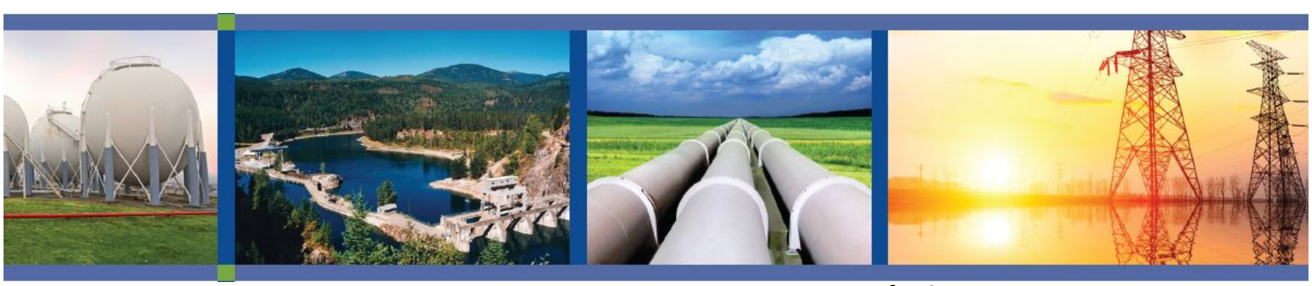
FEDERAL ENERGY REGULATORY COMMISSION

AGENCY FINANCIAL REPORT

FISCAL YEAR 2015



Chairman Norman C. Bay

November 2015

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

OFFICE OF THE CHAIRMAN

Letter from Chairman Bay

I am pleased to present the Federal Energy Regulatory Commission (Commission) Annual Financial Report for fiscal year 2015. This report was prepared in accordance with the guidelines set forth in Office of Management and Budget Circular Number No. A-136.

The Commission's mission is to assist consumers obtain reliable, efficient and sustainable energy services at a reasonable cost through appropriate regulatory and market means. This report illustrates how we manage our resources and highlights our major accomplishments in meeting our mission.

As outlined in the Management Assurances section of this report, the Commission has completed evaluations of its assessment of the effectiveness of internal control over operations, system, and financial reporting. I am providing reasonable assurance that the Commission meets the objectives required by the Federal Managers' Financial Integrity Act and that our financial systems conform to 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,

Norman C. Bay
Chairman
Federal Energy Regulatory Commission
November 12, 2015

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STRATEGIC PLAN SUMMARY

MISSION

RELIABLE, EFFICIENT, AND SUSTAINABLE ENERGY FOR CONSUMERS

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

GOAL 1: ENSURE JUST AND REASONABLE RATES, TERMS, AND CONDITIONS.

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

Objective 1.1: Establish Commission rules and policy that will result in just, reasonable, and not unduly discriminatory or preferential rates, terms, and conditions of jurisdictional service.

Objective 1.2: Increase compliance with FERC rules; detect and deter market manipulation.

GOAL 2: PROMOTE SAFE, RELIABLE, SECURE, & EFFICIENT INFRASTRUCTURE.

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

Objective 2.1: Foster economic and environmental benefits for the nation through approval of natural gas and hydropower projects.

Objective 2.2: Minimize risks to the public associated with FERC-jurisdictional energy infrastructure.

GOAL 3: MISSION SUPPORT THROUGH ORGANIZATIONAL EXCELLENCE

Achieve organizational excellence by using resources effectively, adequately equipping FERC employees for success, and executing responsive and transparent processes that strengthen public trust.

Objective 3.1: Manage Commission resources effectively and efficiently.

Objective 3.2: Empower Commission employees to drive success.

Objective 3.3: Facilitate public trust and understanding of Commission activities by promoting transparency, open communication, and a high standard of ethics.

Management's Discussion and Analysis (Unaudited)

INTRODUCTION

In accordance with the guidelines set forth in the 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, FERC) fiscal years (FY) 2015 and 2014 audited annual financial statements and program performance report. The financial section includes the Commission's audited balance sheets, statements of net cost, changes in net position, budgetary resources, custodial activity, and notes to the financial statements. Additionally, this report includes an overview of the Commission, including its mission and organizational structure.

This Agency Financial Report serves as a guide to the Commission's key initiatives and activities during FY 2015. Approximately 1,456 full time equivalents (FTEs) carried out the Commission's mission in FY 2015 using a budget of $304,389,000.

The Commission has chosen to produce an Agency Financial Report (AFR) and Annual Performance Report (APR). The Commission will include its FY 2015 Annual Performance Report with its Congressional Budget Justification and will post it on the FERC's Web site at www.ferc.gov by February 2016.

ORGANIZATIONAL STRUCTURE

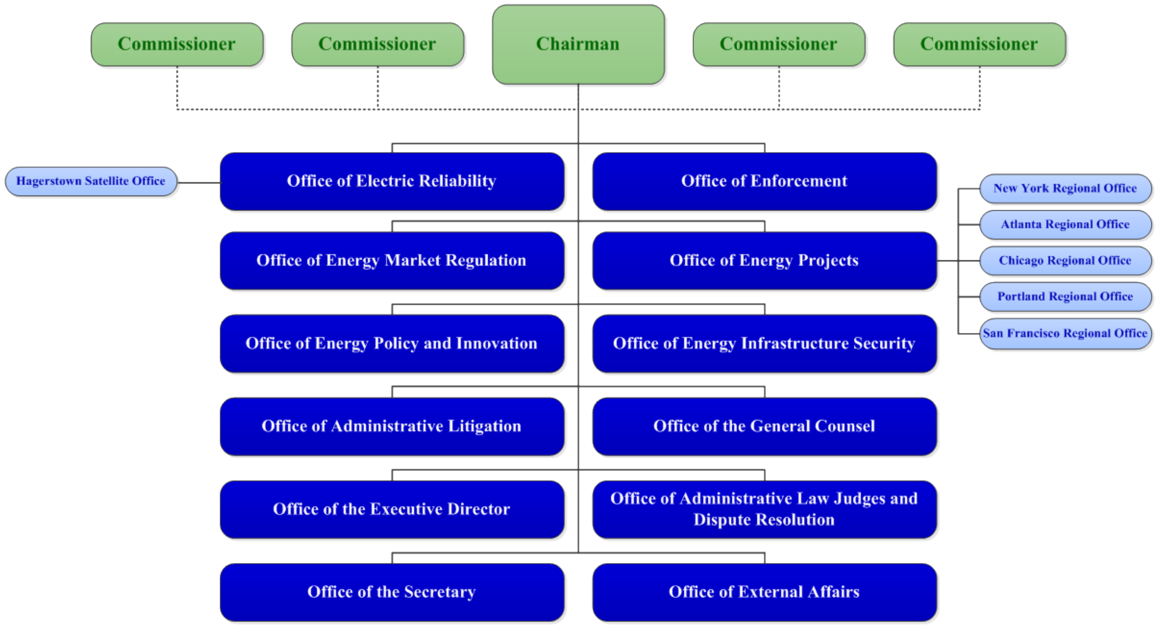
The Federal Energy Regulatory Commission is an independent regulatory agency within the U.S. Department of Energy (DOE). The Commission's statutory authority centers on major aspects of the Nation's wholesale electric, natural gas, hydroelectric, and oil pipeline industries.

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

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

In addition to the Chairman and four Commissioners, FERC is organized into 12 separate functional offices; each responsible for carrying out specific portions of the Commission's responsibilities. The offices work in close coordination to effectively carry out the Commission's statutory authority.

An organizational chart, including a brief description of each office, is included below.



The Office of Electric Reliability (OER)
Oversees the development and review of mandatory reliability and security standards and ensures compliance with the approved mandatory standards by the users, owners, and operators of the bulk power system.

The Office of Energy Market Regulation (OEMR)
Analyzes filings submitted by electric utilities and natural gas and oil pipelines to ensure that rates, terms, and conditions of service are just and reasonable and not unduly discriminatory or preferential. OEMR also analyzes filings submitted by the Electric Reliability Organization (ERO) dealing with its budget, rules of procedure, and bylaws.

The Office of Energy Policy and Innovation (OEPI)
Advises the Commission on policies to ensure the efficient development and use of transmission, generation, and demand-side resources, remove barriers to the participation of emerging technologies and resources, and create a platform for innovation in wholesale energy markets.

The Office of Administrative Litigation (OAL)
Advances the public interest in cases set for hearing by providing expert and independent analyses, building a full record of compelling evidence, and leading negotiations to achieve beneficial settlements.

The Office of the Executive Director (OED)
Provides administrative support services to the Commission including human resources, procurement, information technology, organizational management, financial, and logistics.

The Office of the Secretary (OSEC)
Serves as the focal point through which all filings are made for all proceedings before the Commission, notices of proceedings are given, and from which all official actions are issued by the Commission. OSEC promulgates

and publishes all orders, rules, and regulations of the Commission and prescribes the issuance date for these unless such date is prescribed by the Commission.

The Office of Enforcement (OE)
Protects customers by conducting oversight of energy markets, identifying and remedying market problems in a timely manner, assuring compliance with rules and regulations, and detects and combats market manipulation.

The Office of Energy Projects (OEP)
Fosters economic and environmental benefits for the nation through the approval and oversight of hydroelectric, natural gas pipeline, natural gas storage, and liquefied natural gas (LNG) projects that are in the public interest.

The Office of Energy Infrastructure Security (OEIS)
Identifies and works with other governmental agencies, industry, and other stakeholders to seek comprehensive solutions to potential threats to FERC-jurisdictional infrastructure from cyber and physical attacks, including geomagnetic disturbance and electromagnetic pulse events.

The Office of the General Counsel (OGC)
Provides sound and timely counsel to the Commission and Commission staff as it fulfills responsibilities such as assisting in the development of Commission draft orders, rulemakings and other decisions; representing the Commission before the courts; advising the Commission and Commission staff on legal matters; and advising other government agencies, regulated entities and the public on matters within the Commission's jurisdiction.

The Office of Administrative Law Judges and Dispute Resolution (OALJDR)
Develops an evidentiary record in contested cases as directed by the Commission. Through trial-type hearings and the issuance of an initial decision, OALJDR ensures that the rights of all parties are preserved. OALJDR also assists interested parties engaged in disputes to achieve consensual decision making through services such as mediation, negotiation, conciliation, arbitration, and facilitation.

The Office of External Affairs (OEA)
Responsible for communications and public relations of the Commission. OEA provides informational and educational services to Congress; federal, state and local governments; the news media and the public; regulated industries; and consumer and public interest groups. This office also is the Commission’s liaison with foreign governments.

STRATEGIC PLAN OVERVIEW

The United States has the world’s most durable market economy, of which every sector depends vitally on energy. The Commission has an important role in the development of a reliable energy infrastructure and in the protection of wholesale customers from unjust and unreasonable rates and undue discrimination and preference. The Commission draws its authority from various statutes and laws, which are listed in Appendix A.

On March 4, 2014, the Commission submitted to Congress its updated Strategic Plan which will serve as a guide through fiscal year 2018. The full Strategic Plan can be found at http://www.ferc.gov/about/strat-docs/strat-plan.asp.

The Commission's mission is to assist consumers in obtaining reliable, efficient and sustainable energy services at a reasonable cost through appropriate regulatory and market means. To accomplish this, the Commission focuses on three goals:

Goal 1. Ensure Just and Reasonable Rates, Terms and Conditions: Ensure that rates, terms and conditions of jurisdictional energy services are just, reasonable and not unduly discriminatory or preferential.

One of the Commission's fundamental statutory responsibilities is to ensure that rates, terms and conditions for wholesale sales and transmission of electric energy and natural gas are just and reasonable and not unduly discriminatory or preferential. The Commission uses a combination of regulatory and market means to achieve this goal, including: reviewing and analyzing tariffs and other filings; establishing rules and policy that will result in appropriate rates; and employing competitive forces through markets. Oversight of the energy markets and enforcement of the associated laws, rules and regulations are essential complements to the regulatory and market means. The Commission uses a balanced approach in its oversight and enforcement efforts, including: conducting surveillance and analysis of market trends and data; educating affected entities about market rules and other regulations; promoting internal compliance programs; employing robust audit and investigation programs; and, where appropriate, exercising the Commission's civil penalty authority as a deterrent to violations.

Goal 2. Promote Safe, Reliable, Secure, and Efficient Infrastructure: Promote the development of safe, reliable, secure, and efficient infrastructure that serves the public interest.

The Commission plays an important role in the development of a strong energy infrastructure that operates efficiently, safely and reliably. The Commission authorizes the construction and operation of interstate natural gas pipelines and storage projects, liquefied natural gas (LNG) facilities, and non-federal hydropower projects. Other Commission responsibilities include ensuring the safety of non-federal hydropower projects and LNG facilities throughout their entire life cycle; overseeing the development and review of, as well as compliance with, mandatory reliability and security standards for the bulk power system; and collaborating with regulated entities and other federal and state governmental agencies to identify and seek solutions to cyber and physical threats to FERC-jurisdictional infrastructure.

Goal 3. Mission Support through Organizational Excellence: Achieve organizational excellence by using resources effectively, adequately equipping FERC employees for success, and executing responsive and transparent processes that strengthen public trust.

The public interest is best served when the Commission operates in an efficient, responsive and transparent manner. The Commission achieves this operational state by maintaining processes and providing services in accordance with governing statutes, authoritative guidance, and prevailing best practices.

STRATEGIES FOR CARRYING OUT THE COMMISSION'S RESPONSIBILITIES

The Commission's two programmatic goals are to 1) ensure that rates, terms, and conditions for wholesale sales and transmission of electric energy and natural gas in interstate commerce as well as for transportation of oil by pipeline in interstate commerce are just and reasonable and not unduly discriminatory, and 2) ensure that energy infrastructure is safe, reliable, secure and efficient and developed in the public interest. The Commission has established a third strategic goal focused on management priorities which highlight management's commitment to organizational excellence and mission support. To achieve these goals, the Commission will employ several strategies which are summarized below.

To establish rules and policies, FERC draws on both market and regulatory means. When competitive markets exist and there are assurances against the exercise of market power, FERC leverages competitive market forces to promote efficiency for consumers while taking measures to make those markets more efficient. When competitive market conditions do not exist and competitive forces are inadequate to protect consumers, FERC relies on traditional rate-setting authority and tools such as cost-of-service ratemaking.

FERC determines the appropriate approach balancing two important interests: protecting consumers against excessive rates, and providing an opportunity for regulated entities to recover their costs and earn a reasonable return on their investments. Regardless of the approach, the Commission ensures that interested stakeholders have the opportunity to provide their views and that the Commission's ultimate decisions are adequately supported by the evidentiary record. These techniques produce just, reasonable, and not unduly discriminatory or preferential rates, terms, and conditions.

Oversight of the energy markets and enforcement of the associated laws, rules and regulations are essential complements to the regulatory and market means. In an effort to increase compliance with rules and to deter market manipulation, the Commission promotes internal compliance programs and self-reporting of violations by regulated entities. The Commission engages in extensive outreach to educate market participants and affected stakeholders on compliance programs and improper market behavior. As part of its balanced approach to oversight and enforcement, the Commission also conducts surveillance and analysis of market trends and data; employs robust audit and investigation programs; and, where appropriate, exercises the Commission's civil penalty authority as a deterrent to violations.

In addition to the regulation and oversight of energy markets, the Commission is charged with the responsibility to promote the development of robust, reliable and secure energy infrastructure that operates safely, reliably, and efficiently. In executing its siting authority, the Commission recognizes that competing interests remain a significant challenge throughout the infrastructure siting process, which can be complex, lengthy, and contentious. The Commission addresses this challenge by conducting outreach with stakeholders to promote the exchange of information and ensure understanding of Commission procedures with the goal of reconciling competing interests.

In addition to its siting authority, the Commission has other infrastructure responsibilities, including: ensuring the safety of non-federal hydropower projects and LNG facilities throughout their entire life cycle; overseeing the development and review of, as well as compliance with, mandatory reliability and security standards for the bulk power system; and collaborating with regulated entities and other federal and state governmental agencies to identify and seek solutions to cyber and physical threats to FERC-jurisdictional infrastructure.

To minimize risks to the public associated with jurisdictional energy infrastructure, the Commission is working to develop and incorporate risk-informed decision making (RIDM) into the Owners Dam Safety Program. This transition to RIDM could have several positive impacts on the Owners Dam Safety Program including, among others, a better understanding of potential failure modes, a better understanding of the consequences of potential failure modes on life, health and property, and an improved ability to evaluate risk reduction alternatives.

Further, to protect and improve the reliability and security of the Nation's bulk power system, the Commission will address emerging issues by conducting, reviewing and overseeing the assessment of the planning and operation of the bulk power system. The Commission will also promote improvement to energy infrastructure security through the use of its assessment capabilities and conducting outreach with facility owners and operators.

Lastly, in order to support the Commission's mission and to serve the public interest, the Commission must operate in an efficient, responsive and transparent manner. Internally, the Commission will focus on managing its resources effectively by addressing staffing vulnerabilities related to the potential retirement of 30 percent of the Commission's workforce over the strategic plan period. The Commission will also invest in modern information technologies to provide innovative solutions which also provide an appropriate return on investment. The Commission will also modernize our facilities in order to make more efficient use of available office space.

Commission employees are directly responsible for achieving FERC's mission and the Commission's leadership places extremely high value on its employees and ensuring their success. To support employee learning and development, the Commission will develop and deploy a competency-based training program and corporate knowledge management approach to ensure staff is equipped with the requisite knowledge to meet the agency's needs going forward.

To ensure employees' needs are being met, the Commission will use internal surveys and results from the Federal Employee Viewpoint Survey to gauge employee perceptions on the tools and services provided to them. The Commission will take action on areas not favorably rated in order to improve processes and services to maintain the Commission's history of organizational excellence. Through these investments in the organization and employees, the Commission will be in a better position to meet the challenges facing the energy industry going forward.

BUSINESS PLAN

The Commission's annual Business Plan details the activities and resources allocated to meet the Strategic Plan's goals and objectives. This increases internal accountability by enabling management to link individual office responsibility and budget resources to Commission activities. The Business Plan is an iterative process that helps to identify which activities are leading the Commission towards achieving particular goals and objectives. During FY 2015, the Commission reported actual FTE usage at a detailed activity level in its Business Plan, which improved offices' ability to organize and allocate resources effectively.

FULL COST RECOVERY

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

PROGRAM PERFORMANCE OVERVIEW

FERC's mission is to assist consumers in obtaining reliable, efficient and sustainable energy services at a reasonable cost through appropriate regulatory and market means. Fulfilling this mission involves pursuing three primary goals: (1) ensuring that rates, terms and conditions of jurisdictional energy services are just, reasonable and not unduly discriminatory or preferential; (2) promoting the development of safe, reliable, secure and efficient infrastructure that serves the public interest; and (3) achieving organizational excellence by using resources effectively, adequately equipping FERC employees for success, and executing responsive and transparent processes that strengthen public trust.

FERC pursues these goals as an independent agency within the DOE. FERC is composed of up to five commissioners, who serve staggered five-year terms and who have an equal vote on the orders through which FERC takes action. FERC's statutory authority centers on major aspects of the Nation's wholesale electric, natural gas, hydroelectric, and oil pipeline industries. Acting under this statutory authority, FERC's accomplishments support its mission and thereby benefit the public.

GOAL 1: Ensure that rates, terms and conditions of jurisdictional energy services are just, reasonable and not unduly discriminatory or preferential.

Electricity, natural gas, and oil are vital resources that fuel economic activity and help to meet the Nation's energy needs. Congress gave FERC authority to regulate the transmission and wholesale sale of electricity and natural gas in interstate commerce, and to regulate the transportation of oil by pipeline in interstate commerce. FERC's responsibility in the exercise of this authority is to ensure that rates, terms and conditions for these energy services are just, reasonable and not unduly discriminatory or preferential. As part of this responsibility, FERC balances the economic viability of energy suppliers and transmission owners with the protection of energy customers and transmission system users, ensuring that service providers are appropriately compensated and that consumers have reasonable access to the resources they need. To these ends, FERC uses a range of regulatory activities, including regulatory and market means, as well as market oversight and enforcement. Regardless of the approaches that FERC takes in pursuing this goal, FERC ensures that interested stakeholders have the opportunity to provide their views, and that FERC's ultimate decisions are adequately supported by the evidentiary record.

OBJECTIVE 1.1: Establish Commission rules and policy that will result in just, reasonable, and not unduly discriminatory or preferential rates, terms, and conditions of jurisdictional service.

A significant portion of FERC's work to establish just, reasonable and not unduly discriminatory or preferential rates, terms and conditions of service is accomplished through the review of rates and tariff provisions and other requests for FERC action from regulated entities and interested stakeholders. In FY 2015, FERC received more than 8,000 such filings. In response to some filings and responsive pleadings, FERC is able to address the merits of the case immediately. In other instances, FERC determines that a trial-type evidentiary hearing or other procedures are needed to bolster the factual record on which the Commission will base its decision. In these instances, the Commission recognizes the value of resolving issues through consensual means where possible and encourages parties to the proceeding to explore settlement. Settling cases benefits energy consumers as it dramatically limits the time, expense, and resources that the Commission and outside parties would otherwise devote to litigating these cases. Savings to ratepayers from settlements that occurred in FY 2015 totaled approximately $433 million stated on an annual basis ($221 million in electric utility matters and $212 million in natural gas pipeline and oil pipeline matters). The bulk of these savings to energy customers will continue in future years, until a subsequent rate case is filed, and thus provide long-term benefits beyond just the savings that occurred from these cases in FY 2015.

In instances where settlement is not possible, FERC's administrative law judges conduct on-the-record hearings and issue initial decisions that are presented to the Commission for review. During FY 2015, there were a total of 60 days of hearings which encompassed nearly 14,000 pages of transcript. A significant example of the magnitude and complexity of the issues resolved in this small percentage of FERC's workload is the BP America, Inc., et al., Docket No. IN13-15, proceeding which, consumed over 18 days of hearings and involved approximately 270 exhibits. FERC's work on several issues illustrates the benefits to the public that derive from FERC's work to establish rules and policy that result in just, reasonable, and not unduly discriminatory or preferential rates, terms, and conditions of jurisdictional service . For example, over the past three years FERC has placed high priority on exploring the interdependencies of the electric and natural gas industries. Due to historically low natural gas prices, environmental considerations, and other factors, the electric industry has become increasingly reliant on natural gas as a fuel for generation. Recognizing this trend, and after conducting extensive public outreach and building on prior work, in April 2015 FERC issued Order No. 809, a final rule, to improve the coordination and scheduling of natural gas pipeline capacity with electricity markets. Through this final rule, FERC also revised its regulations to provide additional contracting flexibility to firm natural gas transportation customers through the use of multi-party transportation contracts. Finally, FERC also recognized in Order No. 809 that additional standardized intraday nomination opportunities could promote more efficient use of existing pipeline infrastructure and provide additional operational flexibility to all pipeline shippers. Accordingly, FERC urged the natural gas and electric industries, through NAESB, to explore the potential for faster, computerized scheduling when shippers and confirming parties submit electronic nominations and confirmations, including a streamlined confirmation process if necessary. In September 2015, FERC requested that NAESB file standards for faster, computerized scheduling or a report on the development of such standards by October 2016. These efforts have facilitated greater gas-electric coordination and greater situational awareness on the part of the operators of the bulk power system, in turn promoting more reliable operation of that system.

FERC also has placed high priority in recent years on promoting fuel assurance. FERC has described fuel assurance as covering a broad set of issues associated with generator access to sufficient fuel supplies and the firmness of generator fuel arrangements, including a range of generator-specific and system-wide issues. It also includes the overall ability of an Regional Transmission Organization's (RTO) or Independent System Operator's (ISO) portfolio of resources to access sufficient fuel to meet system needs and maintain reliability. FERC has examined fuel assurance issues within the areas served by RTOs/ISOs that operate a large portion of the Nation's bulk power system and a variety of organized wholesale electric markets. FERC has explained that failure to address fuel assurance issues could potentially lead to volatile and often high fuel prices or costly RTO/ISO actions to ensure reliability. In FY 2015, the Commission directed RTOs/ISOs to file reports on their efforts to address fuel assurance in their respective regions. The reports were filed in February 2015, and comments on the reports were filed in March 2015. FERC is reviewing the reports and the comments on the reports to determine the appropriate next steps.

Because RTOs and ISOs serve these important functions in a large and increasing portion of the country, an ongoing FERC priority is ensuring that these entities provide their jurisdictional services at rates, terms and conditions that are just, reasonable and not unduly discriminatory or preferential. For example, after receiving required FERC approval, the Southwest Power Pool (SPP), an RTO in the central portion of the country, at the end of FY 2015 expanded its footprint to include the Western Area Power Administration's Upper Great Plains region, the Basin Electric Power Cooperative, and the Heartland Consumers Power District, collectively known as the Integrated System. This integration marked the first time that a federal power marketing administration has joined an RTO. It added to SPP more than 5,000 MW of peak demand and 9,500 miles of transmission infrastructure, and increased generating capacity with SPP by about 10 percent, about a third of which will come from hydropower generation. The changes stemming from this integration will enhance SPP's ability to serve customers and help manage price volatility.

In FY 2015, FERC also has promoted greater efficiency between markets operated by neighboring RTOs. At the FERC January 2015 open meeting, PJM Interconnection (PJM) and the Midcontinent Independent System Operator (MISO), their respective market monitors, and state commissioner representatives from both regions provided a status report on various initiatives to promote greater coordination of their market operations, through their Joint and Common Market process. In February 2015, the Commission issued an order requesting that PJM, MISO, and their independent market monitors provide further information on certain specific initiatives being addressed in the Joint and Common Market process, and provided an opportunity for interested parties to comment on the information provided by PJM, MISO, and their independent market monitors. The Commission is reviewing this information to understand what, if any, additional steps it should take to improve the efficiency of operations at the PJM/MISO seam. In addition, Commission staff continues to monitor the Joint and Common Market meetings and initiatives.

In FY 2015, FERC continued its efforts in Docket No. AD14-14-000 to improve price formation in the energy and ancillary services markets operated by RTOs and ISOs. Proper price formation ensures just and reasonable rates in those markets. Commission staff continued its series of technical workshops on price formation, holding a workshop addressing shortage pricing, offer mitigation, and offer caps on October 28, 2014, and a workshop on operator actions on December 9, 2014. On January 16, 2015, the Commission invited further comment on price formation issues. After receiving those comments and, as an initial step in its price formation efforts, on September 17, 2015, the Commission issued a Notice of Proposed Rulemaking addressing two price formation issues, settlement intervals and shortage pricing triggers. The Commission also expects to address other price formation issues, including offer caps, mitigation, uplift transparency, and uplift drivers.

OBJECTIVE 1.2: Increase compliance with FERC rules; detect and deter market manipulation.

FERC's commitment to market oversight and enforcement similarly advances the goal of ensuring that rates, terms and conditions of jurisdictional energy services are just, reasonable and not unduly discriminatory or preferential and benefits the public by complementing FERC's use of regulatory and market means. Whereas regulatory and market means focus on establishing rules and policy, market oversight and enforcement focus on increasing compliance of regulated entities and detecting and deterring market manipulation.

Today's evolving natural gas and electric markets require increasingly sophisticated data collection and analysis for effective oversight. Both natural gas and electric energy are traded in a variety of ways in a variety of markets, which range from extremely complex transactions that require in-depth and time consuming data analysis to relatively straightforward one-to-one interactions. In this context, FERC's market oversight and enforcement program takes proactive steps to detect problems in energy markets and to reduce the probability that violations of applicable laws, FERC's regulations, or market rules will occur. FERC uses a balanced approach to market oversight and enforcement, aspects of which include conducting surveillance and analysis of market trends and data; promoting internal compliance programs; employing robust audit and investigation programs; and, when appropriate, exercising the Commission's civil penalty authority to deter violations. FERC also makes certain market data transparent to the public and market participants so that market efficiency is promoted and anomalies and areas of concern may be identified and reported.

An illustrative FERC priority in this area is FERC's ongoing effort to improve its ability to identify market misbehavior as it happens. FERC has developed and continues the use of algorithmic screening methods, which incorporate market-generated data obtained from the RTOs and ISOs, to identify potentially inappropriate market participant activity. In FY 2015, screening activities resulted in the opening of four investigations, 3 relating to gas activities and one relating to electric activities. FERC processes approximately 100 surveillance screen trips a week.

FERC also performs detailed transaction analysis throughout the lifecycle of market manipulation investigations. This forensic analysis, which requires the assessment of millions of lines of sensitive data, allows FERC to create a more complete picture of the trading activities under review. FERC also is using natural gas market modeling software to aid in uncovering market participant behavior that may be of interest from an enforcement and market efficiency standpoint, and is seeking to do the same with electric market software that will also aid the Commission in understanding the interplay between the gas and electric markets. Such models will help the Commission achieve the next level of providing robust market oversight and surveillance.

In furtherance of its enforcement efforts, FERC opened 19 new investigations in fiscal year 2015, and closed 22 pending investigations with either no action or a FERC-approved settlement. The settlements involved agreements with 11 separate subjects, assessing a total of approximately $26 million in civil penalties and disgorgement of nearly $1 million. Six of these matters involved market manipulation, four involved violations of reliability standards, and one involved violations of tariff provisions. FERC currently has pending, in federal district court and before an administrative law judge, actions seeking approximately $545 million in civil penalties and $42 million in unjust profits.

The FERC-approved settlements included the culmination of a multi-year investigation into the September 8, 2011 power outage in Arizona, southern California and Baja California, Mexico. The settling companies agreed to undertake significant mitigation measures designed to bring the companies into compliance with applicable reliability standards and also agreed to pay a total of approximately $22 million dollars in civil penalties, a significant portion of which was offset by the companies' agreement to invest in reliability enhancements that go beyond mandatory requirements and that are designed to provide significant improvements to the reliable operation of the Western Interconnection.

GOAL 2: Promote the development of safe, reliable, secure and efficient infrastructure that serves the public interest.

Congress gave FERC authority to promote the development of strong and secure energy infrastructure that operates safely, reliably, and efficiently. In exercising this authority, FERC authorizes the construction and operation of interstate natural gas pipelines and storage projects, LNG facilities, and non-federal hydropower projects. Based on extensive stakeholder input and thorough analysis of environmental issues and other matters within FERC's jurisdiction, FERC's actions under this authority foster economic and environmental benefits for the nation. Other FERC responsibilities with respect to infrastructure include ensuring the safety of non-federal hydropower projects and LNG facilities throughout their life cycle; overseeing the development and review of, as well as compliance with, mandatory reliability and security standards for the bulk power system; and collaborating with regulated entities and other federal and state governmental agencies to identify and seek solutions to cyber and physical threats to FERC-jurisdictional infrastructure. Through these actions, FERC minimizes risks to the public associated with jurisdictional infrastructure.

OBJECTIVE 2.1: Foster economic and environmental benefits for the nation through approval of natural gas and hydropower projects.

Demand for natural gas in the United States is at its highest levels on record. Among its many uses, natural gas is a substantial and growing resource for electric power generation, in part due to the current low price of natural gas. In this context, the responsible development of interstate natural gas infrastructure—pipelines, storage, and LNG facilities—is a critical link in ensuring that natural gas supply can reach market areas. In FY 2015, the Commission conducted the pre-filing review of 15 LNG projects, consisting of both new LNG terminals and modifications of existing LNG facilities. Three of those projects subsequently filed applications. In addition to other pending LNG projects, this resulted in the Commission's processing of 16 applications for new LNG facilities or modifications to existing LNG facilities.

Interest in developing hydropower projects also has increased, in part because hydropower offers the benefits of a renewable, domestic energy source that supports efficient, competitive electric markets. Hydropower projects may also provide other benefits to the public, such as environmental protection and enhancement, water supply, irrigation, recreation and flood control. In FY 2015, Commission staff issued 6 draft and 20 final environmental documents and participated in one post-filing public meeting associated with its environmental analyses. Issuance performance measure targets were met on 18 of the 20 final environmental documents. In FY 2015, the Commission acted on 15 applications representing a total capacity of 780 megawatts. In FY 2015, the Commission received eight license applications of which seven were for original projects and the remaining one was for projects with expiring licenses. As noted above, FERC places particular emphasis on stakeholder input with respect to potential development of these natural gas and hydropower projects. For example, in FY 2015 FERC staff compiled a set of best management practices for stakeholder engagement and outreach for the natural gas industry. In FY 2015 FERC staff also developed official guidance document that provides an overview of FERC's review of natural gas pipeline applications. These initiatives complement FERC's natural gas environmental training seminars, which provide guidance and insight on FERC's environmental review process and compliance-related matters. These sessions provide an opportunity for open dialogue between FERC staff and stakeholders and are attended by state, local and federal agency officials, among others.

OBJECTIVE 2.2: Minimize risks to the public associated with FERC-jurisdictional energy infrastructure.

Another important aspect of FERC's pursuit of this goal stems from FERC's commitment to minimizing risks to the public associated with jurisdictional infrastructure. FERC recognizes that failure of an LNG facility or a non-federal hydropower project potentially could result in loss of life and significant environmental and economic consequences. To help ensure the safety of these facilities, FERC relies on physical inspections for detecting and preventing potential catastrophic structural failures, with the aim of protecting the public against the risk associated with such an event. FERC engineers are highly trained and work closely with local and other Federal officials at all stages of project development and operation.

In FY 2015, 29 LNG inspections were conducted at the four terminal expansions and one new LNG terminal under construction. Once in operation, jurisdictional peak-shaving plants are inspected once every other year and LNG import or export terminals are inspected once each year. In FY 2015, 15 operational inspections were conducted at six peak-shaving facilities and eight LNG terminals (one terminal was inspected twice).

With respect to hydropower projects, FERC is able, through its ongoing operations inspections to verify whether the dams meet current FERC dam safety criteria, identify whether investigations, remedial modifications or required maintenance are in order, and ensure compliance with license requirements. In FY 2015, FERC conducted approximately 2,100 inspections. FERC also requires that comprehensive inspections and engineering evaluations of the high and significant hazard potential dams be conducted by independent consultants every five years. All independent consultant inspection reports are thoroughly reviewed and evaluated by FERC to determine whether additional studies are required or if remedial measures are necessary. FERC reviewed approximately 200 independent consultant reports in FY 2015 to make certain the structural integrity of the jurisdictional dams is maintained or improved as appropriate.

FERC also oversees the development and review of, as well as compliance with, mandatory reliability and security standards for the bulk power system. In fulfilling this responsibility, FERC analyzes standards proposed by the North American Electric Reliability Corporation (which FERC has certified as the Electric Reliability Organization, or ERO) to determine whether those standards support the reliable operation of the grid. For example, FERC reviewed and approved sequential versions of the ERO's Critical Infrastructure Protection (CIP) reliability standards, which focus on cyber security. In addition to this reactive analysis, FERC has identified related issues that warrant further consideration, such as by proposing the development of a new reliability standard in FY 2015 related to supply chain management security controls to protect the bulk power system from security vulnerabilities and malware threats.

Once FERC approves mandatory reliability and security standards for the bulk power system, FERC can enforce and oversee the enforcement of those standards by the ERO as they apply to users, owners and operators of the bulk power system. In this role, FERC oversees audits, investigations, and proposed penalties by the ERO and the ERO regional entities to help ensure that their efforts will result in strong compliance with mandatory standards. FERC also reviews major blackouts to determine whether standards were violated or should be changed to help prevent future blackouts. In FY 2015, the Commission approved, subject to conditions, the ERO's implementation of its reliability assurance initiative, which has a goal of focusing compliance monitoring on areas that pose the greatest risk to reliability while gaining efficiencies by reducing the administrative burdens of the compliance and enforcement program on industry. This initiative has created major changes in audit approaches, both in breadth and depth, and in how entities report noncompliance.

In addition to this responsibility, FERC actively coordinates with our federal partners as well as regulated entities to create awareness of threats, activities, and capabilities of adversaries that may initiate a cyber or physical attack on FERC jurisdictional energy infrastructure. With cyber and physical security threats becoming increasingly frequent and sophisticated, an agile and focused approach provides an important complement to FERC's related responsibilities for both regulatory requirements and enforcement. In FY 2015, FERC coordinated 15 briefings with our government partners and industry stakeholders to share cyber and physical security threat information and mitigation measures. FERC also performed nine on-site network architecture reviews at the request of energy facility owners to identify vulnerabilities and suggest best practice mitigation measures, as appropriate.

Goal 3: Achieve organizational excellence by using resources effectively, adequately equipping FERC employees for success, and executing responsive and transparent processes that strengthen public trust.

OBJECTIVE 3.1: Manage Commission resources effectively and efficiently.

The Commission continues to prioritize resource allocations and make prudent investments in relation to specific program activities and challenges, and these investments are expected to yield returns that directly benefit the agency's mission. Additionally, federal statues require the Commission to recover its operating costs from the entities it regulates. The Commission must do this in a manner that avoids unnecessarily increasing the cost of energy to consumers. Given these considerations, the Commission must be steadfast in its commitment to use its resources in an effective and efficient manner. In meeting this commitment, the Commission will make continued investments in its human capital, information technology (IT) resources, and physical infrastructure. These investments will facilitate mission accomplishment while providing measurable efficiencies in future operating cycles.

The Commission achieved notable results in FY 2015 relative to the effective management of its resources. In FY 2015 the Commission collected over $321.0 million in offsetting receipts during the fiscal year, which was more than $17.3 million in excess of its statutory collections requirements, and obtained its 22nd consecutive unmodified opinion on its financial statements. Over 25 percent of the Commission's total contract dollars were awarded to small, women-owned and minority businesses. The Commission paid 100 percent of its invoices on time according to the Prompt Payment Act, with an error rate of less than 1 percent. Also in FY 2015, the Commission awarded a new multi-year contract for IT support services which is expected to result in lower operating cost over the next seven years. Operating costs under this contract will result in approximately $4-5 million in savings annually.

In FY 2014, with Congressional approval, the Commission began an effort in FY 2014 to meet the General Services Administration (GSA) space standards by consolidating its occupancy within the Commission's Headquarters building by vacating approximately 52,000 square feet (i.e. 12 percent of existing occupancy), which would include relocating employees currently located at 1100 First Street back to the Commission's Headquarters building. This overall project will require considerable effort and is expected to conclude in FY 2019. In FY 2015, The Commission, partnering with GSA and the building owner, engaged in extensive planning and design efforts focused on achieving the required space reductions but doing so in a manner that will enhance natural light throughout the space and provide for optimal design flexibility. The Commission also solicited input from Commission employees to balance the new mandatory space policy limitations with business support requirements necessary to effectively perform the agency's work. In FY 2015, the Commission completed the majority of the planning and design work and is looking to finalize this phase of the project and begin construction in FY 2016.

With approximately 30 percent of the Commission staff eligible to retire by FY 2018, Commission management conducted extensive analyses of recruiting and employment data to formulate strategic hiring plans. Through these plans the agency mitigated critical staffing vulnerabilities ahead of forecasted attrition. Additionally, this process enabled the Commission to target additional competencies to meet the demands of an evolving mission. The Commission's growing use of analytics and data-modeling has resulted in the need to aggressively recruit professionals that possess the capabilities to analyze and evaluate complex energy data. In FY 2015, the Commission hired 149 employees, which comprises approximately 10% of the agency's budget staffing level.

While the Commission experienced an attrition rate of 9% during the fiscal year; it filled vacancies, on average within, 49 days which exceeded the established target average by 12%.

OBJECTIVE 3.2: Empower Commission employees to drive success.

The Commission seeks to become an employer of choice for individuals who can contribute a diverse set of needed skills. With this objective in mind, the Commission recognizes that a model regulatory organization must ensure that its employees are equipped with the requisite tools and services they need to accomplish the mission. In FY 2015, results showed that the Commission was one of the top agencies in the federal government, ranking fourth out of 37 departments and large agencies relative to employee engagement. Employees rated the agency leadership's efforts favorably regarding the creation of work which ensures employees can reach their potential, contribute to the success of the agency environment, and ultimately the entire federal government.

The Commission is building on the positive opinions expressed by employees during the previous survey period. In FY 2015, the Commission engaged its employees in discussions about agency survey results. Program offices established focus group sessions to discuss strengths and growth opportunities conveyed through these results. Agency efforts in this regard further enhanced the importance of the survey and 74 percent of all eligible employees participated in the FY 2015 survey. This marks the highest rate of participation since the Office of Personnel Management began administering the survey in 2002. Going forward, the Commission will analyze its annual results and conduct additional employee outreach activities to gauge the effectiveness of its employee-related process and services. The agency will develop action plans to address any areas not favorably rated and take corrective action to improve processes and services that impact related employee perceptions.

The Commission is investing in developing a competency-based training program to mitigate the risk of knowledge loss from the aging workforce. The competency-based training program will preserve corporate information to ensure employees possess the specialized skills and knowledge required to successfully support the agency's mission. To this end, the Commission has teamed with a capable consultant that will support development of a comprehensive competency library covering 62 occupations. Additionally, the consultant will support the agency in the design of development programs to support proficiency in the identified competencies.

OBJECTIVE 3.3: Facilitate public trust and understanding of FERC's activities by promoting transparency, open communication, and a high standard of ethics.

Facilitating understanding of how FERC carries out its responsibilities and maintaining public trust in FERC are important components of the FERC's commitment to organizational excellence. Trust and understanding increase acceptance of FERC decisions and reduce the potential for contentiousness toward FERC rules and regulations, thus enabling the creation and enforcement of policy. FERC advances this objective by promoting transparency and open communication with respect to conduct of FERC's business, thereby increasing awareness and understanding of FERC's activities. FERC furthers this objective by cultivating relationships with sister government agencies and stakeholder groups, which supports understanding of FERC procedures and actions. FERC also promotes a high standard of ethics, which encourages public confidence in FERC's activities and ability to fulfill its responsibilities.

FERC staff is highly interactive and responsive to its stakeholders. For example, it is essential that FERC staff communicate clearly and concisely with the media so that stakeholders and the public can be aware of and understand FERC's actions. To that end, FERC staff consistently provides detailed background material on FERC meeting orders to help the media, stakeholders and the public understand complex matters, and posts links of the orders to the FERC website after each meeting.

Communicating with Congress on FERC's actions is also an important priority, and staff pays particular attention to orders that affect individual members and their constituents, notifying them when significant decisions or milestones arise. Additionally, FERC responds in a timely and transparent manner to all Congressional inquiries. FERC staff also provides training to Congressional staff members on matters affecting constituents.

Finally, communicating with state officials, particularly state regulators, is also a priority for FERC. Staff consistently notifies appropriate regulators and other state officials of FERC actions that are of interest, and frequently offers briefings via conference calls or webinars on major issues. In addition, staff communicates with state officials to become aware of state priorities and trends.

FERC staff also regularly seeks to improve the FERC website, which is a primary tool with which FERC provides information to the public. Through the use of FERC's eLibrary and eSubscription web pages, the public can obtain extensive information concerning documents both submitted to and issued by FERC. FERC continues to make the maintenance and implementation of effective filing procedures a high priority, therefore, the timely processing of incoming documents ensures the information is channeled to FERC staff for prompt review and action. As a result, timely and accurate FERC issuances, such as notices, orders, and major rules, continue to promote the flow of information through all levels of the agency and to all interested parties.

Furthermore, the number of users and followers of FERC's social media efforts has more than tripled since FERC launched these efforts, including Facebook, Twitter, LinkedIn, and Flickr, starting in FY 2011. In addition to following FERC's news-related postings, thousands of people and institutions are reposting FERC information to other websites, further increasing awareness and understanding of FERC's activities. In FY 2015, the Commission implemented advanced tracking software that will more thoroughly monitor and measure the effectiveness and reach of its social media.

In addition, FERC's ethics program aims to promote the highest standards of ethical conduct by determining whether employees' activities conform to statutes and regulations that set standards of conduct for federal employees. FERC continues to utilize innovative annual ethics training, which has been recognized repeatedly for excellence among government agencies. To promote transparency and public confidence in FERC's programs, FERC staff responds to requests under the Freedom of Information Act, 5 U.S.C. § 552.

FINANCIAL PERFORMANCE OVERVIEW

As of September 30, 2015, the financial condition of the Commission was sound with sufficient funds to meet program needs and adequate controls 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 is financed from offsetting collections. However, the Commission initially receives a General Fund appropriation at the beginning of the fiscal year, which is used to fund its operating and capital expenditures. Throughout the year, the Commission collects monies through annual charges and filing fees, and returns the appropriated amount to the Treasury by year-end, resulting in a net zero appropriation. The offsetting collections serve as the financing source for any unexpended appropriations at year-end.

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 2015.

The Commission received an appropriation for FY 2015 in the amount of $304.4 million. Additional funds available to obligate in FY 2015 were $27.7 million from prior-year unobligated appropriations and $0.5 million of prior-year obligations that were subsequently de-obligated in the current year. The sum of all operating funds available to obligate in FY 2015 was $332.6 million. Separately, the Commission pay states the fees collected for the occupancy and use of public lands. The Commission's payment to states budget authority for FY 2015 was $4.3 million, which included a $0.3 million sequestered amount that was identified as temporarily unavailable.

Costs by Function. The Commission incurred costs of $315.7 million in FY 2015, which was an increase of $8.9 million from FY 2014. Approximately 75 percent of costs were used for salaries and benefits. The remaining 25 percent was used to obtain technical assistance for the Commission's principal regulatory programs, to cover operating expenses, staff travel, and reimbursable work. For FY 2015, Salaries and benefits increased by $19.6 million as compared to FY 2014 with the net effect on the other cost categories of a decrease of $10.7 million.

Costs by Function (millions)

Costs by Function	**FY 2015**	**FY 2014**
Salaries and Benefits	$236.2	$216.6
Travel/Transportation	3.0	3.1
Rent/Communication/Utilities	26.0	26.1
Contract Support	43.0	49.7
Printing/Supplies/Other	7.5	11.3
Total Costs	**$315.7**	**$306.8**

Audit Results. The Commission received an unmodified audit opinion on its FY 2015 financial statements. This was the 22nd consecutive year that the Commission has received an unmodified opinion. For FY 2015, no material weaknesses or significant deficiencies in internal control over financial reporting were identified by the audit.

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

Analysis of the Balance Sheet

The Commission's assets were approximately $119.1million and $112.8 million as of September 30, 2015 and 2014, respectively. FY 2015 increased by $6.3 million as compared to September 30, 2014. The assets reported in the Commission's Balance Sheet are summarized in the Asset Summary table below.

Assets Summary (millions)

Assets	FY 2015	FY 2014
Fund Balance with Treasury	$95.6	$90.8
Accounts Receivable, net	11.7	9.4
Unbilled Receivable	1.2	0
Property and Equipment, net	10.6	12.6
Total Assets	**$119.1**	**$112.8**

The Fund Balance with Treasury represents the Commission's largest asset of $95.6 million as of September 30, 2015, which is an increase of $4.8 million over the FY 2014 balance. This increase is primarily due to a higher amount of unpaid obligations and unobligated funding available for operations, which increased approximately $5 million at the end of FY 2015 as compared to FY 2014.

The Accounts Receivable, net and Unbilled Receivable has a balance of $12.9 million as of September 30, 2015. This balance represents the outstanding amounts due from annual charges, civil penalties or other penalties issued by the Commission to entities under its regulation. The $3.5 million net increase in FY 2015 compared to FY 2014 is primarily due to approximately $1.2 million in unbilled receivables due to the Commission's FY 2015 actual costs being higher than estimated billed costs in FY 2015 compared to FY 2014, and an overall increase in accounts receivable from civil penalties at the end of FY 2015 compared to FY 2014.

The Property and Equipment, net was $10.6 million as of September 30, 2015, a decrease of $2.0 million over FY 2014. The balance is comprised of the net value of the Commission's equipment, furniture, leasehold improvements, computer hardware and software. The $2.0 million net decrease is primarily due to the reductions in the depreciated value of Equipment, Furniture, Leasehold Improvements, and ADP Software.

The Commission's liabilities were $61.5 million and $62.1 million as of September 30, 2015 and 2014, respectively. The Liabilities Summary table shows a decrease in total liabilities of $0.6 million over FY 2014. The decrease is due to a combination of FY 2015 actual costs exceeding estimated costs by approximately $1.2 million, which resulted in a receivable instead of a payable, unlike in FY 2014 when actual costs were less than estimated costs by $4.4 million, which resulted in a liability. Additionally, FY 2015 total liabilities included an increase of approximately $2.5 million in civil penalties that were due to Treasury in FY 2015. The $61.5 million balance consists primarily of accrued expenditures for payroll, benefits, operating expenses, and collected disgorged funds.

Liabilities Summary (millions)

Liabilities	**FY 2015**	**FY 2014**
Accounts Payable	$15.5	$14.9
Federal Employee Benefits	7.9	5.7
Resources Transferable to Treasury and Other Federal Entities	3.8	1.5
Accrued Leave	14.9	14.6
Other Liabilities	19.4	25.4
Total Liabilities	**$61.5**	**$62.1**

The difference between total assets and total liabilities is the Net Position. The Commission's net position was approximately $57.7 million as of September 30, 2015.

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. The Commission's net position was $57.7 million and $50.8 million at September 30, 2015 and 2014, respectively. Net position is affected by changes in the Commission's Cumulative Results of Operations. The increase in cumulative results of operations is primarily related to imputed financing from health, life and retirement costs of $12.3 million absorbed by others, offset by transfers to Treasury without reimbursement in excess of appropriations used of $5.3 million.

Net Position Summary (millions)

Position	**FY 2015**	**FY 2014**
Unexpended Appropriations	$0	$0
Cumulative Results of Operations	57.7	50.8
Total Net Position	**$57.7**	**$50.8**

Analysis of the Statement of Net Cost

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

Net Cost (dollars)

Operation	**FY 2015**	**FY 2014**
Just and Reasonable Rates, Terms, and Conditions	$0	$0
Infrastructure	0	(3,371)
Mission Support	0	0
Net Cost	$0	**($3,371)**

The Commission's net cost for FY 2015 was $0. The Commission is a full cost recovery agency and recovers all of its costs through the allocated annual charges to the entities that it regulates. Overall FY 2015 costs increased by approximately $8.9 million over FY 2014 costs. This increase was largely due to approximately $7.1 million in additional work performed within the infrastructure strategic goal as compared to FY 2014.

Analysis of the Statement of Budgetary Resources

The Statement of Budgetary Resources shows the sources of budgetary resources available and the status at the end of the period. It represents the relationship between budget authority and budget outlays, and reconciles total obligations to total outlays. For FY 2015, the Commission had budgetary resources available of $336.9 million, the majority of which was derived from offsetting collections. This represents an increase of $4.8 million over FY 2014 budgetary resources available of $332.1 million. The FY 2015 increase in the Commission's budgetary resources was primarily the result of a higher amount of prior-year unobligated balance brought forward in FY 2015 compared to the amount brought forward in FY 2014.The status of budgetary resources includes obligations incurred of $319.7 million, or 94.9 percent of funds available. Similarly, FY 2014 obligations incurred were $304.4 million, or 91.7 percent of funds available. The unobligated budget authority available at September 30, 2015 was $17.1 million, which is a decrease of $10.3 million under the FY 2014 amount of $27.6 million.

Total net outlays for FY 2015 were $21.1 million, which represents a $21.8 million decrease over FY 2014 net outlays of $42.9 million. The decrease from last year is the result of approximately $11.8 million in reduced distributed offsetting receipts and approximately $10.0 million increase in gross outlays in FY 2015 as compared to FY 2014. The decrease in distributed offsetting receipts was largely due to a decrease in civil penalty collections in FY 2015 compared to FY 2014.

Analysis of the Statement of Custodial Activity

The Statement of Custodial Activity displays the total Custodial Revenue and Disposition of Collections related to that revenue activity. This statement ensures that revenue billed and collected by the Commission on behalf of other federal agencies will not be reported twice as revenue on the consolidated government's Statement of Net Cost. In FY 2015, the Commission reported $38.5 million in custodial revenue compared to $28.7 million in

FY 2014. The FY 2015 increase over FY 2014 is due to the increase to custodial revenue from other federal agencies associated with the Commission's annual charges program. In addition, the net increase results from a combination of higher civil penalty collection (i.e., Other) in the prior year, and an offset of $14 million accrual adjustment, which is primarily due to an increase in the Allowance for Doubtful Accounts related to civil penalties in the prior year.

CONTROLS, SYSTEMS, AND LEGAL COMPLIANCE

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

- Federal Managers' Financial Integrity Act of 1982;
- Revised OMB Circular No. A-123;
- Federal Financial Management Improvement Act of 1996;
- Prompt Payment Act;
- Debt Collection Improvement Act of 1996; and
- Improper Payments Information Act (IPIA)

Management Assurances

During Fiscal Year 2015, the Commission focused its efforts on assisting consumers in obtaining reliable, efficient, and sustainable energy services at a reasonable cost through appropriate regulatory and market means. In fulfilling this mission, the Commission has pursued three primary goals. First, we have worked diligently to ensure that rates, terms and conditions for jurisdictional services, including wholesale sales and transmission of electric energy and natural gas, are just, reasonable and not unduly discriminatory or preferential. Second, we continue to promote the development of safe, reliable, and efficient energy infrastructure that serves the public interest. Third, we are achieving organizational excellence by maintaining processes and providing services in accordance with governing statutes, authoritative guidance, and prevailing best practices. We are progressing in each of these areas while we continue to improve our capabilities to meet the challenges of the energy issues confronting our nation.

To accomplish our goals, we must manage our resources efficiently and integrate our budget, performance measures, and management controls to improve performance and accountability. The Commission's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA), as detailed in the Office of Management and Budget (OMB) Circular No. A-123, Management's Responsibility for Internal Control. Our internal control program is helping us meet these responsibilities by monitoring our financial, human capital and information resources to safeguard our assets, improve the integrity of our reporting, and use our resources more effectively in reaching our goals. Problems that impede our progress or our ability to safeguard our assets continue to be brought to the attention of management and are addressed appropriately.

In accordance with OMB Circular No. A-123, Management's Responsibility for Internal Control, we evaluated the effectiveness and efficiency of our internal controls over operations and our compliance with applicable laws and regulations as of September 30, 2015. Based on the results of this evaluation, the Commission can provide reasonable assurance that its internal controls are operating effectively and that no material weaknesses were found in the design or operation of our internal controls.

The Commission is constantly evaluating its internal control program and makes improvements when issues are brought to management's attention. Over the last two fiscal periods, Commission management became aware of two instances where sensitive information under its control was improperly disclosed. Management reported these matters to the Office of the Inspector General (OIG) for further investigation. Commission staff supported OIG during the related investigations and concurred with the recommendations provided by the Inspector General to strengthen the protection of its information resources. Accordingly, the Commission is developing new policies and procedures regarding the classification and subsequent treatment of sensitive information. The Commission is also developing comprehensive training for key personnel on classification and handling methodologies of this information to mitigate risks of improper disclosure.

In addition, the Commission assessed the effectiveness of internal controls over financial reporting, which includes the safeguarding of assets, and our compliance with applicable laws and regulations in accordance with the requirements of OMB Circular No. A-123, Appendix A. The results of this assessment found no material weaknesses in the design or operation of our controls over financial reporting. The Commission can provide reasonable assurance that its internal controls over financial reporting as of June 30, 2015, are operating effectively.

The Commission took corrective actions to remediate a FY 2014 material weakness due to an instance of noncompliance with federal accounting standards, which resulted in the restatement of the FY 2013 Balance Sheet and Statement of Changes in Net Position to correct a material misstatement.

Furthermore, the Federal Financial Management Improvement Act (FFMIA) requires agencies to implement and maintain financial management systems that are substantially in compliance with federal financial management system requirements, federal accounting standards promulgated by the Federal Accounting Standards Advisory Board (FASAB), and the U.S. Standard General Ledger (USSGL) at the transaction level. The results of related reviews did not disclose any material weaknesses and found the Commission to be in substantial compliance with FFMIA.

Norman C. Bay
Chairman
Federal Energy Regulatory Commission
November 2015

Federal Managers' Financial Integrity Act of 1982

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 laws; (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 annual assurance statement on the adequacy of management controls and conformance of financial systems with Government wide standards.

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

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

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

FY 2015 Integrity Act Results
The Commission evaluated its management control systems for the fiscal year ending September 30, 2015. 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 2015 OMB Circular No. A-123, Appendix A

The Commission evaluated its internal controls over financial reporting for the fiscal year ending September 30, 2015. Based on the results of this evaluation, the Commission can provide reasonable assurance that its internal controls are operating effectively and that no material weaknesses were found in the design or operation of our internal controls.

Federal Financial Management Improvement Act of 1996

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

FY 2015 FFMIA Results.
As of September 30, 2015, the Commission evaluated its financial management system to determine if it

complied with applicable Federal requirements and accounting standards required by FFMIA. 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 FFMIA.

Prompt Payment Act

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, 2015, the Commission made 100 percent of its payments, that were subject to the Prompt Payment Act, on-time. The Commission incurred $0 in interest penalties in FY 2015 and $925 in FY 2014. The agency made 100 percent of its vendor payments electronically in FY 2015.

Debt Collection Improvement Act of 1996

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, 2015, delinquent debt was approximately $0.7 million, which is approximately one-fifth of a percent of its current annual billings. The Commission continues to aggressively pursue the collection of delinquent debt and continues to meet the requirement that all eligible delinquent debt over 120 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, 2015 and it has processed 99.6 percent of its payments without error. The Commission found only 35 erroneous payments out of 8,506 total payments. The value of those erroneous payments totaled $0.3 million out of total payments of $55,558,051 for FY 2015.

POSSIBLE FUTURE EFFECTS OF EXISTING EVENTS AND CONDITIONS

Certain hydroelectric licensees have filed appeals claiming the Commission erroneously accepted certain "other agency costs" (costs incurred by Other Federal agencies in administering Part I of the FPA component of the licensees' annual charges) in its calculation of FY annual charges. In addition, certain licensees have filed appeals against their hydropower administrative annual charges to seek a partial or 100% municipal exemption. The combined liability of these appeals total $3.4 million and $4.3 million as of September 30, 2015 and 2014, respectively, and is included herein as revenue collected under protest. The FY 2015 liability is fully funded and therefore poses no adverse or material future effect on the Commission's financial position.

In addition, the Commission has one Freedom of Information Act and two Equal Employment Opportunity cases pending where the probability of success for the claimants is reasonably possible. The amount of monetary relief in the FOIA case could total $50,000, as of September 30, 2015. The monetary relief in the two EEO cases could total $300,000 and $100,000 respectively, as of September 30, 2015.

LIMITATIONS OF THE FINANCIAL STATEMENTS

The financial statements have been prepared to report the financial position and results of operations of the Commission, 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.

Financial Section

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

Office of the
Executive Director

Message from the Chief Financial Officer

I am pleased to present the Federal Energy Regulatory Commission's (Commission) comparative financial results for fiscal years 2015 and 2014. The accompanying financial statements and related notes fairly present the Commission's financial position and were prepared in conformity with accounting principles generally accepted in the United States of America, and requirements set forth in Office of Management and Budget (OMB) Circular No. A-136, Financial Reporting Requirements.

During FY 2015, the Commission continued to focus on its statutory responsibilities. Through strict adherence to its primary mission, the Commission assisted consumers in obtaining reliable, efficient, and sustainable energy services at a reasonable cost through appropriate regulatory and market means. In fulfilling this mission, the Commission continued to establish policies and processes designed to ensure that rates, terms and conditions for wholesale sales and transmission of electric energy and natural gas are just, reasonable and not unduly discriminatory or preferential. Additionally, the agency took action to continually promote the development of safe, reliable, and efficient energy infrastructure that serves the public interest.

My organization focused on core responsibilities that supported mission accomplishment through organizational excellence. In this regard, we maintained a robust internal control environment which facilitated compliance with an extensive regulatory framework. We continued to implement innovative processes which allowed us to effectively manage Commission resources while providing quality services that met our customers' needs. Moreover, we have built and maintained a highly-skilled workforce that successfully executed operational and policy requirements. This strategic approach to managing our acquisition and financial functions has aligned my organization's efforts with the broader mission of the agency. This Agency Financial Report further demonstrates this vital alignment of resources to agency mission.

Additionally, I would like to offer the following major achievements to demonstrate the effectiveness and efficiency of the Commission's acquisition and financial functions.

- The Commission obtained an unmodified opinion on its financial statements for the 22nd consecutive year. In addition, it strengthened its internal control program by continuing on-going self-assessment efforts as required by OMB Circular No. A-123, Management's Responsibility for Internal Control. This assessment resulted in the Commission's assertion that it has reasonable assurance that its internal controls over financial reporting were operating effectively during FY 2015.

- The Commission collected over $321.0 million in offsetting receipts during the fiscal year, which was more than $17.3 million in excess of its statutory collections requirements. In FY 2015, the Financial Management staff issued 100 percent of the related regulatory assessments electronically to jurisdictional entities.

- The Commission awarded over 25 percent of its total contract dollars to small, women-owned and minority businesses.

- The Commission awarded its seven year Information Technology and Support Services (ITSS) contract using a firm fixed cost and time and materials contract vehicle. This contract vehicle will yield the Commission millions of dollars in savings compared to the previous five year ITSS contract.

- The Commission paid 100 percent of its invoices on time according to the Prompt Payment Act with an error rate of less than 1 percent.

Our keen focus on program performance and significant financial accomplishments demonstrate the high regard we have for accountability and public disclosure. This report demonstrates a lasting commitment to fulfill our fiduciary responsibilities to Commission stakeholders. I am proud of the role my organization has played in being effective and efficient

W. Doug Foster, Jr.
Chief Financial Officer
Federal Energy Regulatory Commission
November 2015

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Attachment

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Federal Energy Regulatory Commission (the Commission), which comprise the balance sheets as of September 30, 2015 and 2014, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Federal Energy Regulatory Commission as of September 30, 2015 and 2014, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Management has elected to reference to information on websites outside the Agency Financial Report to provide additional information for the users of its financial statements. Such information is not a required part of the basic financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis section be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Letter from Chairman Bay, Strategic Plan Overview, Message from the Chief Financial Officer, Other Information **-** Schedule of Spending and the Appendices of the Agency Financial Report are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2015, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

KPMG

Attachment

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 15-02.

We also performed tests of its compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of FFMIA disclosed no instances in which the Commission's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

***Purpose of the Other Reporting Required by* Government Auditing Standards**

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, D.C.
November 12, 2015

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FEDERAL ENERGY REGULATORY COMMISSION

Balance Sheets

As of September 30, 2015 and 2014

(in dollars)

		2015		2014
Assets (note 3):				
Intragovernmental:				
Fund balance with Treasury (note 4)	$	95,599,584	$	90,789,268
Accounts receivable (note 5)		33,498		51,529
Total intragovernmental		95,633,082		90,840,797
Accounts receivable, net (note 5)		11,656,549		9,383,725
Unbilled receivable (note 5)		1,242,398		-
Accounts receivable, net and unbilled receivable (note 5)		12,898,947		9,383,725
Property and equipment, net (note 6)		10,574,451		12,613,725
Total assets	$	119,106,480	$	112,838,247
Liabilities:				
Intragovernmental:				
Accounts payable	$	2,658,960	$	1,748,539
Other (note 7):				
Accrued payroll and benefits		1,323,806		1,060,763
Resources transferable to Treasury and other Federal entities		3,756,904		1,482,834
Workers' compensation payable (note 9)		639,178		779,273
Total intragovernmental		8,378,848		5,071,409
Accounts payable		12,904,948		13,165,720
Other (note 7):				
Accrued payroll and benefits		6,482,530		4,657,481
Collections due to states (note 13)		4,593,476		4,303,639
Revenue collected under protest (note 11)		3,435,900		4,273,755
Refunds and other amounts due		502,216		4,536,551
Accrued leave (note 9)		14,863,340		14,597,109
FECA actuarial liability (note 9)		2,420,211		3,619,514
Resources transferable to other entities from disgorged funds		7,834,759		7,834,759
Total liabilities		61,416,228		62,059,937
Commitments and Contingencies (note 11)				
Net Position:				
Unexpended appropriations - other funds		-		-
Cumulative results of operations - other funds		57,690,252		50,778,310
Total net position		57,690,252		50,778,310
Total liabilities and net position	$	119,106,480	$	112,838,247

The accompanying notes are an integral part of these statements.

FEDERAL ENERGY REGULATORY COMMISSION
Statements of Net Cost
For Years Ended September 30, 2015 and 2014
(in dollars)

	2015	2014
Program costs:		
Regulation:		
Just and Reasonable Rates, Terms, & Conditions (note 14):		
Gross costs	$ 146,560,643	$ 144,564,347
Less: earned revenue	146,560,643	144,564,347
Net program costs	$ -	$ -
Infrastructure (note 14):		
Gross costs	$ 110,670,761	$ 103,563,920
Less: earned revenue	110,670,761	103,567,291
Net program costs	$ -	$ (3,371)
Mission Support (note 14):		
Gross costs	$ 58,434,182	$ 58,661,393
Less: earned revenue	58,434,182	58,661,393
Net program costs	$ -	$ -
Total (note 14):		
Gross costs	$ 315,665,586	$ 306,789,660
Less: earned revenue	315,665,586	306,793,031
Net Cost of Operations	$ -	$ (3,371)

The accompanying notes are an integral part of these statements.

FEDERAL ENERGY REGULATORY COMMISSION
Statements of Changes in Net Position
For Years Ended September 30, 2015 and 2014
(in dollars)

	2015	2014
Cumulative Results of Operations:		
Beginning balances	$ 50,778,310	$ 42,560,053
Budgetary Financing Sources:		
Appropriations used	254,922,813	292,743,193
Other Financing Sources (Non-Exchange):		
Transfers – out to Treasury without reimbursement	(260,350,875)	(299,421,726)
Imputed financing from costs absorbed by others (note 10)	12,340,004	14,893,419
Total Financing Sources	6,911,942	8,214,886
Net Cost of Operations	-	3,371
Net Change	6,911,942	8,218,257
Cumulative Results of Operations	$ 57,690,252	$ 50,778,310
Unexpended Appropriations:		
Beginning balances	$ -	$ -
Budgetary Financing Sources:		
Appropriations received	304,389,000	304,600,000
Appropriations used	(254,922,813)	(292,743,193)
Other Adjustments	(49,466,187)	(11,856,807)
Total Budgetary Financing Sources	-	-
Total Unexpended Appropriations	$ -	$ -
Net Position	$ 57,690,252	$ 50,778,310

The accompanying notes are an integral part of these statements.

FEDERAL ENERGY REGULATORY COMMISSION

Statements of Budgetary Resources
For Years Ended September 30, 2015 and 2014
(in dollars)

		2015		2014
Budgetary Resources:				
Unobligated balance, brought forward, Oct 1	$	27,673,015	$	21,431,669
Recoveries of prior year unpaid obligations		517,137		1,898,682
Other changes in unobligated balance		(78,082)		-
Unobligated balance from prior year budget activity, net		28,112,070		23,330,351
Appropriations		4,279,951		4,005,028
Spending authority from offsetting collections		304,472,022		304,774,768
Total budgetary resources	$	336,864,043	$	332,110,147
Status of Budgetary Resources:				
Obligations incurred (note 15)	$	319,728,826	$	304,437,132
Unobligated balances, end of year:				
Apportioned		17,134,287		27,594,710
Unapportioned		930		78,305
Total unobligated balance, end of year		17,135,217		27,673,015
Total budgetary resources	$	336,864,043	$	332,110,147
Change in Obligated Balance:				
Unpaid Obligations:				
Unpaid obligations, brought forward, Oct 1	$	43,381,425	$	34,518,470
Obligations incurred		319,728,826		304,437,132
Outlays gross		(303,625,515)		(293,675,495)
Recoveries of prior year unpaid obligations		(517,137)		(1,898,682)
Unpaid obligations, end of year		58,967,599		43,381,425
Uncollected payments:				
Uncollected payments, Federal sources, brought forward, Oct 1		(197,248)		(46,059)
Change in uncollected payments, Federal sources		119,168		(151,189)
Uncollected payments, Federal sources, end of year		(78,080)		(197,248)
Memorandum (non-add) entries:				
Obligated balance, start of year	$	43,184,177	$	34,472,411
Obligated balance, end of year	$	58,889,519	$	43,184,177

continued on the next page

FEDERAL ENERGY REGULATORY COMMISSION
Statements of Budgetary Resources, continued
For Years Ended September 30, 2015 and 2014
(in dollars)

Budget Authority and Outlays, Net:		
Budget authority, gross	$ 308,751,973	$ 308,779,796
Actual Offsetting collections	(304,591,189)	(304,623,579)
Change in uncollected customer payments from Federal Sources	119,168	(151,189)
Budget authority, net	$ 4,279,952	$ 4,005,028
Outlays, gross	$ 303,625,515	$ 293,675,495
Actual Offsetting collections	(304,591,189)	(304,623,579)
Outlays, net	(965,674)	(10,948,084)
Less: Distributed offsetting receipts	(20,101,886)	(31,952,802)
Agency outlays, net	$ (21,067,560)	$ (42,900,886)

The accompanying notes are an integral part of these statements.

FEDERAL ENERGY REGULATORY COMMISSION

Statements of Custodial Activity

For Years Ended September 30, 2015 and 2014

(in dollars)

	2015	2014
Revenue Activity:		
Sources of Collections:		
Cash collections:		
Annual Charges	$ 33,561,022	$ 31,190,700
Other	2,775,000	12,249,758
Accrual adjustments	2,140,890	(14,757,932)
Total custodial revenue (note 12)	38,476,912	28,682,526
Disposition of Collections:		
Transferred to others:		
United States Army – Corps of Engineers	(8,638,511)	(8,352,794)
Department of Interior	(8,595,642)	(8,316,839)
United States Treasury	(14,807,004)	(22,623,450)
Various states	(4,294,865)	(4,147,375)
Decrease (increase) in Amounts Yet to be transferred	2,140,890	14,757,932
Total Disposition of Collections	(38,476,912)	(28,682,526)
Net Custodial Activity	$ -	$ -

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

(1) Description of Reporting Entity

The Federal Energy Regulatory Commission (the Commission or FERC) 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 Organization Act on October 1, 1977. The Commission's predecessor, the Federal Power Commission (FPC), established in 1920, was abolished, and the Commission inherited most of FPC's regulatory mission.

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

The Commission's main legal authority is derived from the Federal Power Act of 1935, the Energy Policy Act of 2005, the Natural Gas Act of 1938, the Natural Gas Policy Act of 1978, the Interstate Commerce Act and the Public Utility Regulatory Policies Act of 1978.

On March 4, 2014, the Commission submitted to Congress its updated Strategic Plan which will serve as a guide through FY 2018. As part of the update process, the Commission reviewed and updated its strategic objectives to align its core functions and authorities with the intended outcome. Further, the Commission added a third goal to capture management initiatives and responsibilities related to public trust, transparency and communication. The Commission reviewed its resource alignment and made changes where appropriate.

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

Just and Reasonable Rates, Terms and Conditions

One of the Commission's fundamental statutory responsibilities is to ensure that rates, terms and conditions for wholesale sales and transmission of electric energy and natural gas are just and reasonable and not unduly discriminatory or preferential. The Commission uses a combination of regulatory and market means to achieve this goal, including: reviewing and analyzing tariffs and other filings; establishing rules and policy that will result in appropriate rates; and employing competitive forces through markets. Oversight of the energy markets and enforcement of the associated laws, rules and regulations are essential complements to the regulatory and market means. The Commission uses a balanced approach in its oversight and enforcement efforts, including: conducting surveillance and analysis of market trends and data; educating affected entities about market rules and other regulations; promoting internal compliance programs; employing robust audit and investigation programs; and, where appropriate, exercising the Commission's civil penalty authority as a deterrent to violations.

Safe, Reliable, Secure and Efficient Infrastructure

The Commission plays an important role in the development of a strong energy infrastructure that operates efficiently, safely and reliably. The Commission authorizes the construction and operation of interstate natural gas pipelines and storage projects, liquefied natural gas (LNG) facilities, and non-federal hydropower projects. Other Commission responsibilities include ensuring the safety of non-federal hydropower projects and LNG facilities throughout their entire life cycle; overseeing the development and review of, as well as compliance with, mandatory reliability and security standards for the bulk power system; and collaborating with regulated entities and other federal and state governmental agencies to identify and seek solutions to cyber and physical threats to FERC-jurisdictional infrastructure.

Mission Support Through Organizational Excellence

The public interest is best served when the Commission operates in an efficient, responsive and transparent manner. The Commission achieves this operational state by maintaining processes and providing services in accordance with governing statutes, authoritative guidance, and prevailing best practices.

Cost Recovery

As described below, the Commission recovers 100 percent of its annual budget authority from offsetting collections through annual charges and filing fees which are authorized by the Omnibus Budget Reconciliation Act of 1986 and other laws.

Annual Charges

The Commission recovers 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 charges are summarized as follows:

Hydropower

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

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

Gas, Electric, and Oil

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

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

Filing Fees

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

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

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

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

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

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

These financial statements have also been prepared in accordance with the form and content for financial statements specified by 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 allotments from DOE appropriation (89X5105). Both of the Commission's appropriations relate to budget functional classification code 276, Energy Information Policy and Regulation, and appropriation (89X5105) relates to budget functional classification code 806, Energy Information Policy and Regulation.

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

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

(b) Budgets and Budgetary Accounting

Congress annually adopts budget authority that provides the Commission with authority to use funds from the Treasury to meet its operating and capital expenditure requirements. The budget authority is not restricted to use in a specific fiscal year. All revenue from annual charges and filing fees in excess of its budget authority 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 is granted budget authority from offsetting collections. The Commission receives an appropriated amount from the Treasury general fund at the beginning of the fiscal year, which is used for its operating and capital expenditures. Throughout the year, the Commission collects monies through annual charges and filing fees and returns the appropriated amount to the Treasury general fund at year-end. The offsetting collections serve as the financing source for any unexpended budget authority.

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.

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

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

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

(e) Fund Balance with Treasury

The Commission does not maintain cash in commercial bank accounts. Cash receipts and disbursements are processed by the Treasury. The balance of funds with the Treasury represents 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 (other than furniture and software) with a cost greater than $25,000 and a total useful life exceeding two years. The Commission capitalizes individual furniture purchases with a cost greater than $50,000 and bulk furniture purchases related to the acquisition of newly leased space or total renovation of existing Commission space with a cost greater than $250,000. The Commission also capitalizes commercially purchased or internally developed software with a cost greater than $100,000 and leasehold improvements over $250,000 that are related to initial move-ins, build-outs of newly leased space, and/or a complete renovation of already leased space. Depreciation is calculated based on an estimated useful life of the shorter of 20 years or the life of the lease for leasehold improvements, 10 years for furniture, 2 to 5 years for commercially purchased or internally developed software, and 5 years for all remaining assets. Expenditures for repairs and maintenance are charged to program costs as incurred.

(h) Liabilities

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

(i) 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.

(j) Collections Due to States

The Commission disburses 37.5% of the fees it collects from licensees for the occupancy and use of public lands to affected states in the year following collection. These collections are initially deposited into the Treasury's miscellaneous receipts fund.

(k) Revenue Collected Under Protest

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

(l) 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 non-vested leave are charged to expense as the leave is used.

(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

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

(o) Tax Status

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

(p) Use of Estimates

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

(3) Non-Entity Assets

Non-entity assets at September 30, 2015 and 2014 consisted of:

	2015	2014
Intragovernmental:		
Fund balance with Treasury:		
Collections due to states	$ 4,593,476	$ 4,303,639
Revenue collected under protest	3,435,900	4,273,755
Miscellaneous receipts held in suspense	502,216	114,584
Total Fund balance with Treasury assets	8,531,592	8,691,978
Accounts receivable, net (note 5)	11,013,799	8,690,988
Total intragovernmental non-entity assets	19,545,391	17,382,966
Total entity assets	99,561,089	95,455,281
Total assets	$ 119,106,480	$ 112,838,247

(4) Fund Balance with Treasury

Fund balance with Treasury at September 30, 2015 and 2014 consisted of:

		2015		2014
Fund Balances:				
General funds	$	87,067,992	$	82,097,290
Other:				
Collections due to states		4,593,476		4,303,639
Revenue collected under protest		3,435,900		4,273,755
Miscellaneous receipts held in suspense		502,216		114,584
Total	$	95,599,584	$	90,789,268
Status of Fund Balance with Treasury:				
Unobligated balance:				
Available	$	17,134,287	$	27,397,686
Unavailable		15,559,582		15,621,819
Obligated balance not yet disbursed		58,967,599		43,381,425
Non-budgetary fund balance with Treasury		3,938,116		4,388,338
Total	$	95,599,584	$	90,789,268

(5) Accounts Receivable, net

Entity and non-entity accounts receivable at September 30, 2015 and 2014 consisted of:

	2015		
	Annual Charges	**Other**	**Total**
Entity			
Uncollected billings	$ 577,865	$ 71,023	$ 648,888
Unbilled receivable	1,242,398	-	1,242,398
Uncollected intragovernmental billings	-	33,498	33,498
Allowance for doubtful accounts	-	(6,138)	(6,138)
Total entity accounts receivable, net	1,820,263	98,383	1,918,646
Non-entity			
Uncollected billings	50,577	561,091,988	561,142,565
Allowance for doubtful accounts	-	(550,128,766)	(550,128,766)
Total non-entity accounts receivable, net (note 3)	50,577	10,963,222	11,013,799
Total accounts receivable, net and unbilled receivable	$ 1,870,840	$ 11,061,605	$ 12,932,445

	2014		
	Annual Charges	**Other**	**Total**
Entity			
Uncollected billings	$ 626,605	$ 70,198	$ 696,803
Unbilled receivable	-	-	-
Uncollected intragovernmental billings	-	51,529	51,529
Allowance for doubtful accounts	-	(4,066)	(4,066)
Total entity accounts receivable, net	626,605	117,661	744,266
Non-entity			
Uncollected billings	203,227	507,766,527	507,969,754
Allowance for doubtful accounts	-	(499,278,766)	(499,278,766)
Total non-entity accounts receivable, net	203,227	8,487,761	8,690,988
Total accounts receivable, net	$ 829,832	$ 8,605,422	$ 9,435,254

As of September 30, 2015, there were seven civil penalty cases, totaling $517.6 million, that have elected to have the district court procedures of section 31(d)(3)(a) of the Federal Power Act (FPA) apply. Under these proceedings, the district court of the United States may rule to find these defendants not liable for the imposed civil penalty in whole or part. Until final determination of the district courts, the Commission is not allowed under the FPA to collect any imposed civil penalties. Because of the uncertainties of the outcome in the final determination of the district courts, the Commission has included the related civil penalties in the Allowance for Doubtful Accounts.

6) Property and Equipment, net

Property and equipment and related accumulated depreciation at September 30, 2015 and 2014 consisted of:

	2015		
	Acquisition Amount	**Accumulated Depreciation**	**Net**
Equipment	$ 7,320,417	$ 5,968,185	$ 1,352,232
Furniture	11,500,547	10,217,906	1,282,641
Leasehold improvements	11,713,238	10,594,017	1,119,221
ADP software	22,466,283	19,249,005	3,217,278
Construction in process	255,331	-	255,331
Internal software in development	3,347,748	-	3,347,748
Capital leases	29,000	29,000	-
Total property and equipment, net	$ 56,632,564	$ 46,058,113	$ 10,574,451

	2014		
	Acquisition Amount	**Accumulated Depreciation**	**Net**
Equipment	$ 6,873,710	$ 5,333,965	$ 1,539,745
Furniture	11,500,547	9,974,937	1,525,610
Leasehold improvements	11,713,238	9,897,264	1,815,974
ADP software	19,442,500	17,605,317	1,837,183
Construction in process	-	-	-
Internal software in development	5,895,213	-	5,895,213
Capital leases	29,000	29,000	-
Total property and equipment, net	$ 55,454,208	$ 42,840,483	$ 12,613,725

(7) Other Liabilities

Other liabilities at September 30, 2015 and 2014 consisted of:

	2015		
	Current	Non-Current	Total
Intragovernmental			
Accrued payroll and benefits	$ 1,323,806	$ -	$ 1,323,806
Resources transferable to Treasury and other Federal entities	3,756,904	-	3,756,904
Workers' compensation payable (note 9)	393,824	245,354	639,178
Total other intragovernmental liabilities	5,474,534	245,354	5,719,888
Accrued payroll and benefits	6,482,530	-	6,482,530
Collections due to states	4,593,476	-	4,593,476
Revenue collected under protest	3,435,900	-	3,435,900
Refunds and other amounts due	502,216	-	502,216
Accrued leave (note 9)	14,863,340	-	14,863,340
FECA Actuarial Liability (note 9)	0	2,420,211	2,420,211
Resources transferable to other entities from disgorged funds	7,834,759	-	7,834,759
Total other liabilities	$ 43,186,755	$ 2,665,565	$ 45,852,320

	2014		
	Current	Non-Current	Total
Intragovernmental			
Accrued payroll and benefits	$ 1,060,763	$ -	$ 1,060,763
Resources transferable to Treasury and other Federal entities	1,482,834	-	1,482,834
Workers' compensation payable	384,155	395,118	779,273
Total other intragovernmental liabilities	2,927,752	395,118	3,322,870
Accrued payroll and benefits	4,657,481	-	4,657,481
Collections due to states	4,303,639	-	4,303,639
Revenue collected under protest	4,273,755	-	4,273,755
Refunds and other amounts due	4,536,551	-	4,536,551
Accrued leave	14,597,109	-	14,597,109
FECA Actuarial Liability	-	3,619,514	3,619,514
Resources transferable to other entities from disgorged funds	7,834,759	-	7,834,759
Total other liabilities	$ 43,131,046	$ 4,014,632	$ 47,145,678

Resources transferable to Treasury and other Federal entities represent future collections on accounts receivable that will be forwarded to Treasury upon receipt.

Revenue collected under protest represents monies that, once the protest is resolved, may either be recognized as revenue by the Commission or returned to the protesting entity.

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

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

(8) Leases

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 executes an occupancy agreement with GSA, which normally includes a requirement to give 30-120 days' notice to vacate. Expenses incurred for building leases amounted to $22.5 million and $22.3 million for the years ended September 30, 2015 and 2014, respectively.

The table below identifies minimum lease amounts that the Commission may be liable for in the future based on current agreements or current negotiations to renew existing lease agreements. The Commission also anticipates renewing expiring leases that are not currently in negotiations, for similar terms and conditions upon the expiration of those current agreements.

Real Property Operating Leases – Future Payments

Fiscal Year	GSA	Non-GSA	Total
FY 2016	$ 20,604,882	$ 3,708	$ 20,608,590
FY 2017	21,086,938	-	21,086,938
FY 2018	20,942,216	-	20,942,216
FY 2019	20,640,331	-	20,640,331
FY 2020	20,010,954	-	20,010,954
Beyond FY 2020	93,071,258	-	93,071,258
Total future minimum lease payments	$ 196,356,579	$ 3,708	$ 196,360,287

(9) Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources at September 30, 2015 and 2014 consisted of:

	2015	2014
Intragovernmental		
Workers' compensation payable (note 7)	$ 639,178	$ 779,273
Total intragovernmental	639,178	779,273
Accrued leave (note 7)	14,863,340	14,597,109
FECA Actuarial Liability (note 7)	2,420,211	3,619,514
Total liabilities not covered by budgetary resources	$ 17,922,729	$ 18,995,896

(10) Employee Benefits

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 hired before January 1, 2013, the Commission makes a contribution of 13.2% of basic pay. For employees participating in the FERS-Revised Annuity Employees (RAE) program hired after January 1, 2013, the Commission makes a contribution of 11.1% of basic pay. For employees participating in the FERS-Further Revised Annuity Employees (FRAE) program hired after December 31, 2013, the Commission makes a contribution of 11.1%.

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. Public Law 112-96, Section 5001 of the "Middle Class Tax Relief and Job Creation Act of 2013," makes a significant change to the FERS program. Beginning January 1, 2013, new employees under FERS-RAE contribute 3.1% of their basic salaries compared to 0.8% contributed by employees hired prior to January 1, 2013. Furthermore, new employees hired after December 31, 2013 under FERS-FRAE contribute 4.4% of their basic salaries compared to the contribution rates of FERS and FERS-RAE employees.

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. For the years ended September 2015 and 2014 both plans cost approximately $20.4 million and $18.0 million, respectively. The total imputed costs for pension, life and health insurance recognized by the Commission for FY 2015 and FY 2014 are $12.3 million and $14.9 million, respectively and will ultimately be funded through the Office of Personnel Management.

(11) Commitments and Contingencies

Certain hydroelectric licensees have filed appeals claiming the Commission erroneously accepted certain "other agency costs" (costs incurred by Other Federal agencies in administering Part I of the FPA component of the licensees' annual charges) in their calculation of FY annual charges. In addition, certain licensees have filed appeals against their hydropower administrative annual charges to seek a partial or 100 percent municipal exemption. The combined liabilities of these appeals total $3.4 million and $4.3 million as of September 30, 2015 and 2014, respectively, and are included herein as revenue collected under protest. The FY 2015 liability is fully funded and therefore poses no adverse or material future effect on the Commission's financial position.

In addition, the Commission has one Freedom of Information Act and two Equal Employment Opportunity cases pending where the probability of success for the claimants is reasonably possible. The amount of monetary relief in the FOIA case could total $50,000, as of September 30, 2015. The monetary relief in the two EEO cases could total $300,000 for one case and $100,000 for the other case, as of September 30, 2015.

(12) Custodial Activity

The Commission currently bills regulated companies annual charges as a custodian for certain Federal agencies. These agencies include the United States Army Corps of Engineers, the Department of Interior's Bureau of Reclamation, and the Treasury. Accrual accounting is used to account for the Commission's custodial activities. The receivables are maintained by the Commission, and the collections are processed to each Federal agency on a monthly basis. In addition to the annual charges, penalty and administrative costs are assessed on past-due bills and remitted to the Treasury when received. For FY 2015 and FY 2014, these custodial collections transferred to Treasury and other federal agencies totaled approximately $36.3 million and $43.4 million, respectively.

(13) Funds from Dedicated Collections

In accordance with the Federal Accounting Standards Advisory Board's Statement on Federal Financial Accounting Standards (SFFAS) No. 27 and as amended by SFFAS No. 43, the Commission is required to report separately on the Balance Sheets and Statements of Changes in Net Position, the non-exchange revenue, other financing sources, net cost of operations and net position attributable to funds from dedicated collections. In addition, the Commission must disclose the fund for which it has program management responsibility. The Commission's Collections Due to States fund meets the criteria for funds from dedicated collections, however, these funds are custodial in nature and therefore do not impact the Balance Sheet's net position or the Statement of Changes in Net Position. The balances as of September 30, 2015 and 2014 were $4.6 million and $4.3 million, respectively. Fund 89X5105 and 895105 pertains to the Use of Government lands. "Reasonable annual charges for recompensing the United States for the use, occupancy, and enjoyment of its lands or its other property will be fixed by the Commission." 18 C.F.R. 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."

(14) Intragovernmental Costs and Exchange Revenue

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

Intragovernmental costs and exchange revenue for the years ended September 30, 2015 and 2014 consisted of:

	2015	2014
Just and Reasonable Rates, Terms, & Conditions		
Intragovernmental costs	$ 32,948,483	$ 31,268,753
Public costs	113,612,160	113,295,594
Total Just and Reasonable Rates, Terms, and Conditions costs	146,560,643	144,564,347
Intragovernmental earned revenue	16,704	16,302
Public earned revenue	146,543,939	144,548,045
Total Just and Reasonable Rates, Terms, and Conditions earned revenues	146,560,643	144,564,347
Infrastructure		
Intragovernmental costs	24,882,750	22,399,999
Public costs	85,788,011	81,163,921
Total Infrastructure costs	110,670,761	103,563,920
Intragovernmental earned revenue	196,750	46,191
Public earned revenue	110,474,011	103,521,100
Total Infrastructure earned revenues	110,670,761	103,567,291
Mission Support		
Intragovernmental costs	13,136,662	12,688,250
Public costs	45,297,520	45,973,143
Total Infrastructure costs	58,434,182	58,661,393
Intragovernmental earned revenue	6,659	6,615
Public earned revenue	58,427,523	58,654,778
Total Infrastructure earned revenues	58,434,182	58,661,393
Costs		
Intragovernmental costs	70,967,895	66,357,002
Public costs	244,697,691	240,432,658
Total costs	315,665,586	306,789,660
Revenue		
Earned intragovernmental revenue	220,113	69,108
Earned public revenue	315,445,473	306,723,923
Total earned revenue	$ 315,665,586	$ 306,793,031

(15) Apportionment Categories of Obligations Incurred

Apportionment categories of obligations incurred for the years ended as of September 30, 2015 and 2014 consisted of:

	2015	2014
Category A:		
Direct	$ 319,646,510	$ 304,262,587
Reimbursable	82,316	174,545
Total obligations incurred	$ 319,728,826	$ 304,437,132

Category A apportionments distribute budgetary resources by fiscal quarters.

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

The Commission had no differences between the Statement of Budgetary Resources and the Budget of the United States as of September 30, 2014. 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, 2015 is not presented, because the submission of the FY 2015 budget occurs after publication of these financial statements. The Commission's Budget Appendix can be found under the DOE on the OMB website and will be available in early February 2016.

(17) Undelivered Orders at the End of the Period

Undelivered orders are obligations made by the Commission for services and purchases that have not been received and accepted as of the balance sheet date. The amount of Commission budgetary resources reported as undelivered orders as of September 30, 2015 and 2014 were $31.4 million and $19.0 million, respectively.

(18) Reconciliation of Net Cost of Operations to Budget

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

	2015	2014
Resources used to finance activities:		
Budgetary resources obligated:		
Obligations incurred	$ 319,728,826	$ 304,437,132
Less: spending authority from offsetting collections and prior year recoveries	(304,989,159)	(306,673,450)
Obligations, net of offsetting collections and prior year recoveries	14,739,667	(2,236,318)
Less: Distributed offsetting receipts	(20,101,886)	(31,952,802)
Net obligations	(5,362,219)	(34,189,120)
Other resources:		
Transfers-out and other adjustments, net of appropriations received	(11,092,428)	(6,678,533)
Imputed financing from costs absorbed by others	12,340,004	14,893,419
Net other resources used to finance activities	1,247,576	8,214,886
Total resources used to finance activities	(4,114,643)	(25,974,234)
Resources (used to) or generating finance items not part of the net cost of operations:		
Change in budgetary resources obligated for goods/ services/benefits ordered but not yet provided (+/-)	(12,449,323)	(5,634,628)
Resources that fund expenses recognized in prior periods	-	-
Budgetary offsetting receipts that do not affect the net cost of operations	20,101,886	31,952,802
Resources that finance the acquisition of assets	(1,403,681)	(3,261,043)
Payments to States	(4,279,951)	(4,005,028)
Total resources (used to) or generating finance items not part of the net cost of operations	1,968,931	19,052,103
Total resources used to finance the net cost of operations	(2,145,712)	(6,922,131)
Costs that do not require resources:		
Components requiring or (generating) resources in future periods:		
Increase (or decrease) in unfunded liabilities	(1,073,165)	(342,083)
Increase (or decrease) in exchange revenue receivable from the public	133,180	4,894,846
Total components of net cost of operations that will require or (generate) resources in future periods	(939,985)	4,552,763
Components not requiring or generating resources:		
Depreciation and amortization	3,217,630	2,708,196
Other	(131,933)	(342,199)
Total components of net cost of operations that will not require or (generate) resources	3,085,697	2,365,997
Total net cost of operations that do not require or (generate) resources in the current period	2,145,712	6,918,760
Net Cost of Operations	$ (0)	$ (3,371)

OTHER INFORMATION

FEDERAL ENERGY REGULATORY COMMISSION
Schedule of Spending (Unaudited)
For the Years Ended September 30, 2015 and 2014
(in millions)

	2015	2014
What Money is Available to Spend?		
Total Resources	$ 337	$ 332
Less Amount Available but Not Agreed to be Spent	17	28
Total Amounts Agreed to be Spent	**$ 320**	**$ 304**
How was the Money Spent/Issued?		
Personnel Compensation	$ 172	$ 167
Personnel Benefits	54	47
Benefits for Former Personnel	-	-
Travel and Transportation of Persons	3	3
Rent, Communication and Utilities	26	25
Printing and Reproduction	2	2
Other Contractual Services	56	50
Supplies and Materials	2	2
Equipment	1	4
Land and Structures		-
Grants, Subsidies and Contributions	4	4
Total Spending	320	304
Who Did the Money Go to?		
For Profit	$ 93	$ 89
Government	42	39
Higher Education	2	1
Individuals	183	175
Total Amounts Agreed to be Spent	**$ 320**	**$ 304**

The unaudited Schedule of Spending presents an overview of how and where the Commission spent its funding.

What Money is Available to Spend? summarizes the funds the Commission obligated during the fiscal year, the total amount agreed to be spent being equivalent to the obligations incurred shown on the Statement of Budgetary Resources (SBR). For FY 2015, $313,525 was not available to be spent for Payment to States; however that amount is not presented on the Schedule of Spending due to rounding.

How Was the Money Spent? summarizes the actual gross cash outlays for the fiscal year, the total spending being equivalent to the gross outlays shown on the SBR. These gross outlays are categorized by the OMB Budget Object Class definitions found in OMB Circular No. A-11.

Who did the Money go to? summarizes with whom the agencies are spending money and is based on obligations incurred as shown on the SBR. Outlays are not always made in the same fiscal year in which funds are obligated resulting in carryover obligated balances that will be disbursed in subsequent fiscal years. These timing differences are shown as increases/ (decreases) in Amounts Remaining to be Spent.

Appendix A: Statutory Authority

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

Electric, Hydropower, & General Statutes

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

Natural Gas Statutes

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

Oil Statutes

Interstate Commerce Act
Oil Pipeline Regulatory Reform

Environmental and Other Statutes

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

Appendix B: Acronym Listing

Acronym	Full Description
AFR	Agency Financial Report
APR	Annual Performance Report
CSRS	Civil Service Retirement System
C.F.R.	Code of Federal Regulations
CIP	Critical Infrastructure Protection
DOE	Department of Energy
DOL	Department of Labor
ECPA	Electric Consumers Protection Act
EISA	Energy Independence and Security Act of 2007
ERO	Electric Reliability Organization
FASAB	Federal Accounting Standards Advisory Board
FECA	Federal Employees Compensation Act
FERS	Federal Employees’ Retirement System
FERC	Federal Energy Regulatory Commission
FFMIA	Federal Financial Management Improvement Act of 1996
FMFIA	Federal Managers’ Financial Integrity Act
FPA	Federal Power Act
FPC	Federal Power Commission
FY	Fiscal Year
FTE	Full Time Equivalent
FRAE	Further Revised Annuity Employees
GSA	General Services Administration
GPRA	Government Performance and Results Act
IOAA	Independent Offices Appropriations Act of 1952
IPIA	Improper Payments Information Act
ISO	Independent System Operator
IT	Information Technology
ITMRA	Information Technology Management Reform Act of 1996
LNG	Liquefied Natural Gas
MISO	Midcontinent Independent System Operator
NEPA	National Environmental Policy Act
NGWDA	Natural Gas Wellhead Decontrol Act of 1989
OAL	Office of Administrative Litigation
OALJDR	Office of Administrative Law Judges and Dispute Resolution
OCSLA	Outer Continental Shelf Lands Act of 1978
OE	Office of Enforcement
OEA	Office of External Affairs
OED	Office of the Executive Director

Acronym	Full Description
OEIS	Office of Energy Infrastructure Security
OEMR	Office of Energy Market Regulation
OEP	Office of Energy Projects
OEPI	Office of Energy Policy and Innovation
OER	Office of Electric Reliability
OGC	Office of the General Counsel
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OSEC	Office of the Secretary
PJM	PJM Interconnection
PUHCA	Public Utility Holding Company Act of 2005
PURPA	Public Utility Regulatory Policies Act of 1978
RTO	Regional Transmission Organization
RAE	Revised Annuity Employees
RIDM	Risk-informed Decision Making
SPP	Southwest Power Pool
SBR	Statement of Budgetary Resources
SBREFA	Small Business Regulatory Enforcement Fairness Act of 1996
SFFAS	Statement on Federal Financial Accounting Standards
USSGL	United States Standard General Ledger