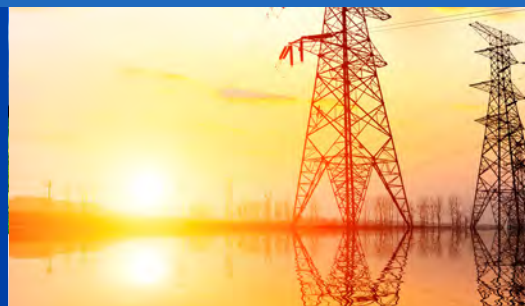


# Federal Energy Regulatory Commission



## Strategic Plan

March 2014

FY 2014–2018







## Table of Contents

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<b>Message from the Acting Chairman.....</b>	<b>v</b>
<b>Mission.....</b>	<b>1</b>
<b>Introduction .....</b>	<b>3</b>
About the Federal Energy Regulatory Commission.....	3
Strategic Plan Overview .....	4
<b>Goal 1: Ensure Just and Reasonable Rates, Terms, and Conditions.....</b>	<b>7</b>
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.....	7
Objective 1.2 Increase compliance with FERC rules; detect and deter market manipulation .....	12
<b>Goal 2: Promote Safe, Reliable, Secure, and Efficient Infrastructure.....</b>	<b>17</b>
Objective 2.1 Foster economic and environmental benefits for the nation through approval of natural gas and hydropower projects.....	17
Objective 2.2 Minimize risks to the public associated with FERC-jurisdictional energy infrastructure.....	19
<b>Goal 3: Mission Support through Organizational Excellence.....</b>	<b>25</b>
Objective 3.1 Manage Commission resources effectively and efficiently.....	25
Objective 3.2 Empower Commission employees to drive success.....	28
Objective 3.3 Facilitate public trust and understanding of Commission activities by promoting transparency, open communication, and a high standard of ethics.....	31
<b>Appendix A: Future Challenges .....</b>	<b>35</b>
<b>Appendix B: Statutory Authorities .....</b>	<b>37</b>
<b>Appendix C: Organization Chart.....</b>	<b>38</b>
<b>Appendix D: FERC’s Responsibilities.....</b>	<b>39</b>





## Message from the Acting Chairman

The Federal Energy Regulatory Commission (FERC or the Commission) will have very important work to do in the years covered by this Strategic Plan, fiscal years (FY) 2014 through 2018. The nation is experiencing significant changes in energy supply due to a number of factors, including the increased availability of domestic natural gas; the growth in renewable, demand-side and storage technologies; and new environmental requirements. Both the nation's energy infrastructure and energy markets must adapt to these changes to ensure that consumers have access to reliable, efficient and sustainable energy at a reasonable cost.

This Strategic Plan is not focused on specific technology or policy adaptations, but rather on the underlying and enduring responsibilities of the Commission under our enabling statutes. It is intended to be flexible and adaptable as energy challenges evolve, while providing clear and measurable targets.

This Strategic Plan builds on the success of our prior Strategic Plan, which covered FY 2009 through 2014. Among other changes, it more clearly reflects all major functions and operations of the Commission. In addition, this Strategic Plan includes a third strategic goal to highlight our commitment to our employees and empowering them to drive success at the Commission. The third strategic goal further emphasizes the value the Commission places on serving the American public through integrity, openness, and transparency.

The Commission is fortunate to have a highly dedicated and professional team of employees across all areas of its operations. We are dedicated to executing our Strategic Plan to achieve results and to address the challenges that face the energy industry and the nation.

Cheryl A. LaFleur  
Acting Chairman  
Federal Energy Regulatory Commission







# Mission

## Reliable, Efficient, and Sustainable Energy for Consumers

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

Fulfilling this mission involves pursuing three primary goals:

- 1 Ensure Just and Reasonable Rates, Terms, and Conditions
- 2 Promote Safe, Reliable, Secure, and Efficient Infrastructure
- 3 Mission Support through Organizational Excellence









# I Introduction

## I

### About the Federal Energy Regulatory Commission

#### Statutory Authority

The Federal Energy Regulatory Commission (FERC or the Commission) is an independent agency that regulates the transmission and wholesale sale of electricity and natural gas in interstate commerce, and regulates the transportation of oil by pipeline in interstate commerce. FERC also reviews proposals to build interstate natural gas pipelines, natural gas storage projects, and liquefied natural gas (LNG) terminals, and FERC licenses non-federal hydropower projects. Congress assigned these responsibilities to FERC in various laws enacted over nearly 100 years, such as the Federal Power Act, Public Utility Regulatory Policies Act, Natural Gas Act, and Interstate Commerce Act. More recently, as part of the Energy Policy Act of 2005, Congress gave FERC additional responsibility to protect the reliability and cybersecurity of the bulk power system through the establishment and enforcement of mandatory standards, as well as additional authority to enforce FERC regulatory requirements through the imposition of civil penalties and other means.

#### Organizational Structure

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 the orders through which FERC takes action. The President appoints one of the commissioners to be the chairman of FERC, the administrative head of the agency. FERC is a bipartisan body; no more than three commissioners may be of the same political party.

The staff of FERC is organized into 12 offices:

- ▶ **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 projects that are in the public interest.

- ▶ **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 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 detecting and combating market manipulation.
- ▶ **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 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 Infrastructure Security (OEIS)** identifies and—working with other governmental agencies, industry, and other stakeholders—seeks comprehensive solutions to potential threats to FERC-jurisdictional infrastructure from cyber and physical attacks, including geomagnetic disturbance and electromagnetic pulse events.
- ▶ **The Office of 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 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 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 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 External Affairs (OEA)** is 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.
- ▶ **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.

## Strategic Plan Overview

To achieve the mission of Reliable, Efficient, and Sustainable Energy for Consumers, FERC has established three strategic goals. Each goal is in turn broken down into multiple objectives that represent key components of the Commission's approach to achieving the goal:

### Goal 1: Ensure Just and Reasonable Rates, Terms, and Conditions

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, and Efficient Infrastructure

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

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.

Within the strategic plan, *goals* represent broad outcomes that FERC is trying to achieve. The first two goals are mission critical and correspond to key aspects of



FERC’s legislative authority. The third goal is a mission support goal focused on establishing a foundation of organizational excellence that enables the achievement of FERC’s mission. The *objectives* in this plan describe more specific, action-oriented steps that FERC will employ to meet the goal.

In presenting its strategic plan, FERC has identified and incorporated the following elements.

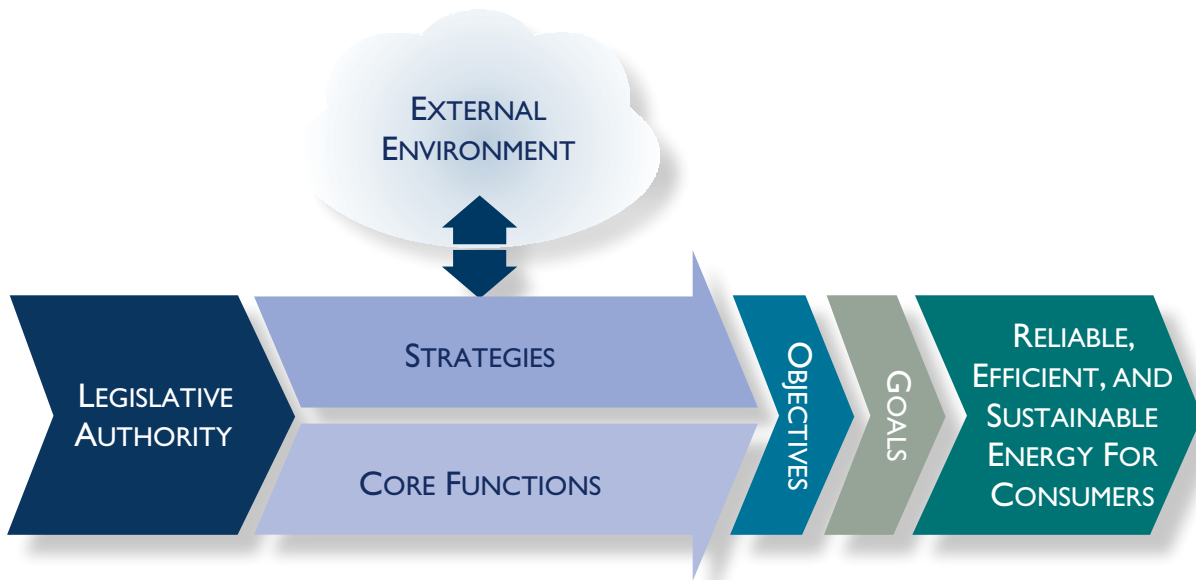
A *Core Function* is an integrated and focused combination of activities and capabilities that carry out a critical operational function necessary to achieve the objective.

A *Strategy* is a particular approach, initiative, or course of action to achieve an objective and is designed to address specific challenges or opportunities relative to achieving the objective.

A *Strategic Performance Measure* provides a general indication of progress toward achieving the objective.

Core functions and strategies represent two important and complementary means by which FERC achieves the objectives. Core functions are operational in nature and describe what, as a regulatory agency, the Commission has an obligation to do. The core functions represent an investment in and commitment to maintaining FERC’s ability to fulfill its responsibilities as a regulatory agency and demonstrate its dependability and commitment to excellence. Strategies represent the Commission’s proposed approach for adapting to emerging issues and changing external conditions and demonstrate its awareness and responsiveness.

The graphic below depicts the overall structure of the FERC strategic plan.



### Performance Measure Targets

The strategic performance measures are new to this strategic plan and represent an effort to employ more outcome focused measurement within the strategic plan. Since these are new measures, the Commission will use FY 2014 to baseline the current level of performance and establish expectations for future performance. FERC will also use the baseline period to identify appropriate thresholds and enhance the interpretive framework for the measure. FERC will use this information to establish targets for FY 2015 – FY 2018. FERC will identify targets appropriate to the nature of the data and the specific intent of the activities being measured.

### Contractor Support

In preparing this plan for publication, FERC was assisted by Energetics Incorporated, who provided technical input into the design and assembly of this document.



# 1

## 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.

Electricity, natural gas, and oil are vital resources that fuel economic activity and help to meet the nation's energy needs. Through the Federal Power Act, Public Utility Regulatory Policies Act, Natural Gas Act, and Interstate Commerce Act, among other laws, 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. The Commission's responsibility in the exercise of this authority is to 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 or preferential. As part of this responsibility, the Commission balances the economic viability of energy suppliers with the protection of energy customers. Through these efforts, FERC ensures that consumers have reasonable access to the resources they need and that service providers are appropriately compensated. To achieve this goal, the Commission uses a range of ratemaking activities, including regulatory and market means, as well as market oversight and enforcement.

**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.**

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.

### Core Functions

To carry out the key responsibilities incumbent in this objective, FERC maintains a high degree of capability to perform the following core functions.

**Core Function 1: Analyze and act upon filings by jurisdictional entities and interested stakeholders in a fair, clear, and timely manner.**

Jurisdictional entities and interested stakeholders submit to FERC a continual stream of requests to change existing rates, terms and conditions of service, to implement new rates, terms and conditions of service, and to receive guidance through declaratory orders and other actions. Other interested parties, including ratepayers, state government agencies, and non-profit organizations, may participate in FERC proceedings. Prompt Commission action is essential to enable regulated entities to react to changing market and industry conditions; thoughtful action is critical because each filing raises an issue of importance to the parties providing or taking service. Teams of FERC economists, accountants, engineers, policy analysts, and attorneys bring deep and diverse experience to the analysis of each filing, and advise the Commission of potential actions. After careful consideration of each filing and subsequent comments or protests, FERC issues fair, clear, and timely orders based on the record established in each proceeding. These orders are carefully considered to protect energy customers by ensuring that the rates and terms and conditions of jurisdictional service are just, reasonable, and not unduly discriminatory or preferential.



### Core Function 2: Develop adequate evidentiary records through hearing and settlement processes.

The Administrative Procedures Act (APA) requires that FERC develop an adequate evidentiary record to support each of its decisions. The information provided to the Commission at the onset of a proceeding may not be adequate to resolve all issues presented. When FERC determines that more information is needed, it may set the matter for hearing or direct the parties to engage in settlement procedures. Either process—settlement or hearing—will address the identified inadequacy of the evidentiary record.

The Office of Administrative Law Judges and Dispute Resolution (OALJDR) and the Office of Administrative Litigation (OAL) play separate but important roles in developing an evidentiary record, providing FERC the technical, legal, and dispute resolution expertise necessary to resolve highly technical legal, engineering, finance, accounting, cost-of-service, and market power issues. In the settlement phase, an OALJDR judge facilitates negotiations among parties; OAL and the parties secure the information necessary. In cases that go to hearing, OAL staff members file testimony by expert witnesses on the disputed issues, conduct cross-examination of witnesses at the hearing, and file briefs with the presiding judge. An OALJDR judge presides over the hearing, rules on disputes over discovery and testimony, admits evidence, compiles the evidentiary record, and issues a fair and impartial initial decision after briefing has been completed. Following additional briefing, FERC reviews the initial decision and either affirms, modifies, or reverses it.

### Core Function 3: Conduct targeted outreach, technical conferences, and other proceedings to explore important issues, be alert to trends, and provide stakeholder input to support development of policy.

FERC engages in ongoing review of existing regulatory policies to ensure that they are achieving their intended goals, and FERC undertakes information gathering actions with respect to rates, terms, and conditions of jurisdictional service. These efforts assist FERC in identifying and exploring important issues and trends. Based on its knowledge and experience with the industries it regulates, FERC may gather information through technical conferences or other means of outreach with interested parties. Commission technical, legal, and policy experts also carefully review and analyze filings submitted in response to proposals. Where necessary,

the Commission will pursue changes to its regulations or announce statements of policy to implement generic changes to the tariffs of regulated utilities.

## Strategies

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To address current challenges and opportunities incumbent in the achievement of Objective 1.1, FERC is implementing the following strategies.

### Strategy 1: Employ competitive forces through markets to establish just, reasonable, and not unduly discriminatory or preferential rates, terms and conditions of jurisdictional service.

Marketplace competition benefits energy consumers by encouraging diverse resources, spurring innovation and deployment of new technologies, improving operating performance, and exerting downward pressure on costs. Harnessing competitive market forces where appropriate promotes rates and terms and conditions of jurisdictional service that are just, reasonable, and not unduly discriminatory or preferential. To capture the benefits of competition, FERC leverages market forces in each of its regulated industries.

Building on its past efforts to enhance competition in organized wholesale electricity markets, FERC will engage regional transmission organizations (RTO) and independent system operators (ISO), as well as other regulated entities and interested stakeholders, to ensure that energy, capacity, and ancillary services markets provide appropriate price signals, support market evolution, and provide appropriate opportunities for all eligible resources, including emerging technologies. The Commission will also identify and remove barriers to efficient trading between regional markets, including both organized and bilateral markets, and will work to improve coordination between wholesale and retail markets.

### Strategy 2: Employ traditional regulatory tools to establish just, reasonable, and not unduly discriminatory or preferential rates, terms and conditions of jurisdictional service.

FERC also relies on traditional regulatory tools such as cost-of-service ratemaking to ensure that jurisdictional rates, terms and conditions of service are just and reasonable and not unduly discriminatory or preferential. Commission rules require public utilities, natural gas pipelines, and oil pipelines that have not been granted market-based rate authority to establish their rates using a cost-based rate structure. In this way, the Commission



protects ratepayers from unjust and unreasonable rates and ensures that natural gas and electric transmission services are provided on an open-access basis, that oil pipelines provide service consistent with their status as common carriers, and that all rates, terms, and conditions comply with FERC requirements.

Using traditional ratemaking authority, FERC will encourage efficient operations of public utilities and interstate natural gas and oil pipelines, while also ensuring that regulated entities have the opportunity to receive a reasonable return on their investments in infrastructure. Given the potential impact on rates, terms and conditions of jurisdictional service, FERC will continue to promote both the robust evaluation of solutions to transmission needs in regional transmission planning processes and associated cost allocation mechanisms. In addition, the Commission will enhance the coordination and harmonization of natural gas and electric infrastructure by engaging regulated entities and other stakeholders to promote inter-industry communication on operational and planning matters and to explore refinements to scheduling and contracting practices in each industry.

**Strategy 3: Promote settlements to obtain prompt refunds and reductions in rates and facilitate the rapid adoption of appropriate terms and conditions of service; use other dispute resolution services as appropriate.**

Settlements benefit energy users by reducing rates and providing refunds far more quickly than litigation. Settlements may also facilitate the construction of needed infrastructure in a timelier manner than the full hearing process, and dramatically limit the time, expense, and resources that FERC and outside parties otherwise would devote to litigating the case. FERC will continue to use OALJDR's and OAL's combined technical and legal expertise, familiarity with Commission precedent and policy, negotiating skills, and ability to craft creative resolutions to resolve contested issues that are not amenable to summary resolution. Assigning such cases to OALJDR and OAL will facilitate achieving settlements and result in more prompt reductions in rates and refunds for the benefit of ratepayers.





## Performance Measures

The following measures will be used to indicate FERC's progress toward achieving Objective 1.1.

### **Measure 1: Percent of interchange flows that are uneconomic, representing market inefficiency.**

FERC creates rules and policy that leverage competitive market forces to achieve just, reasonable, and not unduly discriminatory or preferential rates, terms and conditions of service through market means. As applied in appropriate circumstances, competition, through the market fundamentals of supply and demand, will produce efficient outcomes and balance the economic viability of energy suppliers with the protection of energy customers from rates, terms and conditions of service that are unjust, unreasonable, or unduly discriminatory. To support effective competition in wholesale energy markets, FERC seeks to identify and address market inefficiencies as appropriate. To the extent that FERC's efforts are successful, market inefficiencies should become fewer in number and/or magnitude. Accordingly, the level of market inefficiency over time provides a measure of FERC's impact.

The percent of uneconomic interchange flows between adjacent RTOs/ISOs is one indication of market inefficiency and thus serves as an indicator of the Commission's effectiveness in achieving Objective 1.1. The measure is focused on interchange flows between adjacent RTOs/ISOs where such data are readily available and there is established organized market energy trading.

#### External Factors Affecting the Measure Results

There are a number of external factors that affect market dynamics and may influence the ability of FERC to reduce market inefficiencies. These include the composition and ownership of the infrastructure (e.g., supply and transmission); the economy and demand for power; environmental and public policies at the state and federal levels; reliability issues/measures; and advances in technology. FERC will monitor these external factors in order to inform the interpretation of the measure results. In addition, FERC will enhance its interpretation of the results by looking at other indicators of market inefficiency, including excessive differences between day-ahead and real-time prices and out-of-market dispatch.

### **Measure 2: Level of participation of stakeholders in regional transmission planning meetings.**

In order to achieve just and reasonable rates for consumers, public utility transmission providers must work together to address electric transmission needs in an efficient and cost-effective manner. Furthermore, collaboration across a diverse group of stakeholders, including transmission customers and non-incumbent entities proposing solutions to transmission needs, promotes effective transmission planning and the identification of efficient and cost-effective solutions. Recognizing the importance of effective transmission planning to minimizing inefficiencies, FERC issued Order No. 1000, which requires public utility transmission providers to collaborate in regional transmission planning and takes steps to encourage participation by all stakeholders in those planning activities. The success of these regional transmission planning processes is difficult to quantify. However, participation by a broad group of stakeholders in a regional transmission planning process is a leading indicator of the usefulness of that process because stakeholders will cease devoting time and resources to a process they feel is ineffective. Accordingly, the level of participation by stakeholders in regional transmission planning meetings provides a measure of FERC's impact on transmission planning processes and serves as an indicator of the Commission's effectiveness in achieving Objective 1.1.





### External Factors Affecting the Measure Results

A variety of external factors may influence the ability of FERC to support effective and inclusive regional transmission planning activities. Such factors include state or local laws that may be interpreted by prospective infrastructure developers as limiting their ability to participate effectively in regional transmission planning processes. In addition, stakeholder interest may be a function of economic developments that affect the timing in which new infrastructure is needed, as well as of the availability of resources dedicated to planning activities. Similarly, advances in technology may spur innovative transmission solutions and participation by new entrants that had not previously participated in these planning processes. FERC will monitor these external factors in order to inform the interpretation of the measure results. In addition, FERC will enhance its interpretation of the results by looking at other indicators of transmission planning, including whether through the planning process alternative projects were identified and whether a regional transmission plan was completed. Transmission plans that reflect the outcome of a successful planning process would indicate the potential development of more cost-effective and efficient transmission facilities.

### **Measure 3: Percent of cases set for hearing or settlement procedures that are resolved by settlements.**

Contested rate, tariff, or complaint cases may be set for hearing and then resolved through either settlement or formal adjudicatory hearing. Settling cases saves energy companies, their customers, and the Commission significant time and resources and provides quicker determination of appropriate rate, terms and conditions of service. Where settlement is not possible, a full hearing develops the evidentiary record and permits FERC to decide contested issues; create, apply, or modify its policies; and provide guidance to the public and the energy industry. The adjudicative process also helps to discourage energy companies from seeking excessive rates or onerous conditions of services by highlighting the risks associated with litigating a case. Accordingly, FERC seeks to maintain the optimal balance of cases resolved through settlement versus hearing that is necessary for establishing just and reasonable rates, terms, and conditions. Thus, the percent of cases resolved through settlement serves as an indicator of the Commission's effectiveness in achieving Objective 1.1.

### External Factors Affecting the Measure Results

There are a number of external factors that are beyond FERC's control that may affect the number of cases that settle. These include economic conditions that affect the willingness of the parties to settle. In addition, the nature and size of the cases that require resolution during a given year can vary. A preponderance of high-profile cases may shift the balance toward hearing because these cases may be more likely to raise issues on which the parties prefer Commission decisions on the merits. FERC will monitor these external factors in order to inform the measure results. In addition, FERC will enhance its interpretation of results by looking at other indicators of the settlement and hearing processes. In particular, FERC will monitor the percent of settled cases involving the rates to be charged customers that result in a reduction in the filed rates and/or refunds to customers. FERC will also look at the percentage of cases that are completed according to established timelines and the percentage of mediation cases that are resolved by settlements.



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

Oversight and enforcement are essential tools for ensuring that rates, terms and conditions of service are just, reasonable, and not unduly discriminatory or preferential. Whereas regulatory and market means focus on establishing rules and policy, oversight and enforcement focus on increasing compliance of regulated entities and detecting and deterring market manipulation. The Commission's oversight and enforcement program takes proactive steps to detect problems in energy markets and to reduce the probability that violations of applicable laws, the Commission's regulations, or market rules will occur. FERC uses a balanced approach to oversight and enforcement efforts: conduct surveillance and analysis of market trends and data; promote internal compliance programs; employ robust audit and investigation programs; and, when appropriate, exercise the Commission's civil penalty authority to deter violations. FERC also makes 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.

### Core Functions

To carry out the key responsibilities incumbent in this objective, FERC maintains a high degree of capability to perform the following core functions.

#### Core Function 1: Conduct oversight, monitoring, and surveillance of the natural gas and electric markets to detect anomalies and potential market manipulation.

Highly trained staff monitors the markets on a daily basis using sophisticated software developed by staff that algorithmically screens data from the physical and financial energy markets. Staff develops and runs sophisticated automated screens of market activities on a routine basis (daily, weekly, monthly, as appropriate depending on the nature of the screen) and analyzes the results. Any screen trips are pursued to explore reasons for the potential anomalous behavior, including market fundamentals, weather or unusual market activity, or business needs. To the extent data are available, the screening and analysis will incorporate financial products that may create an incentive for anomalous physical transactions. Using screening data and other information obtained from reviewing required forms submitted by regulated entities, staff also provides the public and market

participants information about market fundamentals. In addition, careful analysis is conducted to observe and identify potential market participants' misbehavior and anomalies, with the goal of promoting market efficiencies.

#### Core Function 2: Conduct audits of jurisdictional entities to drive compliance.

Each fiscal year, FERC staff conducts audits of jurisdictional entities. The primary objective of these audits and other audit activities is to increase compliance with Commission rules and precedents. In addition, audits improve accountability and transparency and enhance efficiencies and effectiveness. These audits assess compliance with carefully crafted rules and regulations and require a deep understanding of both FERC policy and the complexities of energy markets. To complete these audits, staff draws on the expertise of different Commission offices with multidisciplinary skills in auditing, accounting, engineering, rate design, policy, and law. FERC staff thoroughly examines areas identified within the scope of each audit to provide both informal feedback during the audit engagements and formal feedback in publicly issued audit reports. A risk-based approach to plan and prioritize audits helps FERC examine areas of regulatory importance and make the most efficient use of its resources. Annual risk assessments gather input from a variety of resources, including forms filed with the Commission, state commissions, and the Securities and Exchange Commission; rate information; FERC and state rate actions; discussions with industry and state officials; discussions with senior FERC officials and staff; and internally developed audit screens.

#### Core Function 3: Conduct investigations of potential violations of Commission regulations or market rules.

FERC staff conducts public and non-public investigations of possible violations of the statutes, regulations, rules, orders and tariffs administered by the Commission. Investigations may arise from a variety of sources including self-reports, tips, calls to the Enforcement Hotline, referrals from organized markets or their monitoring units, other agencies, other offices within the Commission, or as a result of other investigations. In each investigation, attorneys experienced and knowledgeable about energy markets develop a record through data requests, depositions, field audits, and similar discovery methods. Many investigations are terminated in the early stages of discovery because the evidence does not identify a violation. Where staff finds violations of sufficient seriousness, staff reports its findings to the Commission and attempts to resolve the investigation through settlement with appropriate sanctions and future



compliance improvements before recommending that the Commission initiate further enforcement proceedings. In attempting to achieve a fair resolution of an investigation, attorneys will consider, among other things, the level of cooperation by the utility being investigated, whether the violation was self-reported, the compliance culture of the organization, and harm or risk of harm posed by the violation.

## Strategy

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To address current challenges and opportunities incumbent in the achievement of Objective 1.2, FERC is implementing the following strategy.

**Strategy 1: Promote internal compliance programs and self-reporting of violations by market participants, as necessary complements to the Commission’s monitoring, auditing, and investigatory efforts.**

FERC promotes internal compliance programs and self-reporting of violations (e.g., penalty calculations for violations include credit for a good compliance culture or for self-reporting a violation). The Commission engages in extensive outreach to educate market participants and affected stakeholders on compliance programs and improper market behavior and disseminates findings of noncompliance in audits and stipulated facts that form the basis of the alleged violation in the settlement documents. Collectively, these activities provide transparency for market participants to structure strong compliance programs.





## Performance Measure

The following measure will be used to indicate FERC's performance toward Objective 1.2.

### **Measure 1: Percentage of audit recommendations implemented within six months of issuance.**

In order to maximize compliance with Commission rules, FERC provides jurisdictional companies with formal feedback and recommendations from its periodic audits of facilities. Timely and expeditious implementation of the recommendations ensures that potential risks or negative impacts of noncompliance are minimized and that any refunds are promptly returned. Timely implementation of the recommendations also demonstrates a commitment to carry out enhancements to improve compliance with FERC precedents and strengthen regulatory operations and internal compliance programs. Finally, timely implementation evidences a stronger compliance culture within the companies, lowering the risk of future non-compliance. FERC works with these companies to establish robust implementation plans and conducts periodic post-audit site visits to ensure that jurisdictional companies properly implement the recommended corrective actions. To the extent these efforts are successful, the recommendations will be implemented in a prompt and expeditious manner. Accordingly, the percentage of audit recommendations issued and implemented within six months provides a measure of FERC's impact on compliance and thus serves as an indicator of the Commission's effectiveness in achieving Objective 1.2.

### External Factors Affecting the Measure Results

There are a number of external factors that affect the timeframe within which recommendations are implemented. These include delays and or elimination of recommendations when an audit is contested. Although a significant majority of recommendations can be implemented within six months, the timeline for completing corrective actions for certain recommendations may exceed the six month target, especially if they involve significant changes to current practices, policies, or procedures (e.g., major software upgrades). FERC will monitor these external factors in order to inform the interpretation of the measure results. In addition, FERC will enhance its interpretation of the results by looking at other indicators of compliance, including number and nature of audit recommendations being issued.







# 2

## 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 Natural Gas Act and the Federal Power Act, among other statutory authorities, charge FERC with the responsibility to promote the development of robust, reliable and secure energy infrastructure that operates safely, reliably, and efficiently. FERC authorizes the construction and operation of interstate natural gas pipelines and storage projects, liquid 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.

### 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, and natural gas production continues to increase due to the development of shale gas. 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. 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.

Interest in developing hydropower projects has also increased, in part because hydropower offers the benefits of a renewable, domestic energy source that supports efficient, competitive electric markets by providing low-cost energy reserves and ancillary services. Hydropower projects may also provide other public benefits such as environmental protection and enhancement, water supply, irrigation, recreation and flood control.

### Core Functions

To carry out the key responsibilities incumbent in this objective, FERC maintains a high degree of capability to perform the following core functions.

#### Core Function 1: Conduct thorough and timely technical review of applications to construct, operate, or modify natural gas and hydroelectric infrastructure.

To meet the growing demand for energy, FERC must respond to energy infrastructure applications with timely and well-reasoned decisions that protect the environment while fostering the growth of a sustainable infrastructure. The Commission’s authorization processes are designed to increase efficiency and ensure expeditious determinations by engaging stakeholders early in the process—during pre-filing—to identify and resolve concerns with the application prior to filing. In accordance with the National Environmental Policy Act, highly-trained FERC technical staff, including biologists, archaeologists, geologists, other environmental scientists, and engineers thoroughly analyze the environmental effects of proposed natural gas pipeline, gas storage, LNG, and hydropower facilities. Staff engineers model projects that propose to construct natural gas pipelines, gas storage, and LNG facilities to verify that the design is appropriate for the proposed service. In addition, FERC coordinates with other agencies to consider environmental statutes as appropriate, including the Endangered Species Act, National Historic Preservation Act, Coastal Zone Management Act, and Clean Water Act. These actions help the Commission make well-reasoned and timely decisions on natural gas and hydroelectric infrastructure, fostering economic and environmental benefits.

#### Core Function 2: Ensure natural gas and hydroelectric infrastructure is constructed and operated in compliance with FERC orders.

Project authorizations issued by FERC for natural gas pipelines and storage facilities, LNG facilities, and



hydropower facilities include terms and conditions designed to protect, mitigate, and enhance the environmental resources of project areas. These terms and conditions address water and air quality; land use and recreation; erosion control; cultural resources; and wildlife and endangered species, including fish habitat and passage. As specified by the issued order, licensees and certificate holders implement specific environmental and operational measures, generally after filing detailed plans, proposals, and reports regarding the implementation of the measures.

FERC ensures compliance with these measures through extensive environmental review and inspection programs in both the natural gas and hydropower industries. These programs evaluate and assess implementation and compliance with the environmental and public use requirements of authorizations to ensure the protection and enhancement of resources at each project. On-site inspections conducted by qualified Commission staff familiar with the project and FERC rules and regulations occur at regularly scheduled intervals to ensure that projects are environmentally compliant during construction and throughout the project's life cycle.

## Strategy

To address challenges to and opportunities incumbent in the achievement of Objective 2.1, FERC is implementing the following strategy.

### Strategy 1: Conduct outreach with stakeholders to promote the exchange of information and ensure understanding of FERC procedures.

Reconciling competing interests remains a significant challenge throughout the infrastructure siting processes, which can be complex, lengthy, and contentious. Issues are best addressed openly and early in the application processes. FERC encourages, and in certain circumstances requires, applicants or project proponents to engage in early involvement with federal, state, and tribal government agencies, affected landowners, and the public. The Commission frequently sponsors seminars and workshops to aid in the understanding of and successful adherence to the FERC-issued licenses, certificates, and authorizations. Early recognition and resolution of issues leads to timely decisions for infrastructure projects that meet public demand for energy.



## Performance Measures

The following measures will be used to indicate FERC's performance toward Objective 2.1.

### Measure 1: Percent of orders issued within established timeframes.

FERC regulated entities must obtain authorization before beginning the construction of natural gas pipeline, natural gas storage, LNG, and hydropower facilities and implementing measures required from relicensing a hydropower facility. In order to maximize both the economic and environmental benefits of these projects, FERC must process applications in an efficient and timely manner and ensure that its authorizations are based on thorough environmental analysis. FERC has established timeframes that balance the competing demands of timeliness and thorough analysis. Accordingly, the percent of applications processed within established timeframes serves as a measure of FERC's performance in processing applications and also provides an indication of its effectiveness in achieving Objective 2.1.

### External Factors Affecting the Measure Results

External factors may influence the ability of FERC to achieve this measure. Other agencies have input into FERC's processes and can greatly affect its ability to process applications within established timeframes. Whether applicants file complete applications and respond in a timely manner to requests for information can also be a factor. FERC will monitor the impact of these factors in order to inform the interpretation of the measure results.





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

In addition to reviewing applications and issuing orders with respect to construction, operation, and modification of natural gas facilities and non-federal hydropower facilities, FERC has other responsibilities concerning energy infrastructure subject to its jurisdiction. These 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 governmental agencies at the federal and state levels to identify and seek solutions to threats to FERC-jurisdictional infrastructure from cyber and physical attacks. Through these actions, FERC minimizes risks to the public associated with jurisdictional infrastructure.

### Core Functions

To carry out the key responsibilities incumbent in this objective, FERC maintains a high degree of capability to perform the following core functions.

#### Core Function 1: Conduct comprehensive and timely safety inspections of hydroelectric and LNG facilities.

Failure of an LNG facility or a non-federal hydropower project can result in loss of life and significant environmental and economic consequences. To fulfill its responsibility for ensuring the safety of these facilities, FERC relies on physical inspections for detecting and preventing potential catastrophic structural failures, thereby protecting the public against the risk associated with such an event. FERC engineers are highly trained and work closely with local officials at all stages of project development and operation. Before projects are constructed, the designs, plans, and specifications of the proposed facility are reviewed and approved. Through regularly scheduled and comprehensive inspections during construction and operation, FERC engineers verify that

dams and LNG facilities meet stipulated design criteria, identify necessary remedial modifications or required maintenance, and ensure compliance with requirements. This approach allows the Commission to ensure the safety of the public, as well as the continued operation of the facilities to meet the energy demands of the nation.

#### Core Function 2: Provide for the reliable operation of the bulk power system by overseeing development and enforcement of mandatory standards.

The Energy Policy Act of 2005 amended the Federal Power Act to charge FERC with helping to ensure the reliability of the bulk power system. In fulfilling this responsibility, the Commission draws on the substantial expertise of its staff, including electrical engineers with many years of experience in the utility industry. FERC engineers analyze standards proposed by the Electric Reliability Organization (ERO) to determine whether those standards support the reliable operation of the grid. The Commission also reviews major blackouts to determine whether standards were violated or should be changed to help prevent future blackouts. In addition, the Commission oversees audits, investigations, and proposed penalties of the ERO and the ERO regional representatives to help ensure that their efforts will result in strong compliance with mandatory standards. These actions together reduce the risk of interruption to the reliable supply of electricity that is vital for the nation.

#### Core Function 3: Coordinate with other government agencies and regulated entities to identify and advance sound practices to protect against cyber and physical security threats to infrastructure within the Commission's jurisdiction.

Growing cyber and physical security threats, along with increasing automation and a rapidly changing energy supply mix, demand an agile and focused approach to energy infrastructure security. Amid these threats, the Commission coordinates with other government agencies and regulated entities to maintain awareness of threats, activities, and capabilities of adversaries that may initiate a cyber or physical attack on energy infrastructure within



FERC's jurisdiction. The Commission's collaboration in this area with regulated entities provides an important complement to FERC's related responsibilities for both regulatory requirements and enforcement.

The Commission supports the development and encourages implementation of effective tools and techniques to enhance protection of jurisdictional infrastructure through the extensive technical expertise of its staff, which includes highly skilled electrical engineers and computer scientists. Commission staff provides a unique perspective that draws on both decades of experience in regulating this infrastructure and extensive experience in grid operations. These contributions from the Commission reduce the risk of cyber and physical security threats to vital energy infrastructure. Finally, the Commission collaborates with government partners and industry to identify key facilities that present the greatest risk, helps guide security assessments, and proposes mitigation measures to protect jurisdictional energy infrastructure.

## Strategies

To address current challenges and opportunities incumbent in the achievement of Objective 2.2, FERC is implementing the following strategies.

### Strategy 1: Use risk-informed decision making to evaluate dam safety.

Risk-informed decision making (RIDM) provides the capability to assess non-traditional failure modes, levelize risk across different loading conditions, focus inspections and surveillance on the specific potential failure modes and monitoring programs at projects, and guide remediation projects to provide an overall reduced level of risk to the public. FERC will continue to develop the necessary risk assessment guidelines, procedures and policies, and to train Commission staff, dam owners, and consultants in risk assessment procedures, methodologies and tools. Development of the guidelines and procedures will continue to be carried out in an open, collaborative process with representatives of the hydropower industry, including FERC-regulated licensees. These efforts will run parallel to the traditional dam safety inspections and together will ensure public safety.

### Strategy 2: Address emerging issues by conducting, reviewing and overseeing assessment of the planning and operation of the bulk power system to ensure its reliability.

Challenges facing the bulk power system are not static, but evolve over time with demands on the system. The electrical grid is changing rapidly in response to developments such as greater reliance on natural gas as a fuel to produce electricity and greater reliance on renewable sources of electricity. To help maintain the grid's reliability as these and other changes occur, FERC will engage with the ERO to discuss such changes and their impact, and FERC will examine whether corresponding changes in how the grid is operated are appropriate. Based on its findings, the Commission may encourage utilities to change their operational methods or, if appropriate, require changes in reliability standards that govern operation of the grid.

### Strategy 3: Promote improvement to energy infrastructure security.

It is important to understand the impact that individual facilities have on the resilience of critical infrastructure systems, as well as the risk of disruption to those systems from threats and vulnerabilities through cyber and physical attacks. To these ends, the Commission will use its modeling and assessment capabilities as appropriate in support of analyzing infrastructure threats and vulnerabilities to identify particularly critical equipment across the Commission's jurisdictional infrastructures. The Commission will conduct outreach to facility owners and operators to promote security improvements at those facilities. In coordination with these actions, Commission staff will proactively examine threats and potential vulnerabilities in the cyber and/or physical security posture of those facilities through onsite assessments. These assessments will better enable facility owners and operators to recognize current threats, potential attack vectors, potential counter measures and effective practices to minimize potential impacts and recovery time should a facility be compromised.





## Performance Measures

The following measures will be used to indicate FERC's performance toward Objective 2.2.

### **Measure 1: Percent of hydropower facilities that have approved dam safety programs.**

In order to minimize risks to the public, hydropower facilities are required to implement safety programs that comply with Commission regulations and industry standards for the life of the facility. In addition, FERC requires all high and significant hazard dams to develop and obtain approval for a rigorous Owners Dam Safety Program, which acknowledges the dam safety responsibilities of each level of the licensee's organization, establishes protocols for internal and external dam safety communication, and has clear designation of dam safety responsibilities among the licensee's staff. To the extent that these efforts are successful, facilities will maintain compliant safety programs. Accordingly, the percent of facilities that have either an approved Owners Dam Safety Program accepted or that have an approved plan of action to correct any deficiencies identified by the Commission serves as an indicator of the effectiveness in achieving Objective 2.2.

#### External Factors Affecting the Measure Results

There are a number of external factors that affect the extent to which hydropower facilities maintain compliant safety programs. These include adequate facility funding and personnel staffing on the part of the facility owners to carry out their safety programs, as well as the extent to which these entities establish a corporate culture that values compliance. In addition, for dam safety, other federal and state agencies can impact licensee's ability to carry out programs. FERC will monitor the impact of these factors in order to inform the interpretation of the measure results.

### **Measure 2: Number of LNG facility recommendations implemented by established time frames.**

In order to minimize risks to the public and to ensure reliable infrastructure, LNG facilities are monitored to ensure that they are being maintained and operated in a manner consistent with the Commission's certificate/authorization for the life of the facility. FERC issues a letter after each LNG inspection that lists any recommendations for safe and reliable operation and a timeline for completing these items. Companies are responsible for completing these items on time to ensure that the facility continues to be in compliance with the Commission's certificate/authorization. FERC makes a concerted effort to craft recommendations that clearly identify equipment or operational issues/improvements with practical timelines for completion. FERC also works with the facilities as needed to ensure that they understand the recommendations and how they can be implemented. Accordingly, the percentage of recommendations implemented within established timeframes provides a measure of FERC's impact on LNG facility safety and reliability and thus serves as an indicator of the Commission's effectiveness in achieving Objective 2.2.

#### External Factors Affecting the Measure Results

There are a number of external factors that affect the extent to which LNG facilities can implement FERC's recommendations in a timely manner. These include the facility operating status, adequate facility funding and personnel staffing on the part of the facility owners to carry out the recommendations, as well as the extent to which these entities establish a corporate culture that values compliance. FERC will monitor the impact of these factors in order to inform the interpretation of the measure results.



**Measure 3: The amount of lost megawatts in a given year resulting from bulk power system transmission-related events (unplanned disturbances), excluding weather-related outages.**

FERC engages in a number of activities to oversee the users, owners and operators of the bulk power system to ensure the reliability of the nation's bulk power system, and to contribute to a dependable power supply for all consumers. Under its authority over mandatory and enforceable reliability standards, the Commission can require the development of new reliability standards, as well as modifications to existing reliability standards, to support a reliable grid. The Commission also ensures the quality and sufficiency of reliability standards proposed by the Electric Reliability Organization (ERO). The Commission further supports these efforts by overseeing the ERO's enforcement of the reliability standards. In addition, the Commission monitors the operations of the bulk power system and investigates reliability events and outages to help find ways to prevent recurrences. The Commission also conducts studies of emerging reliability issues to help craft policies to protect and improve the reliability of the nation's bulk power system. All of these efforts are intended to minimize avoidable outages caused by problems on the bulk power system. Accordingly, the annual amount of lost load resulting from unplanned disturbances other than severe weather provides a measure of FERC's impact on system reliability and serves as an indicator of the Commission's effectiveness in achieving Objective 2.2.

**External Factors Affecting the Measure Results**

There are a number of external factors that affect bulk power system reliability and therefore influence the ability of FERC to minimize the amount of lost megawatts. FERC does not operate the bulk power system and cannot direct utility operations except by approving and overseeing enforcement of stakeholder-developed reliability standards. Also, many electrical outages are caused by severe weather or by problems on local distribution facilities not regulated by FERC. As the electric grid grows in complexity and technological sophistication, the rate of emerging reliability issues is likely to accelerate. Although FERC investigates these issues to prevent recurrences, the initial occurrence is often extremely difficult to anticipate. FERC will monitor causes of outages and the nature and frequency of emerging issues in order to inform the interpretation of the measure results. In addition, FERC will enhance its interpretation of the results by looking at other indicators of bulk power system reliability, including the number of events each year and the affected number of customers.



**FEDERAL ENERGY  
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# 3

## 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. The Commission's staff, while serving in different component offices, must work collaboratively and execute processes that work in concert with each other to produce the high-quality results expected by the American people. In accomplishing this state, the Commission will use its resources efficiently, empower its employees, and earn the public trust. These essential outcomes are indicative of a model regulatory agency.

### Objective 3.1 Manage Commission resources effectively and efficiently.

The Commission must prioritize resource allocations and make prudent investments in relation to specific program activities or challenges. These investments should yield returns that directly benefit the agency's mission. Additionally, federal statutes 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 efficient manner. In meeting the demands of this commitment, the Commission must consistently develop comprehensive resource plans, execute planned requirements through the delivery of compliant services, and monitor resource utilization through established control activities.

### Core Functions

To carry out the key responsibilities incumbent in this objective, FERC maintains a high degree of capability to perform the following core functions.

#### Core Function 1: Conduct comprehensive resource planning.

Comprehensive resource planning is a pre-requisite to efficient resource utilization. The Commission establishes resource plans that align with its strategic focus and provides the related resource levels needed to achieve its mission. Through resource planning, the Commission identifies its human capital, information technology, infrastructure and financial needs. It employs a collaborative management approach to develop specific processes that inform related investment decisions and strategies. The Commission identifies its staffing and competency needs through human capital processes. Significant information technology and infrastructure investments are identified through capital planning and investment control processes. Finally, financial needs are identified through the budget formulation process. These efforts culminate in the development of comprehensive resource plans that support accomplishment of the agency's mission. Most importantly, these planning efforts establish an essential foundation for the execution of strategies that maximize the use of the Commission's resources.

#### Core Function 2: Execute resource plans through the delivery of compliant services to meet organizational needs.

Comprehensive resource plans provide the framework needed to deliver services that meet organizational needs. These services are delivered through compliant processes which are governed by a vast universe of statutes and regulations that deter fraud, waste and abuse. The seamless execution of agency resource plans coupled with the agency's compliance with authoritative guidance promotes efficient resource utilization. External audits and reviews have consistently affirmed the compliant nature of the underlying processes utilized to deliver these mission-support services throughout the Commission.

The Commission executes its resource plans and deploys mission-support services to meet human capital, information technology, and financial management



requirements. Specifically, these services enable the acquisition and retention of a diverse and skilled workforce; procurement of value-added commodities and contractor assistance; delivery of a stable, resilient and secure infrastructure; and the authorization of financial activities to inform management decisions.

### Core Function 3: Measure and evaluate the effective use of agency resources through established control programs and reporting requirements.

The Commission has deployed measurement and evaluation processes against its comprehensive resource plans to gauge success toward achieving its strategic goals. Management tracks the progress of specific agency activities and reports status on a continual basis, and takes action as appropriate to address identified performance deficiencies. These important activities ensure that the Commission is always cognizant of its performance against its specific plans and enables the agency to re-direct efforts to maximize the effective use of its resources.

The Commission has demonstrated an exceptional ability to fairly represent its financial condition via its financial statements, which have been affirmed by independent auditors for the last 20 years. Finally, it has provided stakeholders with performance information via federally mandated accountability reports. These key deliverables provide information to management officials for effective decision making and are essential to managing agency resources efficiently.

## Strategies

To address current challenges and opportunities incumbent in the achievement of Objective 3.1, FERC is implementing the following strategies.

### Strategy 1: Direct human capital management efforts toward addressing existing staffing vulnerabilities based on current workforce demographics.

The Commission will implement mitigation strategies to account for the potential loss of approximately 30% of its staff to retirement within the next five years. The agency will focus its efforts on the competencies and positions most affected by attrition of this type. It will aggressively recruit and hire highly skilled people to fill the void left by separating employees. The Commission will focus on the execution of its hiring processes to ensure it maximizes

allocated financial resources in a timely fashion. Additionally, the agency will develop the workforce to meet responsibilities vacated by experienced staff.

### Strategy 2: Maintain a stable and secure information technology infrastructure while providing innovative solutions that yield a return on investment.

The Commission's information technology infrastructure supports many of the agency's workload demands. This infrastructure must be dependable and resilient. The Commission will invest the necessary resources to support baseline operations prospectively. Moreover, it will invest in modern technologies that provide opportunities for lower future operating costs. For example, the Commission could deploy more cost-effective means to meet storage needs. Accordingly, the Commission will devise plans to leverage resilient and secure cloud storage models to support its current and future needs. The Commission will also migrate its resident document management and email applications to more cost-effective solutions that will leverage cloud technologies. These migrations to emerging technologies will yield significant cost savings, given the economies of scale that can be realized with hosted cloud solutions.

### Strategy 3: Implement a facilities modernization plan that will make efficient use of available office space.

The Office of Management and Budget (OMB) has directed agencies to better utilize space within the facilities that house their operations. The Commission is ending a 20-year lease term in September 2015 for its headquarters building and is seeking to exercise an available 10-year extension. The Commission must make more efficient use of the space within the headquarters building by consolidating its operations within approximately 90% of the existing space it is currently utilizing. It must also consolidate into the headquarters facility employees from the Office of Administrative Litigation that currently occupy space within another building. To reach this end, the Commission will develop a new housing strategy that will provide for more dense seating configurations. Additionally, it will oversee a complex multi-year renovation effort to realize the space-savings. The Commission's consolidation effort is dependent upon Congressional approval of its plan and the appropriations necessary to cover the cost of renovations.







## Performance Measures

The following measures will be used to indicate FERC's performance toward Objective 3.1

### Measure 1: Average hiring cycle time.

In order to efficiently use its resources, the Commission must ensure planned staff levels are sufficiently maintained. The Commission allocates over two-thirds of its budget to employee compensation. Any undue lapse in recruiting and hiring new employees impacts the ability of the agency to recover its annual appropriation as required by statute. Additionally, the potential staff losses the agency could incur as a result of retirements or normal attrition impacts the ability of the agency to execute its resource plans. The Commission will take action to reduce the amount of time it takes to fill vacancies. Accordingly, the average hiring cycle time is a measure of FERC's performance in this regard and serves as an indicator of the Commission's success in achieving Objective 3.1.

#### External Factors Affecting the Measure Results

The external factors limiting the Commission's ability to execute timely hiring include the challenges related to the passage of annual appropriations. The Commission's hiring efforts are restricted by delays in the receipt of its full appropriations. In such instances, resources are re-prioritized to address other expenditures.

### Measure 2: Percent reduction in targeted information technology costs.

With the ability to deploy emerging technologies that provide for lower cost IT solutions, the Commission is targeting a reduction in current costs incurred for electronic storage and e-mail. It will also streamline and consolidate the number of business applications it currently manages. This action will result in lower operational and support costs and the savings derived from these efforts can be re-programmed to meet other mission-critical IT needs. Accordingly, the reduction of these targeted costs over the next 5 years is a measure of FERC's performance in this regard and serves as an indicator of the Commission's effectiveness in achieving Objective 3.1.

#### External Factors Affecting the Measure Results

The market's ability to support the Commission's specialized security needs could impact the Commission's ability to migrate to these new technologies.

### Measure 3: Time and cost of building modernization effort relative to established schedule and budget.

The Commission must establish a design plan and budget for an extensive consolidation effort within its headquarters facility. This budget funds a multi-million dollar renovation effort that will span the next 5-6 years. The Commission has requested adequate resources to cover the cost of the effort. The Commission will partner with the General Services Administration, private contractors and the facility owner to execute the required work. It is imperative that management closely monitors project performance relative to schedule and resources given the significant investment at play and the numerous entities involved. Accordingly, the extent to which the modernization effort is completed within schedule and budget is a measure of FERC's performance in managing the project and serves as an indication of its effectiveness in achieving Objective 3.1.

#### External factors affecting the Measure Results

The external factors impacting the Commission's ability to meet the requirements associated with this schedule include the availability of resources and vendors' abilities to meet planned deadlines. The effort is contingent upon the Commission receiving Congressional approval of its plan and sufficient appropriations to cover the cost of renovations. If the agency does not receive the requested funding, it cannot absorb such substantial costs within its normal operating budget. Moreover, poor execution on the part of the many vendors that will contribute to this effort could result in unforeseen delays and additional costs.



## Objective 3.2 Empower Commission employees to drive success.

Commission employees are directly responsible for achieving FERC's mission. On an annual basis, the Commission allocates over two-thirds of its budget to directly cover the compensation costs of its employees. Given this significant investment, the Commission places extremely high value on its employees and is focused on ensuring their 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.

### Core Functions

To carry out the key responsibilities incumbent in this objective, FERC maintains a high degree of capability to perform the following core functions.

**Core Function 1: Communicate management's expectations through the performance management system, which aligns employee performance with the Commission's strategic goals and objectives.**

This capability is vital in empowering employees to meet the Commission's goals and objectives. Through this process, management conveys to employees their individual responsibilities relative to the agency's mission and provides employees with a line of sight from their responsibilities to the successful achievement of that mission. This direct communication establishes employee accountability for expected results and empowers the workforce to advance agency goals. Management continually engages staff through this communication channel to ensure employees have a clear focus on performance expectations and that sufficient resources are at their disposal to meet these expectations. Based on annual feedback from the Federal Employee Viewpoint Survey (FEVS), Commission employees have indicated that they are fully aware of their role in meeting agency goals.

**Core Function 2: Deliver tools, products and services to meet employees' needs.**

The Commission provides a host of services which directly support employees' needs. It has deployed these services to attract and retain the highly skilled workforce needed to meet the agency's mission. The Commission has implemented effective training programs which develop employees' leadership and professional capabilities. The agency also provides a safe and secure working environment for its employees to thrive. With regard to information technology, the agency provides modern tools and services that streamline assigned work processes and facilitate telework. Lastly, the Commission provides its employees with an array of financial services to include their personal compensation, reimbursement for travel, and subsidies for commuting expenses. FEVS results have demonstrated the Commission's ability to provide employees with the necessary resources to drive agency success.

### Strategies

To address current challenges and opportunities incumbent in the achievement of Objective 3.1, FERC is implementing the following strategies.

**Strategy 1: Deliver a competency-based training program and a corporate knowledge management approach using the Commission's automated tools.**

The Commission will heavily invest in succession and knowledge management activities to ensure the agency equips employees with the requisite knowledge to meet strategic demands going forward. It will develop a competency-based training program to mitigate knowledge management risks associated with 30% of the agency's workforce being eligible for retirement in the next 5 years. The agency will assess training needs associated with its most populous occupations and develop associated curriculums. Upon developing these specialized courses, the Commission will deliver this instruction through its automated Learning Management System and other collaborative tools. With regard to knowledge management activities, the Commission will develop a uniform approach which will seek to preserve corporate information and make it accessible to all



Commission employees. These delivery mechanisms can provide training to Commission employees in a cost-effective and easily repeatable fashion. Such a strategy will ensure employees possess the specialized skills and knowledge required to successfully support the agency's mission.

**Strategy 2: Analyze results from the Federal Employee Viewpoint Survey (FEVS) and other employee outreach activities to continually gauge employee perceptions on performance management and the adequacy of mission support tools, products and services.**

With the current limitation on funding and impacts to employee-related services, it is imperative that the Commission is fully aware of employees' most critical needs. This knowledge will facilitate the agency in ensuring employees are adequately empowered to meet their mission responsibilities. To this end, the Commission will utilize results from the annual FEVS to assess employee perceptions relative to performance management. The Commission will also conduct other employee outreach activities to gauge the effectiveness of its employee-related processes and services. The agency will develop action plans to address any areas not favorably rated and take corrective action to improve processes and services which impact related employee perceptions.





## Performance Measures

The following measures will be used to indicate FERC's performance toward Objective 3.2

### **Measure 1: Percent of milestones that are met in the deployment of a competency-based training program using automated tools.**

The deployment of this program addresses critical developmental needs the agency will be required to address due to the probability of 30% of the current workforce retiring within the next 5 years. The Commission must maintain a highly skilled workforce to address its regulatory responsibilities. A competency-based training program will ensure employees will be equipped with the pre-requisite knowledge to perform their job expectations. Upon development of the specialized curriculum, the Commission will deploy automated solutions to streamline the training process. The entire deployment of the competency-based training program will be tracked against pre-established milestones. The percent of those milestones that are met is a measure of FERC's performance in deploying the program and an indication of its accomplishment of Objective 3.2.

#### External Factors Affecting the Measure Results

There are no significant external factors.

### **Measure 2: Favorability ratings regarding employee satisfaction with performance management and the adequacy of mission support resources.**

To maintain organizational excellence in support of Goals 1 and 2, the Commission provides its employees with a host of tools and services to meet their needs and equip them for mission accomplishment. These tools and services include, among other things, information technology to streamline assigned work processes and facilitate telework, competency-based training, knowledge management, and a safe and secure working environment. Since these tools and services are designed to meet employee needs and enable performance, they should have a positive impact on employee satisfaction. The Commission analyzes data generated from the Federal Employee Viewpoint Survey (FEVS) in order to assess employee satisfaction with performance management and the adequacy of employee-related services. In addition, the Commission uses this feedback to formulate corrective actions and improve the tools and services provided to employees. Accordingly, increases in favorability ratings on the FEVS provide a measure of FERC's performance in this regard and serve as an indication of its effectiveness in achieving Objective 3.2.

#### External Factors Affecting the Measure Results

There are no significant external factors.



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

Facilitating understanding of how the Commission carries out its responsibilities and maintaining public trust in the Commission are important components of the Commission'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. The Commission advances this objective by promoting transparency and open communication with respect to conduct of the Commission's business, thereby increasing awareness and understanding of the Commission's activities.

The Commission furthers this objective by cultivating relationships with sister government agencies and stakeholder groups, which supports understanding of Commission procedures and actions. The Commission also promotes a high standard of ethics, which encourages public confidence in the Commission's activities and ability to fulfill its responsibilities.

### Core Functions

To carry out the key responsibilities incumbent in this objective, FERC maintains a high degree of capability to perform the following core functions.

#### Core Function 1: Maintain processes and public information services in accordance with the principles of transparency and open communication.

Promoting transparency and open communication with respect to conduct of the Commission's business facilitates





both understanding of how the Commission carries out its responsibilities and public trust in the Commission. Indeed, transparency and open communication are the primary means by which the Commission ensures that regulated entities and other interested stakeholders have access in a timely manner to accurate information about the Commission's activities. The Commission demonstrates its commitment to transparency and open communication in many ways.

As discussed above, the Commission bases its decisions on the evidentiary record in a given proceeding. To ensure due process in the development of the evidentiary record, highly trained Commission staff prepares notices that promptly announce incoming filings and establish a deadline for other interested stakeholders to submit comments or protests to those filings. To further promote transparency, such filings are inputted into the Commission's document repository and are available online for public view. Moreover, the Commission issues a bi-weekly public notice to make the public aware of any off-the-record communications to Commission staff that could influence the Commission's decision-making process.

The Commission votes on many of its orders at monthly meetings that are open to the public. Each such meeting is announced with a notice that meticulously and with great detail lists all matters to be considered by the Commission for public vote, as well as the time, place, and contact person for the meeting. This notice is formally issued and published seven days prior to the meeting it is announcing. The Commission also votes on some orders between its monthly meetings. In either circumstance, the Commission's order is inputted promptly to the Commission's document repository and is available online for public view.

In addition to these procedures, the Commission pursues proactive engagement and relationship building with regulated entities and other interested stakeholders. Commission staff frequently address questions from other government agencies at the federal and state level, as well as from the media and the public at large.

The Commission also responds to inquiries under the Freedom of Information Act (FOIA) with a focus on transparency and open communication. The Commission releases information to the greatest extent possible, while recognizing the need for certain information to be withheld from disclosure consistent with statutory exemptions. The extensive experience of Commission staff with respect to both FOIA and the Commission's processes enables prompt issuance of prudent determinations.

#### Core Function 2: Develop and maintain internal processes and services that promote high standards of ethics.

To ensure public trust in the exercise of FERC's regulatory authority, the Commission promotes and demonstrates a high standard of ethics. The Commission's ethics program ensures that employees' activities conform to statutes and regulations relating to conflicts of interest and standards of conduct for federal employees. The Commission also utilizes innovative annual ethics training, which has been recognized repeatedly for excellence among government agencies, to promote an ethically informed workforce. The Commission manages the financial disclosure processes, established by 5 U.S.C. §§ 101-111, through review of employees' financial disclosure reports to avoid, detect or resolve conflicts and to promote compliance with relevant statutory and associated regulatory requirements.





## Performance Measure

The following measures will be used to indicate FERC's performance toward Objective 3.3

### **Measure 1: Percent of Commission filings and issuances that are disseminated to the public within established timeframes.**

Timely communication with stakeholders helps to demonstrate a spirit of transparency and openness that is essential to maintaining public trust and understanding. Accordingly, FERC has established timeframes for responding to requests for information, for disseminating policy decisions and actions, for the issuance of approved orders, and for public notification of filings submitted to the Commission as well as Off-the-Record Communication (Ex Parte) submitted to and from the Commission. The extent to which FERC meets these timelines is an indication of its performance with regard to timely communication and serves as an indicator of the Commission's effectiveness in achieving Objective 3.3.

#### External Factors Affecting the Measure Results

There are no significant external factors.







# A

## Appendix A: Future Challenges

The Commission faces a number of external and internal challenges in its efforts to meet its strategic goals and objectives.

### External Factors

#### Market Dynamics

While the Commission seeks to encourage investment in energy infrastructure by establishing rules that allow for non-discriminatory market access to all resources, the financial community may decide that other investments are better uses of limited capital.

Several factors affect the supply and demand for energy which, in turn, affect the business operations of the public utilities subject to the Commission's jurisdiction and their responses to Commission policies. For example, as noted below, changes in power supply may be driven by technological developments, governmental actions, and other factors. Changes in economic conditions also affect the supply and demand for energy and the related need for energy infrastructure investment. State and federal agency jurisdiction for electric and oil transmission infrastructure and weather conditions affect demand for electricity and natural gas. Severe weather can damage existing energy infrastructure and impede the use and development of new facilities.

#### Stakeholder Actions

The Commission encourages the development of competitive markets by approving efficient market rules, reducing barriers to participation by all supply-side and demand-side resources, and preventing the exercise of market power. However, the Commission cannot control the actions or preferences of individual market participants. Support for particular types of products or resources will be driven by consumer demand and, as a result, markets may develop in different ways and at a different pace. The Commission encourages broad stakeholder participation in the development of new regulatory programs and market rules. However, the ability and willingness of stakeholders to engage in the process of identifying and implementing reforms is beyond the control of the Commission.

#### Government Actions

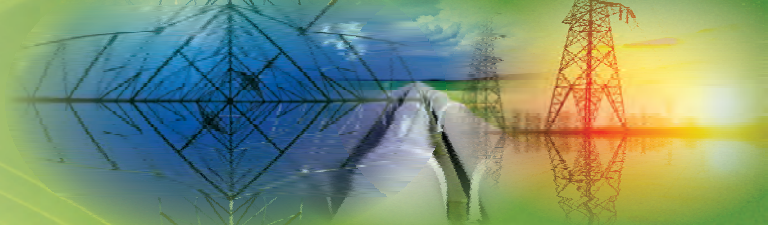
Congress or state legislatures could enact legislation that affects the Commission or the actions of Commission-regulated entities. Other governmental actors at the federal or state level could take actions that affect the desire of regulated entities to invest in new technologies and other resources or that otherwise affect policies pursued by the Commission.

#### Technology

Technological changes may affect the development of energy resources and, in turn, alter outcomes in markets and use of infrastructure subject to the Commission's jurisdiction. The ability of companies to enhance operational efficiency will also be driven in part by advancements in technology. Advances in technology also may introduce both opportunities for improvement of and additional vulnerabilities with respect to security of jurisdictional infrastructure.

#### Hazards, Threats, Incidents

FERC has a responsibility to ensure the safe, secure, and reliable operations of the energy infrastructure within its jurisdiction. This includes overseeing the enforcement of safety requirements and reliability standards. It also includes the identification and advancement of practices to protect against cyber and physical security threats. Natural disasters and major incidents, both accidental and intentional, can shift public opinion and identify gaps in current requirements and standards. The changing capabilities and intentions of those who might seek to undermine this infrastructure continually introduce new security threats. As a result, the safety, security, and reliability of the energy infrastructure is a moving target and a constantly evolving challenge.



### Economy

FERC strives to achieve just and reasonable rates, terms, and conditions. In doing so, FERC considers the needs of both energy consumers and energy suppliers. In addition, economic conditions may affect the economic viability of various infrastructure investments and as a result can shift FERC's workload in terms of the nature and quantity of applications it receives.

### Internal Factors

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The Commission's ability to meet its strategic goals also depends on using its resources productively and efficiently. The Commission's most valuable resource is its staff, which includes highly qualified economists, attorneys, engineers, scientists, policy and industry analysts, information technology experts, administrative staff and other experts. The Commission's ability to recruit, hire, train, motivate, and retain qualified staff in a competitive job market is critical to its ability to meet its strategic goals. Technology also drives the ability of the Commission to gather and analyze data regarding energy markets. The Commission must continue to upgrade its own infrastructure in order to achieve its strategic goals.





# B

## Appendix B: Statutory Authorities

### Electric, Hydropower, and General Statutes

- Federal Power Act (FPA)
- Energy Policy Act of 2005 (EPAAct 2005)
- Energy Policy Act of 1992
- Power Plant and 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
- Energy Policy Act of 2005 (EPAAct 2005)
- 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
- Energy Policy Act of 1992

### Environmental and Other Statutes

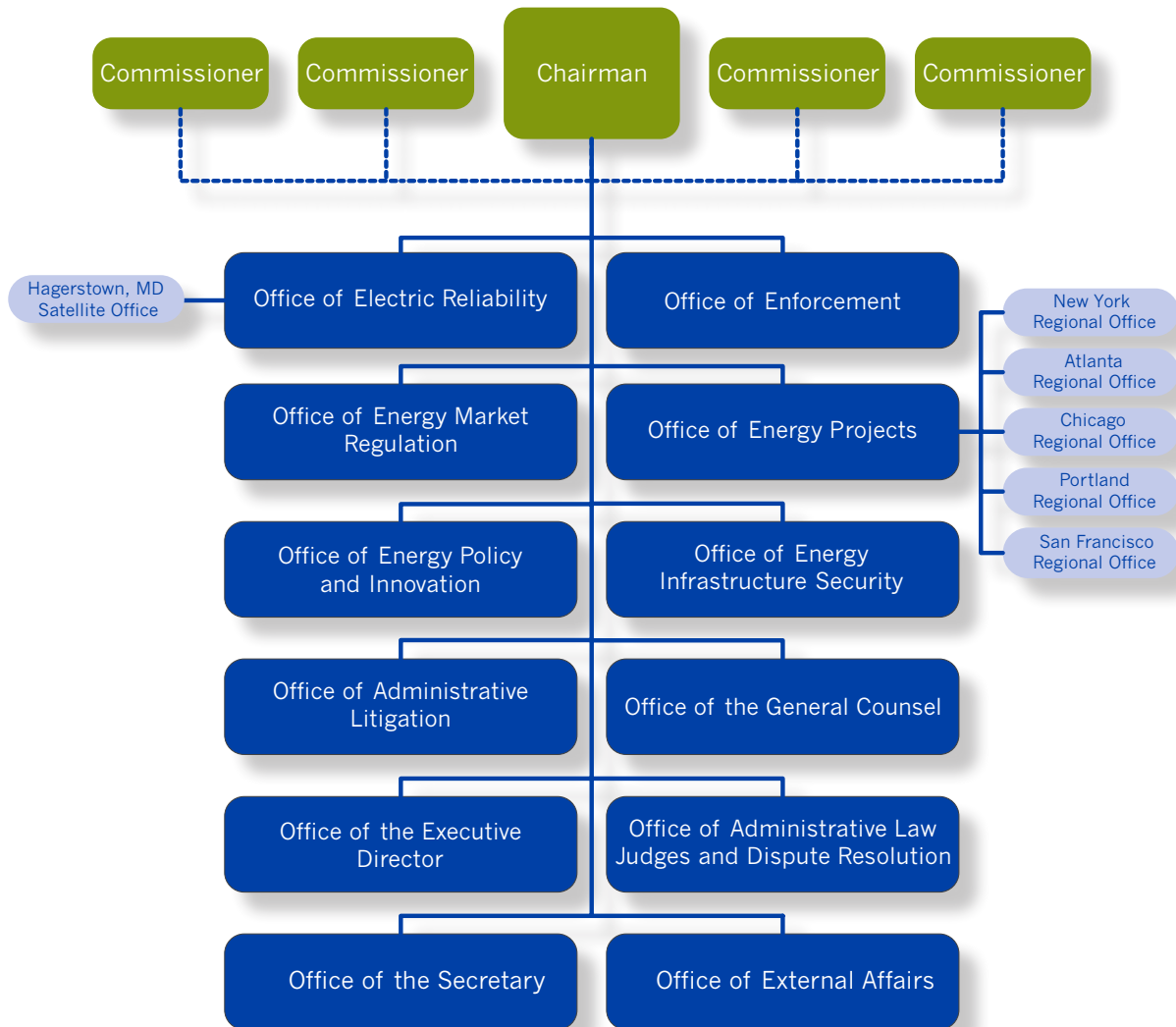
- Clean Air Act
- Clean Water Act
- Rivers and Harbors Act
- Endangered Species Act
- Wild and Scenic Rivers Act
- Coastal Zone Management Act
- National Historic Preservation Act
- Fish and Wildlife Coordination Act
- National Environmental Policy Act (NEPA)





# C

## Appendix C: Organization Chart





# D

## Appendix D: FERC's Responsibilities

### What FERC Does:

- ▶ Regulates the transmission and wholesale sales of electricity in interstate commerce
- ▶ Reviews certain mergers and acquisitions and corporate transactions by electricity companies
- ▶ Regulates the transportation and sale of natural gas for resale in interstate commerce
- ▶ Regulates the transportation of oil by pipeline in interstate commerce
- ▶ Approves the siting and abandonment of interstate natural gas pipelines and storage facilities
- ▶ Reviews siting applications for electric transmission projects under limited circumstances
- ▶ Ensures the safe operation and reliability of proposed and operating LNG terminals
- ▶ Licenses and inspects private, municipal and state hydroelectric projects
- ▶ Protects the reliability of the high-voltage interstate transmission system through mandatory reliability standards
- ▶ Monitors and investigates energy markets
- ▶ Enforces FERC regulatory requirements through imposition of civil penalties and other means
- ▶ Oversees environmental matters related to natural gas and hydroelectricity projects and other matters
- ▶ Administers accounting and financial reporting regulations and conduct of regulated companies

### What FERC Does Not Do:

Many areas outside of FERC's jurisdictional responsibility are dealt with by state public utility commissions. Examples of areas considered outside of FERC's responsibility include:

- ▶ Regulation of retail electricity and natural gas sales to consumers
- ▶ Approval for the physical construction of electric generation facilities
- ▶ Regulation of many activities of state and municipal power systems, federal power marketing agencies, and most rural electric cooperatives
- ▶ Regulation of nuclear power plants
- ▶ Issuance of state water quality certificates
- ▶ Oversight for the construction of oil pipelines
- ▶ Abandonment of service as related to oil facilities
- ▶ Mergers and acquisitions as related to natural gas and oil companies
- ▶ Responsibility for pipeline safety or for pipeline transportation on or across the Outer Continental Shelf
- ▶ Regulation of local distribution of electricity and natural gas
- ▶ Development and operation of natural gas vehicles
- ▶ Reliability problems related to failures of local distribution facilities
- ▶ Tree trimming near local distribution power lines in residential neighborhoods







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