of ADR: ➢ 8 cases completed in < 60 days (40%) ➢ 2 cases completed in < 100 days (10%) ➢ 5 cases completed in < 150 days (25%) ➢ 3 cases completed in < 200 days (15%) ➢ 2 cases completed in > 200 days (10%) **Litigated Cases – OALJ/OAL:** ➢ Track I Cases: Standard processing time = 29.5 weeks. FY 2003 Average processing time = 24.3 weeks ➢ Track II Cases: Standard processing time = 47 weeks. FY 2003 Average processing time = 38.4 weeks ➢ Track III Cases: Standard processing time = 63 weeks. FY 2003 Average processing time = 46.2 weeks **Regular Complaints – OGC:** 97%
Percentage of processes that achieve consensual agreements	Maintain at or increase levels achieved in FY 2001	**OALJ/OAL:** 112 cases were closed in OALJ. Out of the 112 cases, 16 cases were terminated by initial decision, leaving 94 cases where ADR was used. Of the 94 cases, settlement was achieved in 76 cases (81% success). Settlement was not successful in 18 of the 94 cases. **DRS:** 14 of 20 cases (70%) that were completed in FY 2003 achieved settlement. Note: This includes 7 cases that were begun prior to FY 2003 but completed in FY 2003. It does not include simple inquires about ADR (1), cases in which persons eventually said they were not interested in trying ADR or ADR was determined to be inappropriate (11), cases referred to Enforcement Hotline (3), or cases that were ongoing into FY 2004 (14).

FY 2004		
Performance Measurement	**Performance Target**	**Result**
Enhance institutional capability for overseeing energy markets	Improve metrics/indicators of gas and electric market performance measures	Staff developed standard performance metrics for all RTO/ISO markets that, beginning in calendar year 2004, became a part of the annual reporting done by the market monitoring units of each RTO/ISO. Additionally, a Daily Scorecard of metrics is posted on the Commission's intranet indicating daily gas and electric prices, weather, and gas futures.
Development of market expertise	30% of OMOI staff have energy market experience gained through direct activity in those markets.	30% of OMOI staff have gained energy market expertise by engaging in energy market activities such as: ➢ attending RTO/ISO conferences and workshops; ➢ participating in monthly conference calls with MMUs; ➢ attending weekly OMOI oversight meetings on energy markets; and ➢ attending training sessions.
Track Performance of Natural Gas and Electric Markets	Issue Market Surveillance Reports to the Commission twice each month	In accordance with the change in the Commission Meeting schedule – from once every two weeks to once every three weeks – the Surveillance Report schedule changed from twice each month to 16 times each year – once every three weeks not including August. Therefore, the 16 Surveillance Reports that were completed, in effect, accomplish this measure's original intent. In addition, these reports were redacted and presented to Commission staff and multiple external stakeholders, including state public utilities.
Assess Performance of Natural Gas and Electric Markets	Publish regular summer and winter Seasonal Market Assessments, State of the Market Reports, and other reports as conditions warrant.	➢ The Winter Energy Market Assessment, published in November 2003, reported on the upcoming winter heating season. ➢ The State of the Markets Report, published in January 2004, analyzed the state of the energy markets for an 18-month span. ➢ The Summer Energy Market Assessment, published in June 2004, reported on the upcoming summer cooling season. ➢ The Commission also published, in May 2004, the results of an investigation into the January 2004 New England gas price spike.
Timeliness of corporate application orders	Process all section 203 applications within 90 days of the date comments are filed	➢ 98% (158 out of 162) of the section 203 corporate applications were completed by the target completion date. The four applications that were not completed within a 90-day period raised fundamental policy issues and protests that required additional time to evaluate. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance.

FY 2004		
Performance Measurement	**Performance Target**	**Result**
Timeliness of industry wide financial audits	Complete 90% of audits within 120 days	➢ 88% of the financial audits (22 out of 25) that were opened and closed this fiscal year were completed within the 120 day timeframe. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance.
Timeliness of Hotline call resolutions	Resolve 80% within 1 week of initial contact	72% of all Hotline matters were resolved within 2 weeks of initial contact. Although the target called for most resolutions to occur in 1 week, Hotline information is only collected on a bi-weekly basis. Future performance measures were previously revised to account for this process change. In addition, this performance target was set at an approximate level, and the deviation from that level is slight.
Timeliness of formal complaint resolutions	Complete 80% within target time frames for various paths for resolution of complaints as specified by the Commission	➢ Issued three initial decisions on complaints set for hearing, all within the established deadlines. ➢ The Commission also handled eight additional complaints, though no targets were set for their completion due to their complexity. Of those eight: ➢ four were settled; ➢ two were returned to the Commission for further action or set for hearing before a judge; ➢ one was dismissed; and ➢ one was withdrawn.
Percentage of processes that achieve consensual agreements	Maintain at or increase levels achieved in FY 2001	**OALJ/OAL:** Of the 113 cases closed in FY 2004, 29 cases were terminated by initial decision, leaving 84 cases where ADR was used. Of those 84 cases, settlement was achieved in 90% (76) of the cases. This was greater than the 80% rate achieved in FY 2001. **DRS:** Of the 24 cases[1] that were completed in FY 2004, 86% (21) of the cases achieved settlement. This was slightly less than the 90% rate achieved in FY 2001. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance.

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

FY 2004		
Performance Measurement	**Performance Target**	**Result**
Number of requests and referrals for ADR services	Maintain at or increase levels achieved in FY 2001	There were 54 requests or active cases in FY 2004, 2 more than in FY 2001. This number includes simple inquiries about ADR, cases in which persons eventually indicated that they were not interested in using ADR or ADR was deemed inappropriate, and cases that are ongoing into FY 2005.
Percentage of customers satisfied with ADR processes	85%	86% of the cases (21 out of 24) that were completed in FY 2004 achieved settlement.
Percentage of cases in time frames ➢ ADR processes completed ➢ litigated cases reaching initial decision	➢ 20% of ADR cases within 60 days ➢ 30% of ADR cases within 100 days ➢ 75% of ADR cases within 150 days ➢ 100% of ADR cases within 200 days ➢ 95% of simple litigated cases within 206 days ➢ 95% of complex litigated cases within 329 days ➢ 95% of exceptionally complex cases within 441 days ➢ 95% of regular complaints within 60 days	**ADR Cases[2] – OALJ/OAL:** 76 cases were successfully completed through the use of ADR: ➢ 4 of the 76 cases (5%) were completed in < 60 days; ➢ 13 of the 76 cases (17%) were completed in < 100 days; ➢ 20 of the 76 cases (26%) were completed in < 150 days; ➢ 36 of the 76 cases (47%) were completed in < 200 days; and ➢ 40 cases (53%) were completed in > 200 days. **ADR Cases[2] - DRS:** 24 cases were successfully completed through the use of ADR: ➢ 9 of the 24 cases (37%) were completed in < 60 days; ➢ 12 of the 24 cases (50%) were completed in < 100 days; ➢ 14 of the 24 cases (58%) were completed in < 150 days; ➢ 16 of the 24 cases (67%) were completed in < 200 days; and ➢ 8 cases (37%) were completed in > 200 days. **Litigated Cases – OALJ/OAL:** ➢ Track I Cases: No Track I cases during FY 2004. ➢ Track II Cases: FY 2004 Average processing time was 324 days. ➢ Track III Cases: FY 2004 Average processing time was 448 days. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance. **Regular Complaints – OGC:** 95%

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

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

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

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
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.
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.

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
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.
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 review of filings to recognize regional state committees	100% addressed by Commission order within 180 days or by the applicants' requested date, whichever is later	Office of Energy Markets and Reliability / Office of the General Counsel
Timeliness of verification of EQR submissions	Within 10 business days of submission	Office of Enforcement
Review EQR submissions for completeness and contact companies that make up at least 80% of reported revenue for incomplete submissions	Within 10 business days of submission	Office of Enforcement
Conduct follow-up reviews of companies that make up at least 80% of reported revenue on exercise of market power or market manipulation	Within 60 days of final submission	Office of Enforcement
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	Office of Enforcement
Number of RTO and ISO MMU performance metrics	Increase over FY 2006	Office of Enforcement
Timeliness of initiating or deciding action on MMU referrals	80% acted on within 30 days	Office of Enforcement / Office of Energy Markets and Reliability / Office of the General Counsel
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	Office of Enforcement
Timeliness of actions on problems or discrepancies identified in reviews of organized markets	With 6 months of completed report	Office of Enforcement / Office of Energy Markets and Reliability / Office of the General Counsel
Publish annual assessment of infrastructure and market conditions for each region	Complete by June 30, 2007	Office of Enforcement / Office of Energy Markets and Reliability / Office of the General Counsel
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	Office of Enforcement
Improve Forensic Audits and Investigations capabilities	90% of enforcement and compliance staff participate in forensics training and interviewing skills by June 30, 2007	Office of Enforcement
Timeliness of reporting to the Commission on operational audits	100% reported to the Commission within 120 days of Commencement Letter	Office of Enforcement
Percentage of operational audit recommendations issued and implemented	90%	Office of Enforcement
Timeliness of reporting to the Commission on financial audits	100% reported to the Commission within 120 days of Commencement Letter	Office of Enforcement

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of financial audit recommendations issued and implemented	90%	Office of Enforcement

Conduct Investigations Promptly and Impose Penalties Where Appropriate		
Percentage of enforcement investigations completed	75% within one year of initiation	Office of Enforcement
Percentage of Hotline calls resolved	70% within 2 weeks of initial contact	Office of Enforcement

Conduct Investigations Promptly and Impose Penalties Where Appropriate		
Percentage of regulated entities audited to ensure internal compliance programs and processes are in place	85% of regulated entities included in annual audit plan	Office of Enforcement
Timeliness of responses to regulated entities seeking guidance and clarification on compliance issues	Within 60 days	Office of Enforcement / Office of Energy Markets and Reliability / Office of the General Counsel
Timeliness of completing recommendations on compliance issues raised by regulated entities	Within 180 days, where Commission action is required	Office of Enforcement / Office of Energy Markets and Reliability / Office of the General Counsel
Timeliness of reporting on compliance issues raised by regulated entities	Reports completed monthly	Office of Enforcement / Office of Energy Markets and Reliability / Office of the General Counsel

Performance Measurement Results for Management Initiatives

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

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

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

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

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

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

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

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

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

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

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

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

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of summer interns hired into permanent positions	30%	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.
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.

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Establish earned value management schedule and cost performance indices for all major projects	Complete by September 30, 2006	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.
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.

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
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.
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.

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
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.
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**
Implement an aggressive entry level 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	Office of the Executive Director
Implement employee development programs	➢ Launch leadership development program ➢ Develop competency based training for mainstream occupations	Office of the Executive Director
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	Office of the Executive Director
Ensure appropriate representation of women and minorities at all levels within the organization	Increase over FY 2007 baseline	Office of the Executive Director
Timeliness of submitting Fair Act Inventory to OMB per Circular A-76 requirements	Complete by June 30, 2007	Office of the Executive Director
Customers are satisfied with the use of eGovernment initiatives to interact with FERC	90%	Office of the Executive Director
Federal FTE time is mapped through systems to workload and strategic goals and objectives	Fully implemented by September 30, 2007	Office of the Executive Director
Align Commission costs to strategic objectives	Complete by September 2007	Office of the Executive Director
Percentage of vendor payments made by established due dates	99%	Office of Executive Director
Percentage of payments made without error	100%	Office of Executive Director
Timeliness of collecting accounts receivable that offset the Commission's appropriation	95% collected by due dates	Office of Executive Director
Financial statements that present fairly, in all material aspects, the Commission's financial position	Unqualified audit opinion on FY 2006 financial statements	Office of Executive Director
Percentage of transactional case assessments or convening sessions concluded	75% within 20 days	Dispute Resolution Service
Percentage of transactional ADR processes agreed to by parties concluded	75% within 120 days total (convening and process)	Dispute Resolution Service
Number of ADR requests and referrals to the Dispute Resolution Service	Increase number over FY 2004 (base year)	Dispute Resolution Service

FY 2007		
Performance Measurement	**Performance Target**	**Data Source**
Favorable Dispute Resolution Service customer satisfaction for casework and outreach	80% customer satisfaction rate	Dispute Resolution Service
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)	Dispute Resolution Service
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	Office of External Affairs
Enhance communication with National and International groups	➢ Respond to 50% of Official Congressional correspondence within 10 business days ➢ Provide email notification of significant Commission actions to Congress within 1 to 2 business days of the underlining action along with briefing offers where appropriate ➢ Provide timely and effective briefings to members of Congress ➢ Provide email notification of significant Commission actions to effected State regulatory agencies within 1 to 2 business days of the underlining action ➢ Accommodate visitation requests from delegations from various countries and organizations	Office of External Affairs
Percentage of cases set for hearing that achieve partial or complete consensual agreement	75%	Office of Administrative Litigation / Office of Administrative Law Judges
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	Office of Administrative Litigation / Office of Administrative Law Judges
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	Office of Administrative Litigation / Office of Administrative Law Judges
Percentage of market manipulation cases set for hearing completed according to the established schedule	➢ 75% of Track I cases in 29.5 weeks ➢ 75% of Track II cases in 47 weeks ➢ 75% of Track III cases in 63 weeks	Office of Administrative Law Judges / Office of Administrative Litigation

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Appendix A

Organizational Chart

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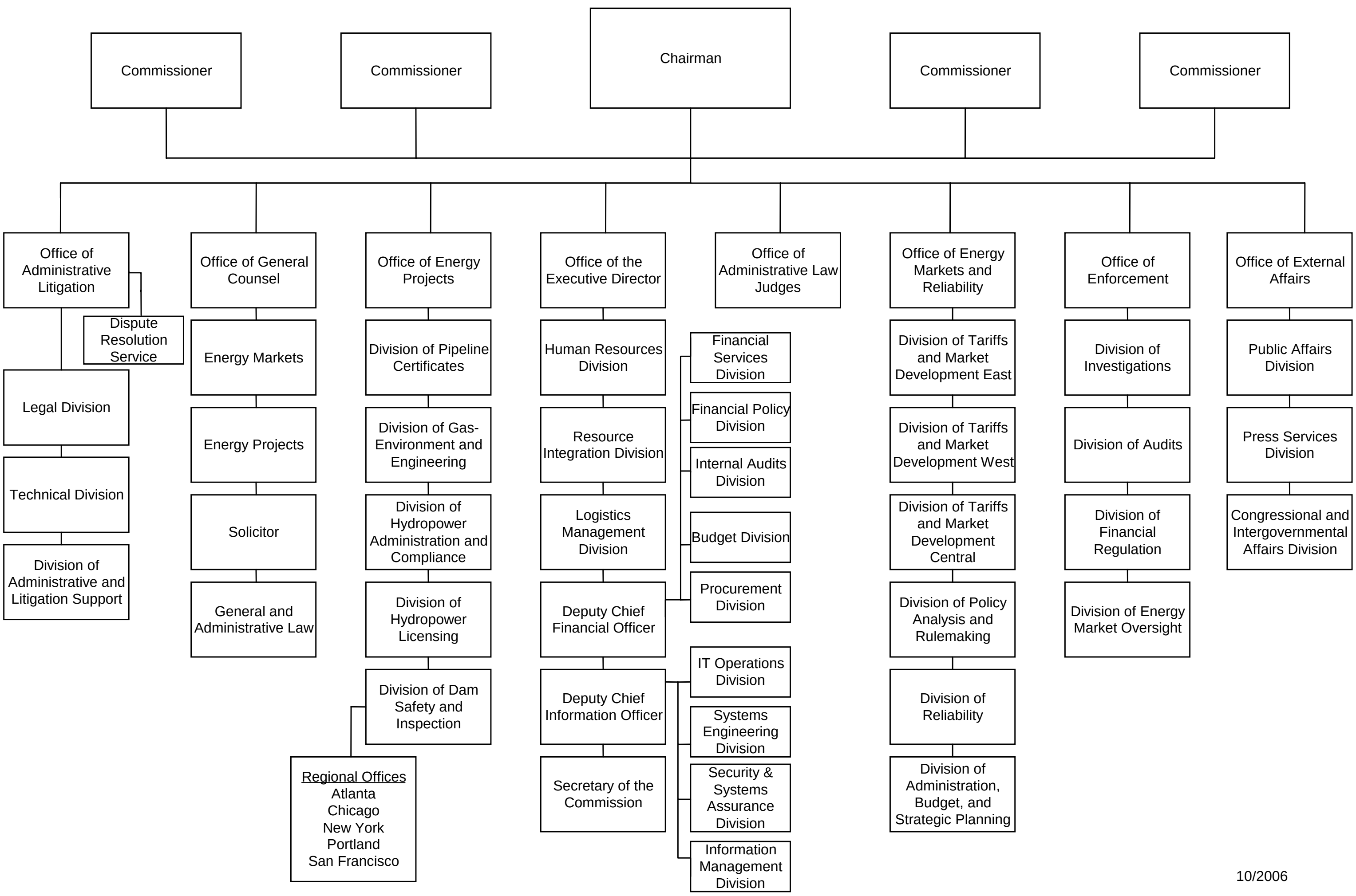
Federal Energy Regulatory Commission
Organizational Chart



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Appendix B

Strategic Plan

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Federal Energy Regulatory Commission
Strategic Plan FY 2005 – FY 2008

7/26/2005

Vision

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

Mission

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

Goals and Objectives

Goal 1: Promote Development of a Robust Energy Infrastructure.

Objective 1.1: Expedite Development of Energy Infrastructure Projects.

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

Objective 1.2: Encourage Investment in Energy Infrastructure.

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

Objective 1.3: Address Landowner and Environmental Concerns Fairly.

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

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

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

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

Objective 2.1: Promote Effective Competition in Electric and Gas Markets.

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

Objective 2.2: Establish Clear Market Rules to Govern Electric Markets.

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

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

Objective 3.1: Vigilant and Effective Oversight of Market Operations.

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

Objective 3.2: Firm but Fair Enforcement of Commission Rules.

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

Management Initiatives Supporting all Goals and Objectives

Human Capital

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

Information Technology

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

Agency Resources

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

Communication

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

Appendix C

Statutory Authority

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

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

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

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

Oil
Oil Pipeline Regulatory Reform
Interstate Commerce Act

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Appendix D

Acronym Glossary

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Acronym	Full Description
C&A	Certified and Accredited
CAISO	California Independent Transmission System Operator
CMP	Congestion Management Process
DOE	U.S. Department of Energy
DRS	Dispute Resolution Service
EIS	Environmental Impact Statement
EPAct 2005	Energy Policy Act of 2005
ERO	Electric Reliability Organization
FCM	forward capacity market
FISMA	Federal Information Security Management Act of 2002
FPA	Federal Power Act
FPC	Federal Power Commission
FTE	full-time equivalent
ICT	independent coordinator of transmission
IG	Inspector General
ISO	Independent Transmission System Operator
ISO-NE	Independent Transmission System Operator - New England, Inc
JOA	joint operating agreement
LNG	liquefied natural gas
MAPP	Mid-Continent Area Power Pool
Midwest ISO	Midwest Independent Transmission System Operator
MRTU	Market Redesign and Technology Upgrade
MW	megawatt
NEPA	National Environmental Policy Act of 1969
NERC	North American Electric Reliability Council
NGA	Natural Gas Act of 1938
NYISO	New York Independent Transmission System Operator
OMB	Office of Management and Budget

Acronym	Full Description
PJM	PJM Regional Transmission Organization
PUHCA 1935	Public Utility Holding Company Act of 1935
PUHCA 2005	Public Utility Holding Company Act of 2005
RTO	Regional Transmission Organization
SPP	Southwest Power Pool