FY 2007
PERFORMANCE AND ACCOUNTABILITY REPORT

FEDERAL ENERGY REGULATORY COMMISSION
NOVEMBER 2007

Joseph T. Kelliher
Chairman

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

OFFICE OF THE CHAIRMAN

Letter from Chairman Kelliher

I am pleased to present the Federal Energy Regulatory Commission's Performance and Accountability Report for fiscal year 2007. This report was prepared in accordance with the guidelines set forth in Office of Management and Budget Circular A-136 and Section 230 of Circular A-11.

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

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

Sincerely,

Joseph T. Kelliher
Chairman
Federal Energy Regulatory Commission

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Management's Discussion and Analysis

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Introduction

In accordance with the guidelines set forth in Office of Management and Budget (OMB) Circular A-136 and Section 230 of Circular A-11, this report presents the Federal Energy Regulatory Commission's (the Commission's, FERC's) FY 2007 audited annual financial statements and program performance report. The financial section includes the Commission's audited balance sheets, statements of net cost, changes in net position, budgetary resources, custodial activity, and notes to the financial statements. The performance report section includes performance measurement data for fiscal years 2004 through 2007. Additionally, this report includes an overview of the Commission, including its mission and organizational structure.

This Performance and Accountability Report serves as a guide to the Commission's key initiatives and activities during FY 2007.

Overview of the Commission

The Commission is an independent regulatory agency within the U.S. Department of Energy (DOE) whose function is to oversee major aspects of the Nation's electric, natural gas, hydroelectric, and oil pipeline industries.

The Commission was created through the Department of Energy Organization Act on October 1, 1977. At that time, the Federal Power Commission (FPC), the Commission's predecessor that was established in 1920, was abolished and the Commission inherited most of the FPC's regulatory mission. The following paragraphs will highlight the Commission's federal statutory authority, with a more comprehensive listing available in Appendix C.

Mission

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

Vision

Abundant, reliable energy in a fair competitive market.

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

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

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

A major new area of Commission regulation as a result of EPAct 2005, the largest grant of authority to the Commission in 70 years, is assuring the reliability of the bulk power system. The law authorizes the Commission to certify an Electric Reliability Organization (ERO) to establish and enforce mandatory reliability standards for the Nation's bulk power system, subject to Commission approval. In July 2006, the Commission certified the North American Electric Reliability Corporation (NERC) as the ERO and in March 2007 approved the first mandatory and enforceable reliability standards. All owners, users and operators of the bulk power system are subject to the mandatory reliability standards approved by the Commission.

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

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

Full Cost Recovery

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

Organizational Structure

Approximately 1,303 full time equivalents (FTEs) carried out the Commission's mission in FY 2007 using a budget of $221.9 million.

The following is a list of the offices within the Commission and a brief description of their operational role. An organizational chart, as of September 2007, is included in Appendix A.

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

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

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

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

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

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

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

Office of the Executive Director – Provides administrative support services to the Commission including human capital, organizational management, budget, procurement, financial policy and services, logistics, and information technology. Included in this office is the Secretary of the Commission that serves as the focal point through which all filings are made for proceedings before the Commission.

Strategic Plan Overview

The United States has the world's most durable market economy, every sector of which depends vitally on energy. The Commission's vision is to promote abundant, reliable energy in a fair, competitive market thereby supporting a strong, stable national economy. To accomplish this, the Commission has three main goals:

- *Energy Infrastructure*. Promote the development of a strong and reliable energy infrastructure consistent with statutory mandates and due process.
- *Competitive Markets*. Support competitive markets by developing rules that encourage fair and efficient competitive markets and prevent the accumulation and exercise of market power.
- *Enforcement*. Prevent market manipulation through vigilant oversight and firm but fair enforcement of Commission rules.

Beginning in FY 2007, the Commission was guided by its revised Strategic Plan. The revised plan contains new strategic objectives and related activities within the three program goals. It also captures new responsibilities resulting from the EPAct 2005. A significant addition to the Strategic Plan was the inclusion of a guiding principles section. These five principles were identified as underlying values that impact the Commission's work on a daily basis.

The revised Strategic Plan describes the Commission's goals as follows:

1. ***Energy Infrastructure***

Goal: Promote the Development of a Strong Energy Infrastructure.

This goal encourages investment in the infrastructure needed to sustain energy markets by expediting the decision-making process, maintaining regulatory and cost certainty, and protecting the energy infrastructure. This goal, which focuses on infrastructure, covers many of the Commission's important responsibilities such as, pipeline certificates, hydropower licenses and preliminary permits, LNG siting and inspections, compliance activities, environmental and other licensing conditions, dam safety inspections and most rate determinations. As a result of the EPAct 2005, this goal also captures many new Commission responsibilities such as the reliability of the interstate transmission grid.

2. ***Competitive Markets***

Goal: Support Competitive Markets.

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

3. ***Enforcement***

Goal: Prevent Market Manipulation.

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

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

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

Business Plan

The Commission's annual Business Plan details the activities and resources allocated to meet the Strategic Plan's goals and objectives. This increases internal accountability by enabling management to link individual office responsibility, due dates, priorities, and budget resources to Commission activities. The Business Plan is an iterative process that helps to identify which activities are leading the Commission towards achieving particular goals and objectives. During FY 2007, the Commission reported actual FTE usage at a detailed activity level in its Business Plan, which improved offices' ability to organize and allocate resources effectively.

Guarding the Consumer

The Commission is charged with regulating the electric and natural gas industries under the FPA and NGA, laws that were written in the 1930s. These 1930-era laws have undergone important reforms, most recently, in EPAct 2005, which, among other things, gave the Commission new reliability oversight authority. The Commission's electric regulatory responsibilities also include portions of the Public Utility Regulatory Policies Act of 1978 (as modified by EPAct 2005) and the Public Utility Holding Company Act of 2005 (adopted in EPAct 2005).

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

NAACP vs. Federal Power Commission

Nevertheless, the FPA and NGA remain the Commission's core statutory responsibilities with respect to guarding the consumer. The central charge of the Commission in the area of electric regulation, expressed in the 30-year-old quote to the left, is the same today – protecting wholesale power and transmission customers from unjust and unreasonable rates and from undue discrimination and preference. With respect to natural gas regulation, the Commission is charged with the same duty – protecting gas pipeline shippers from unjust and unreasonable rates and from undue discrimination and preference. In carrying out these duties, the Commission relies on both regulation and competition.

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

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

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

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

The Commission has also promoted effective competition in wholesale power and natural gas markets by issuing orders establishing rules for open access gas transportation and electric transmission. Open access transportation in gas markets was completed in 1992 with the adoption of Order No. 636. The Commission began to impose electric open access transmission requirements in market-based rate cases and mergers in the 1980's. In 1996, Order No. 888 extended the open access transmission requirements to all jurisdictional public utilities. In FY 2007, Order No. 890 strengthened the requirements of Order No. 888 through increased transparency to address and remedy opportunities for undue discrimination. Over time, the natural gas and electric industries transformed from companies using their monopoly-owned transportation and transmission facilities to supply all the needs of their own wholesale customers, to companies providing competing suppliers and wholesale customers with open and non-discriminatory access to their facilities, under Commission-approved tariffs. The foundation for today's wholesale gas and electric energy markets lies in the reliance on open-access transportation and transmission service. This allows independent suppliers to compete for gas and electric energy sales at market-based prices and to offer market choices for customers.

The Commission has also promoted development of regional transmission organizations (RTOs), independent transmission system operators (ISOs), and independent transmission companies (ITCs). Operating as independent providers of electric transmission service, these organizations are not affiliated with energy market participants and thus have no incentive to discriminate in the provision of transmission service. They operate the electric transmission grid in a certain state or region, thereby eliminating rate pancaking and providing for regional planning. All RTOs and ISOs also now run energy markets.

The Commission's policies have resulted in significant new electric generation capacity by independent power producers. At the same time, investment in electric transmission infrastructure has not kept pace, resulting in increased transmission congestion in some regions. This is of concern because transmission congestion results in higher energy prices. The Commission's new requirements in Order No. 890 for coordinated, open and transparent planning should facilitate the planning and expansion of the transmission system and address congestion and other customer concerns.

The Commission monitors wholesale power and natural gas markets to ensure that its policies mitigate market power, and toward that end, has reformed many of its rules in recent years. Since 2001, the Commission has modified its use of regulatory tools to prevent the exercise of market power by focusing on its electric generation market power policies. Initially through its Market Behavior Rules and later through the implementation of EPAct 2005, the Commission strengthened its reporting requirements (Order Nos. 2001 and 652) and acted to prohibit, among other things, market manipulation. Provisions of EPAct 2005 broadly prohibit fraud in jurisdictional energy market transactions. The Commission has implemented these provisions by adopting new electric and natural gas market anti-manipulation rules in Order No. 670. In 2004, the Commission bolstered its electric generation market power test by issuing improved interim market power screens and in June 2007 issued Order No. 697 adopting new rules governing when a seller can charge market-based rates.

The Commission also continues to be vigilant regarding electric transmission market power. In February 2007, in Order No. 890, the Commission amended its regulations and the *pro forma* open access transmission tariff adopted in Order No. 888 to ensure that transmission services are provided on a basis that is just, reasonable and not unduly discriminatory or preferential. Although Order No. 888 was successful in many important respects, the need to reform the *pro forma* open access transmission tariff became increasingly apparent. For example, in 1999, the Commission held, in adopting Order No. 2000, that the *pro forma* open access transmission tariff could not fully remedy undue discrimination because transmission providers retained both the incentive and the ability to discriminate against third parties, particularly in areas where the *pro forma* open access transmission tariff left the transmission provider with significant discretion. The Commission made a similar finding in Order No. 2003, again holding that opportunities for undue discrimination continue to exist in areas where the *pro forma* open access transmission tariff leaves transmission providers with substantial discretion.

In addition to these reforms, the Commission has other new regulatory tools to protect the consumer. Because of the dramatic changes that have occurred in the electric and natural gas industries over the past 25 years, the Commission needed these new regulatory tools to discharge its historical duties to protect consumers against unjust and unreasonable rates and undue discrimination and preference. In particular, EPAct 2005 expanded the Commission's authority to review mergers and electric generation facility acquisitions and granted the Commission authority to impose significant civil penalties. The Commission will judiciously exercise this new civil penalty authority to prevent the exercise of market power. The Commission began to exercise this new authority in January 2007 when it entered into settlements with five companies providing for a total of $22.5 million in penalties. It has continued to issue settlements involving payments of civil penalties.

Finally, EPAct 2005 directed the Commission to facilitate price transparency in wholesale electric and gas commodity, transmission, and transportation markets and permitted the Commission to issue rules to ensure timely dissemination of price information to market participants and the public. The Commission conducted a technical conference in October 2006 focusing on ways to facilitate price transparency in markets for the sale and transportation of natural gas and electricity. In April 2007, the Commission issued a notice of proposed rulemaking to provide greater transparency in natural gas markets. The Commission continues to monitor industry progress on market transparency and stands ready to use its statutory transparency authority as necessary.

Energy Infrastructure that Serves the Nation's Needs

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

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

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

One project approved in FY 2007 is a prime example of what the Commission has been able to accomplish through the pre-filing process. The project consisted of 172 miles of 42-inch-diameter pipeline across Texas and Louisiana using new right-of-way, and the construction of two new compressor stations. This project was designed to provide much needed capacity for transporting rapidly developing gas supplies in the Barnett Shale and Bossier Sand production areas. The pre-filing process was determined to be the best way to meet the aggressive in-service schedule requested by the company.

The environmental analysis for this project determined that it:

- would affect about 2,500 acres, including 130 acres of wetland;
- would cross 110 perennial waterbodies (3 of which are listed on the National and state inventories due to their scenic qualities) and 136 intermittent streams; and
- could affect 6 federally-listed and 25 state-listed endangered or threatened species or their habitat.

During the pre-filing process the company adopted 34 route variations to address environmental and landowner concerns. In the Environmental Impact Statement (EIS), the Commission staff evaluated three major route alternatives, and seven route variations, two of which were recommended for inclusion in the Commission order to reduce wetland impacts.

Through the efforts of the Commission staff, and the cooperation of other agencies and the company, the environmental review was completed, and the Commission issued a certificate in less than eight months. The company was able to comply with the 38 environmental conditions included in the Commission's Order, complete construction in less than seven months, and place the project into service in May 2007.

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

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

The Commission also has an important role in assuring a strong electricity infrastructure. In setting rates for both wholesale power sales and transmission in interstate commerce, the Commission ensures opportunity for cost recovery and additional investment in generation and transmission facilities. Transmission capacity per megawatt of peak demand declined during much of the past three decades, prompting the Commission to consider pricing policies to encourage the construction of new transmission facilities. After the Commission initiated a proceeding on these policies, Congress amended the FPA, through EPAct 2005, to require the Commission to establish incentive-based rate treatments for transmission within one year of enactment of the new statute. In July 2006, pursuant to this new directive, the Commission issued Order No. 679 to increase investment in transmission infrastructure, promote reliability, and lower costs for consumers by reducing transmission congestion. The final rule allows companies, among other things, to seek:

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

The Commission has also adopted a number of reforms in Order No. 890 to improve the development of transmission infrastructure. For example, the Commission amended its pro forma open access transmission tariff to require coordinated, open, and transparent transmission planning on both a sub-regional and regional level. Order No. 890 adopted a congestion study principle to ensure that the transmission planning process encompasses both reliability and economic considerations. As a result, customers may request studies that evaluate potential upgrades or other investments that could reduce congestion or integrate new resources (e.g., wind developers) and loads on an aggregated or regional basis, without assigning cost responsibility for those investments or otherwise determining whether they should be implemented.

In addition, EPAct 2005 amended the FPA to grant the Commission, for the first time, authority to site electric transmission facilities under certain conditions. While this new authority is more limited than the Commission's natural gas pipeline siting authority, it should help lower the regulatory barriers to necessary investment in the transmission grid. In November 2006, in Order No. 689, the Commission adopted rules to implement this new authority in accordance with the specific criteria established in EPAct 2005.

In addition to its role in developing a strong energy infrastructure, the Commission now has the responsibility of assuring the reliability of the bulk power system through oversight of the ERO and enforcement of the reliability standards. This new regulatory authority is important to the Nation's energy infrastructure, and therefore, its economy and security.

The EPAct 2005 reliability provisions require Commission participation in several areas, including:

- oversight of the ERO, ensuring compliance of the nearly 1,500 entities subject to the mandatory and enforceable reliability standards and investigation of major incidents on the bulk power system;
- development of as many as 50 new or modified reliability standards each year;
- development of reliability standards and oversight of the new and critically important areas of cyber and physical security; and
- reports and assessments of the adequacy and reliability of the bulk-power system.

The Commission has moved quickly to implement the reliability provisions of EPAct 2005. By April 2007, the Commission had put into place the essential elements, namely:

- creation of a new Division of Reliability and reorganization of the Office of Markets, Tariffs and Rates into the Office of Energy Markets and Reliability to organize technical staff efforts;
- establishment of the Office of Enforcement to organize oversight of all compliance work, including adherence to reliability standards;
- certification of an ERO;
- approval of agreements governing the delegation of the ERO's enforcement responsibilities to eight regional entities; and
- approval of 83 mandatory and enforceable reliability standards, effective in June 2007.

While these accomplishments are significant, the Commission's work with respect to reliability has just begun and will become significantly more complex. With mandatory reliability standards in place, the Commission began overseeing and ensuring the enforcement of these standards. In addition, the Commission will engage in the ERO's processes to develop new reliability standards. The Commission anticipates significant increases in the volume and complexity of work in FYs 2008 and 2009 that must be done in order to achieve the goals of EPAct 2005, particularly with respect to ERO oversight, cyber security, ongoing reliability standards development and enforcement.

Another ongoing critical issue for all consumers is the assurance that there exist plans and procedures to address disruptions to energy services that may be caused by extreme weather, terrorism or other national disaster. In August 2006, the

Commission revised its regulations to better monitor and assess the physical state of the interstate natural gas pipeline system and gas storage infrastructure when damages cause service disruptions. The final rule requires jurisdictional natural gas companies to report to the Commission damage to their facilities and report service disruptions that occur when a natural disaster or other cause results in a reduction in pipeline throughput or storage deliverability. The Commission also remains committed to giving priority to processing any filings made for the recovery of extraordinary expenditures to safeguard the reliability and security of the Nation's energy transportation systems and energy supply infrastructure.

Program Performance Overview

The performance measurement data and other achievements included below constitute a few of the Commission's key achievements during FY 2007. The performance measures and targets were selected from the Commission's FY 2008 Performance Budget Request. A complete list of the Commission's performance measurement data for fiscal years 2004 through 2007 is included in the Performance Report section of this report.

Performance Measurement Data for Energy Infrastructure

Goal: Promote the Development of a Strong Energy Infrastructure.

Performance Measurement	Performance Target	Result
Percentage of proposed reliability standards reviewed	100%	Target Met. Docket No. RM06-16-000; Final Rule, Order No. 693, "Mandatory Reliability Standards for the Bulk-Power System," issued March 16, 2007, in which the Commission approved 83 of 107 proposed Reliability Standards, and directed significant improvements to 56 of those standards. The Commission also required submission of further information in order to evaluate the adequacy of the remaining 24 standards. The initial 83 standards became mandatory and enforceable on June 18, 2007. In addition, the Commission approved 8 regional standards in Docket No. RM07-11-000; "Order Approving Regional Reliability Standards for the Western Interconnection and Directing Modifications," issued June 8, 2007.

In Order No. 693 the Commission, for the first time, approved mandatory and enforceable reliability standards for the United States and, although many of the reliability standards need significant improvement, this action resulted in the U.S. being better prepared to meet future reliability challenges. These mandatory reliability standards apply to all users, owners and operators of the bulk power system designated by NERC through its compliance registry procedures. Both monetary and non-monetary penalties may be imposed for violations of the standards.

While the approved reliability standards were immediately enforceable, the Commission directed the Commission-certified ERO and the Regional Entities to focus their resources on the most serious violations during an initial period. The ERO and Regional Entities were directed to exercise enforcement discretion with regard to all applicable users, owners and operators of the bulk power system, to allow the ERO, Regional Entities and others to ensure that the compliance monitoring and enforcement processes work as intended and all entities have time to implement the new processes.

Performance Measurement	Performance Target	Result
Percentage of qualifying LNG plants inspected during ongoing construction activity	100% of plants inspected every 8 weeks	Target Met. 100% of qualifying LNG plants (6 of 6) where construction was occurring were inspected at least every 8 weeks.

LNG plant construction activity during FY 2007 continued at four new LNG import terminals in Texas and Louisiana: Freeport LNG, Cheniere Sabine Pass Phases I and II, Sempra Cameron LNG, and ExxonMobil Golden Pass. In addition, two existing import terminals commenced construction of major expansion projects: the Dominion Cove Point Expansion Project and the Trunkline Infrastructure Enhancement Project. A team of two Commission LNG engineers were assigned to each project to ensure that all of the qualifying projects were inspected at least once every eight weeks and to verify that facilities under construction complied with engineering and safety conditions set forth in the Commission order. Each team also inspected environmental mitigation measures at each site and reviewed the final design of process and safety equipment to verify compliance with the authorized design.

Performance Measurement	Performance Target	Result
Percentage inspected annually: ➢ LNG import terminals ➢ LNG peak-shaving facilities	➢ 100% ➢ 50%	Targets Met. ➢ All 5 of the operating LNG import terminals were inspected. ➢ 6 of the 12 peak-shaving facilities were inspected.

During FY 2007, Commission LNG engineers conducted annual operational inspections at all five of the LNG import terminals: Dominion Cove Point LNG in Cove Point, MD, Southern LNG at Elba Island, GA; EcoEléctrica L.P. in Penuelas, Puerto Rico, Trunkline LNG at Lake Charles, LA, and Distrigas in Everett, MA. Biennial operational inspections were conducted at six of the twelve jurisdictional LNG peak-shaving facilities. A team of Commission LNG engineers conducted field inspections on the condition of plant process equipment, storage tanks and safety systems at each facility. In addition, the operational and maintenance history of the facility since the previous inspection was reviewed with plant management. Of the eleven total inspections, seven resulted in post-inspection letters with recommendations. Example recommendations included increasing gas detection, adding fire extinguishers, or repairing corrosion.

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

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

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

Other Accomplishments

Memorandum of Understanding with the Department of Defense
In FY 2006, the Commission set a target of completing a memorandum of understanding (MOU) with the Secretary of Defense on the coordination of LNG facilities affecting active military installations. The Commission was not able to meet this goal due to personnel shifts within the Department of Defense (DOD). The Commission was able to sign this MOU in August 2007 and is currently awaiting signature by DOD.

Long Term Transmission Rights
In FY 2007, the Commission issued orders on long term transmission rights plans for the PJM Interconnection (PJM), Midwest Independent Transmission System Operator (Midwest ISO), and California Independent System Operator (CAISO) regions, consistent with Commission requirements and EPAct 2005. The plans provide increased certainty about the congestion cost risks of long term service in organized electricity markets and help load-serving entities and other market participants support new investments and other long-term power supply arrangements.

Pricing Policies

In November 2006, the Commission issued its first order authorizing market-based rates for natural gas storage consistent with its FY 2006 final rule encouraging gas storage development. The November 2006 order determined that the applicant had met the requirements of one of the additional approaches natural gas storage developers may now use to justify market-based rates under the final rule.

The Commission's Order No. 679, which offers incentives for potential investors to build needed electric transmission facilities, was clarified on rehearing in December 2006 and again in April 2007. Order No. 679 seeks to ensure investment in the Nation's aging transmission infrastructure, promote electric power reliability, and lower costs for consumers by reducing transmission congestion. The final rule identifies specific incentives the Commission will consider based on a case-by-case analysis of individual transmission proposals. In FY 2007, the Commission conditionally approved transmission rate incentives for Duquesne Light Company to allow it to recover costs connected with a proposed $184 million transmission expansion project in western Pennsylvania. The Commission also approved incentive rate treatment for a static volt-ampere-reactive (VAR) compensator to be installed at the existing Black Oak Substation as part of the Trans-Allegheny Interstate Line Project.

Performance Measurement Data for Competitive Markets

Goal: Support Competitive Markets.

Performance Measurement	Performance Target	Result
Revise open access transmission tariff	Issue final rule by June 30, 2007	Target Met. Docket Nos. RM05-17-000 and RM05-25-000; Final Rule, Order 890, "Preventing Undue Discrimination and Preference in Transmission Service," issued February 16, 2007.

In Order No. 890, the Commission reforms its ten year old open-access transmission regulatory framework to ensure transmission service is provided on a nondiscriminatory and just and reasonable basis, as well as provide for more effective regulation and transparency in the operation of the transmission grid. The final rule was designed to (1) strengthen the pro forma open-access transmission tariff to ensure that it achieves its original purpose of remedying undue discrimination, (2) provide greater specificity to reduce opportunities for undue discrimination and facilitate the Commission's enforcement, and (3) increase transparency in the rules applicable to planning and use of the transmission system.

The Commission's reforms included in the final rule will:

- Increase non-discriminatory access to the grid by eliminating the wide discretion that transmission providers have in calculating available transfer capability (ATC).
- Increase the ability of customers to access new generating resources by requiring an open, transparent and coordinated transmission planning process.
- Increase efficient utilization of transmission by eliminating artificial barriers to use of the grid.
- Facilitate the use of and access to clean energy resources, such as wind power.
- Strengthen compliance and enforcement efforts.

In addition to the increased transparency included in the ATC and planning reforms, the final rule required that transmission providers post on their open-access same-time information system (OASIS) all business rules, practices and standards related to transmission services provided under the pro forma open access transmission tariff.

The final rule applies to all public utility transmission providers, including regional transmission organizations and independent system operators.

Performance Measurement	Performance Target	Result
Develop generation market power screens for electric market based rates	Issue final rule by June 30, 2007	Target Met. Docket No. RM04-7-000; Final Rule, Order 697, "Market-Based Rates for Wholesale Sales Of Electric Energy, Capacity And Ancillary Services By Public Utilities," issued June 21, 2007.

The Commission issued Order No. 697 as part of a series of fundamental reforms to its market-based rate program that will strengthen competitive markets and protect consumers by reinforcing regulations for just and reasonable wholesale electric power sales. The rule realigns the Commission's previous market power analysis for determining whether a wholesale seller of electric energy, capacity or ancillary services qualifies for market-based rate authority into a two-part analysis that looks at horizontal (generation) market power and vertical (transmission and other barriers to market entry) market power. The reforms are intended to protect consumers from an electric power seller's exercise of market power. For sellers that do not demonstrate a lack of market power, the Commission will determine appropriate mitigation on a case-by-case basis.

In its new rule, the Commission:

- Collapses the four-prong analysis for determining whether a wholesale seller of electric energy, capacity or ancillary services qualifies for market-based rate authority into a two-part test covering horizontal (generation) and vertical (transmission and other barriers to market entry) market power.

- Eliminates what is known as the section 35.27 exemption for all generation built after July 9, 1996, alleviating the Commission's concern that retaining the exemption could allow a seller to gain a dominant position in the market without being subject to any generation market power analysis. All sellers seeking market-based rate authority, or filing updated market power analyses, on or after the effective date of the rule must provide a horizontal market power analysis for the generation they own or control, including generation built after July 1996.
- Allows a seller to use the entire RTO/ISO geographic footprint as the default relevant geographic market if the RTO/ISO has sufficient market structure and a single energy market. However, if the Commission determines there is a submarket within an RTO/ISO, the submarket becomes the default relevant geographic market.
- Will determine appropriate mitigation on a case-specific basis for sellers that do not demonstrate a lack of market power, including whether a "must offer" requirement is necessary to mitigate market power.
- Allows mitigated sellers to make market-based rate sales "to the border" if that seller commits that the power will leave home and not ricochet through an affiliate. The rule imposes a record retention requirement on mitigated sellers making such sales and required tariff language to allow for such sales.

Other Accomplishments

Demand Response

The Commission promotes effective demand response principally as a means to reduce electric price volatility and ensure just and reasonable rates for electricity and to enhance reliability. Further, more effective demand response and improved energy efficiency is consistent with sound climate change policy because it will reduce peak and average demand levels and offset the need for generation capacity. To that end, the Commission has adopted a number of reforms to facilitate the use of demand resources in a number of recent orders and rulemakings. Essentially, these orders allow demand response to compete with new generation to meet future demand needs. More effective demand response can offset the need for some generation additions.

In September 2007 the Commission issued its annual report, "Assessment of Demand Response and Advanced Metering 2007," required under the Energy Policy Act of 2005 to chart progress in the number of demand response programs, the number of states introducing opportunities for demand response, and the key role that demand response is playing in organized wholesale power markets. The report notes major demand response developments in wholesale markets, including the use of demand resources in forward capacity markets and ancillary services markets, and the development of new reliability-based demand response programs.

Based on a review of various demand response activities in the last year, Commission staff has identified the following demand response trends:

- Increased participation in demand response programs;
- Increased ability of demand resources to participate in RTO/ISO markets;
- More attention to the development of a smart grid that can facilitate demand response;
- More interest in multi-state and state-federal demand response working groups;
- More reliance on demand response in strategic plans and state plans; and
- Increased activity by third parties to aggregate retail demand response.

Seams

Seams refer to the differences in market rules and designs, operating and scheduling protocols, and other control-area practices that inhibit or preclude the ability to execute transactions that cross regional boundaries and thus create inefficiencies. Significant differences in power products and pricing and market rules between markets can reduce competition between suppliers across the regions. Thus, resolving seams differences could lower the cost of transacting power sales, permit dispatch of lower cost power and, ultimately, lower costs to customers.

In FY 2007, the Commission facilitated discussions between industry and states and took other actions to address and resolve the seams issues that occur at boundaries between organized markets. Specifically:

- In November 2006, the Commission accepted for filing a proposed Seams Operating Agreement between the Midwest ISO and Manitoba Hydro;
- In December 2006, the Commission held a technical conference to examine concerns about seams issues from the CAISO Market Redesign and Technology Upgrade (MRTU) order. While the MRTU does not introduce seams into Western electricity markets, since certain seams issues already exist between organized and bilateral markets in the West, the Commission determined that a technical conference would be appropriate to address these concerns; and
- In March 2007, the Commission held a technical conference focused on seams issues in the Eastern Interconnection. The goal of the conference was to concentrate on efforts to identify the market seams in the Eastern Interconnection that create the greatest barriers to trade and cost shifts, and develop proposals to address those seams.

Performance Measurement Data for Enforcement

Goal: Prevent Market Manipulation.

Performance Measurement	Performance Target	Result
Percentage of enforcement investigations completed	75% within one year	Target met. 94.8% of investigations were closed within a year of being initiated.

In ten of the investigations concluded in FY 2007, the Commission approved a total of $32.5 million in civil penalties. These cases are the first civil penalties paid under the Commission's enhanced civil penalty authority from EPAct 2005. These cases provided for penalties ranging from $500,000 to $10 million. Seven cases involved the electric industry and violations of open access transmission tariffs, Market Behavior Rules, business standards for OASIS transactions, and codes of conduct. Three cases involved the natural gas industry and violations of capacity release requirements and failure to comply with Commission orders.

Performance Measurement	Performance Target	Result
Percentage of operational audit recommendations issued and implemented	90%	Target met. 100% of operational audit recommendations issued were implemented within 6 months.

In FY 2007, the Commission completed 71 audits of energy companies, including three audits that were referred to the Commission's Division of Investigations for further consideration. The audited companies included public utilities, natural gas pipeline and storage companies, and oil pipelines (jurisdictional companies). The Commission auditors were successful in overseeing jurisdictional companies' implementation of 100 percent of our recommendations to correct the areas of noncompliance discovered during the audit engagements.

The audits focused on compliance with post-EPAct 2005 financial securities orders, open access transmission tariffs, interconnection rules, gas tariffs, wholesale fuel adjustment clause tariffs, standards of conduct and code of conduct compliance, cash management programs, electronic quarterly reporting, OASIS and gas websites, Uniform System of Accounts, market-based rate authority, and other blanket authorization and filing requirements of the Commission.

The Commission auditors monitored a public utility's successful completion of a new construction project costing $25 million to alleviate congestion on the transmission system. Specifically, the public utility increased transmission capacity to alleviate congestion on the Iowa-Illinois border and in Central Iowa. This increased transmission capacity benefited many entities in the Midwest, including a number of municipal electricity providers. Moreover, two Commission audits resulted in a public utility (1) paying $1 million in refunds for fuel costs improperly recovered from wholesale energy customers in fuel adjustment clause billings and (2) paying $125,000 in refunds for engaging in affiliated transactions without Commission authorization.

Performance Measurement	Performance Target	Result
Evaluate and improve the usefulness of EQR data	➢ Issue a data dictionary for all undefined fields with restricted entries ➢ Review the current EQR data structure and develop written recommendations for improvements	Targets met. Issued Final Order in Docket No. RM01-8-006 on September 24, 2007 which defined all EQR fields and improved EQR data structure.

The Order Adopting Electric Quarterly Report (EQR) Data Dictionary (Order No. 2001-G) compiles in one document the definitions of certain terms and values used in filing EQR data and issues formal definitions for fields previously undefined. The order takes into consideration the comments filed in response to the notice seeking comments issued in April 2007. The Data Dictionary includes many revisions and refinements to codify staff guidance provided over the years and to clarify EQR filing requirements.

Performance Measurement	Performance Target	Result
Timeliness of actions on problems or discrepancies identified in reviews of organized markets	Within 6 months of completed report	Target met. Addressed all seven identified issues within six months of identification. Issues included: prices over $400 in West, lack of transparency for intrastate pipelines, lack of transparency for natural gas sales and purchases, need to clarify role of MMUs in RTOs, PJM/MISO transmission issues, CenterPoint data reporting, and Rockies Gas Prices.

Commission staff identified questionable trading behavior during the last thirty minute settlement period for natural gas futures. They provided expert analysis that supported the Commission's actions against Amaranth Advisors for alleged market manipulation in connection with the NYMEX trading patterns.

Other Accomplishments

Investigations

The Commission also issued two orders requiring companies to show cause why substantial civil penalties should not be assessed for market manipulation. These orders to show cause are the result of lengthy investigations into natural gas trading activities. In one case, the Commission has proposed civil penalties totaling $232 million and disgorgement of $62.5 million in unjust profits for violations of the anti-manipulation rule adopted pursuant to EPAct 2005.
In the other case, the Commission has proposed civil penalties totaling $97.5 million and disgorgement of $70.5 million in unjust profits for violations of Market Behavior Rule 2[1] and the Commission's regulations. These cases are pending before the Commission.

1. Market Behavior Rule 2 states: Actions or transactions that are without a legitimate business purpose and that are intended to or foreseeably could manipulate market prices, market conditions, or market rules for electric energy or electricity products are prohibited. Actions or transactions undertaken by Seller that are explicitly contemplated in Commission-approved rules and regulations of an applicable power market (such as virtual supply or load bidding) or taken at the direction of an ISO or RTO are not in violation of this Market Behavior Rule. Note: This rule was rescinded after FERC adopted the Anti-Manipulation Rule pursuant to EPAct 2005.

Financial Regulation

During FY 2007, the Commission drafted several major orders and undertook initiatives to ensure that the Commission and the public had access to information needed for oversight activities. These activities improved the quality of information reported to the Commission and provided regulatory certainty to companies filing data with the Commission.

These major initiatives included:

- PUHCA II Rulemaking (RM06-11-000), which implemented new accounting and reporting requirements for centralized service companies.
- Accounting guidance on how jurisdictional entities should implement FAS 158 "Defined Postretirement Benefit Plans" (AI07-1-000) and FIN 48 "Uncertain Tax Positions" (AI07-2-000).
- Order to Show Cause for Compliance with Financial Forms Filing Requirements (IN07-7-000), requiring 14 companies to explain why they did not file various financial forms.
- Notice of Inquiry on Adequacy of Financial Forms (RM07-9-000), seeking to assess whether the financial forms collect relevant financial information critical to the Commission's jurisdictional activities, and Notice of Proposed Rulemaking on Revisions to Forms, Statements, and Reporting Requirements for Natural Gas Pipelines (RM07-9-000), proposing to amend the FERC Forms 2, 2-A and 3-Q to reflect current market and cost information relevant to interstate natural gas pipelines and their customers.

The Commission also successfully cleared a longstanding backlog in AC filings (also known as Requests for Approval by Chief Accountant).

Market Oversight

The Commission also undertook a comprehensive effort to improve understanding of energy markets among other regulators and the public. These efforts included an extensive Market Oversight website available to the public, monthly conference calls with interested state officials, an innovative program to partner with state regulators on particular research projects (the Research in Market Oversight program), and publication of the State of the Markets Report.

Performance Measurement Data for Supporting Initiatives

Performance Measurement	Performance Target	Result
Customers are satisfied with the use of eGovernment initiatives to interact with FERC	90%	Target Met. The customer satisfaction level for FERC eGov Services exceeds 96% based on data collected from the external users surveys.

For several years, the Commission has been expanding the services and information it provides through its website, www.ferc.gov, to improve stakeholder involvement and to make information available to a broader audience more quickly. Customer surveys help the Commission determine how well it is performing and learn customers' needs.

In the FY 2007 survey on eGov Services, the Commission received feedback from 450 respondents, 96 percent of whom were satisfied with the overall services. Comments included, "tremendously valuable suite of services" and "[o]verall, an invaluable resource provided by the Commission." In general, the comments favorably compared the Commission's eGov Services to other government sites.

The Commission also received many constructive suggestions for further improvements. These included simplifying the filing process, speeding access to materials, making the systems more user-friendly, and providing as much online as possible. Through ongoing initiatives (such as the proposal in RM07-16 to expand greatly the materials that can be filed electronically through eFiling), the Commission continues its efforts to address these comments and enhance its services provided.

Performance Measurement	Performance Target	Result
Percentage of transactional ADR processes agreed to by parties concluded	75% within 120 days total (convening and process)	Target Met. Dispute Resolution Services completed 34 transactional processes or cases, both environmental and non-environmental in which parties agreed to pursue an ADR process. Of these, 31 were completed within 120 days after being referred to the DRS (91%).

Alternative Dispute Resolution (ADR) processes have proven effective in resolving many transactional and environmental energy conflicts. In FY 2007, the Commission completed 91 percent of the transactional processes or cases in which parties agreed to pursue ADR in 120 days or less. The prompt settlement of conflict facilitates developing a strong energy infrastructure and supporting competitive markets, two of the Commission strategic goals. The Commission's support of ADR as a successful tool demonstrates its commitment to organizational excellence and the effective use of resources to achieve strategic priorities.

Performance Measurement	Performance Target	Result
Enhance communication with National and International groups	Provide email notification of significant Commission actions to Congress within 1 to 2 business days of the underlining action along with briefing offers where appropriate[2]	In FY 2007, email notifications to members of Congress were sent out on 340 significant Commission actions within 1 to 2 business days of the underlining action. Briefing offers were made on appropriate items.

It is important and valuable to explain Commission actions to various audience groups. In recent years, the Commission has expanded communication with members of Congress through targeted outreach, which includes detailed explanations of Commission activities to effected members. When necessary, the Commission also extends briefing offers to members of Congress. These briefing opportunities further facilitate an increased understanding of the dynamic energy environment underlying Commission activities on enforcement, reliability, LNG, pipeline, hydroelectric, and market monitoring issues. In FY 2007, the Commission's outreach program continued to progress as various members of Congress were notified of 340 significant Commission actions. These actions involved critical issues within a members' district and State. The outreach program has enhanced the relationship between the Commission and Congress, which is an underlying element to the Commission achieving its regulatory mission.

Other Accomplishments

The Commission received an unqualified ("clean") audit opinion on its FY 2007 annual financial statements with no material deficiencies. An "unqualified opinion" is the highest level of assurance that an audit firm can give on an organization's financial statements. The accomplishment is noteworthy because it is the fourteenth consecutive year the Commission has met this financial standard, despite fluctuating OMB, U.S. Department of Treasury, and DOE reporting requirements and the changes to information technology that are driven by those requirements. Unlike most federal agencies, the Commission bills out its full costs to the industries and returns receipts back to the Treasury. This unique interface raises the need for maintaining sustained superior financial performance so the Commission's accounting can be relied on by the regulated energy industries.

2 This is one target out of five associated with this performance measure. This particular target was selected to highlight the increased communication and interaction between the Commission and Congress. The complete performance measure and set of targets can be found in the Performance Report section of this Performance and Accountability Report.

Financial Performance Overview

As of September 30, 2007, the financial condition of the Commission was sound with sufficient funds to meet program needs and adequate controls in place to ensure Commission obligations did not exceed budget authority. The Commission prepared its financial statements in accordance with the accounting standards codified in the Statements of Federal Financial Accounting Standards and with OMB Circular No. A-136, Financial Reporting Requirements.

Sources of Funds. The Commission receives an appropriation from Congress that is available until expended. The Commission's FY 2007 new budget authority was $221.9 million. This represents an increase in new budget authority of approximately $1.5 million over FY 2006. Additional funds available to obligate in FY 2007 were $5.7 million from prior-year unobligated appropriations and $.7 million of prior-year obligations that were subsequently de-obligated in the current year and submitted for re-allotment. The sum of all funds available to obligate in FY 2007 was $228.3 million. Additionally, the Commission receives an appropriation from Congress to pay states the fees it collected for the occupancy and use of public lands. The payments to states appropriation in FY 2007 was $3.1 million.

Consistent with the requirements of the Omnibus Budget Reconciliation Act of 1986, as amended, the Commission collected fees to offset 100% of its budget authority in FY 2007.

Costs by Function. The Commission incurred costs of $240.1 million in FY 2007, which was an increase of $5.8 million over FY 2006. Approximately 72 percent of costs were used for salaries and benefits. The remaining 28 percent was used to obtain technical assistance for the Commission's principal regulatory programs, to cover operating expenses, staff travel, and reimbursable work. Salaries and benefits increased by $11.4 million over 2006 while the net affect on the other cost categories was a decrease of $5.6 million.

Costs by Function (millions)

Costs	FY 2007	FY 2006
Salaries and Benefits	$174.0	$162.6
Travel/Transportation	2.8	3.0
Rent/Comm/Utilities	22.1	22.1
Contract Support	30.8	37.2
Printing/Supplies/Other	10.4	9.4
Total Costs	**$240.1**	**$234.3**

Audit Results. The Commission received an unqualified audit opinion on its FY 2007 financial statements. This was the fourteenth consecutive year the

Commission has received an unqualified opinion. For FY 2007, no material weaknesses were identified by the audit.

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

Analysis of the Balance Sheet

The Commission's assets were approximately $61.0 million as of September 30, 2007. This is a decrease of $37.1 million from September 30, 2006. The assets reported in the Commission's Balance Sheet are summarized in the Asset Summary table.

Assets Summary (millions)

Assets	FY 2007	FY 2006
Fund Balance with Treasury	$48.4	$62.2
Accounts Receivable, net	4.6	26.3
Property and Equipment, net	8.0	9.6
Total Assets	**$61.0**	**$98.1**

The Fund Balance with Treasury represents the Commission's largest asset of $48.4 million as of September 30, 2007, a decrease of $13.8 million from the balance as of September 30, 2006. This balance represents appropriated funds, collected license fees, and other funds maintained at the Treasury until final disposition is determined. The decrease from FY 2006 to FY 2007 is primarily due to the transfer out of resources that were collected under protest and held in suspense as of September 30, 2006.

The Accounts Receivable, net has a balance of $4.6 million as of September 30, 2007. This balance represents the outstanding amounts due from either annual charges, civil penalties or other penalties issued by the Commission to entities under its regulation. The $21.7 million decrease from FY 2006 to FY 2007 is the result of fewer billing adjustments and improved collections throughout FY 2007.

The net book value of Property and Equipment net was $8.0 million as of September 30, 2007, a decrease of $1.6 from FY 2006. The balance is comprised of the net value of the Commission’s equipment, furniture, leasehold improvements, and computer hardware and software. The $1.6 million difference is primarily due to the depreciation of Commission assets in FY 2007.

The Commission's liabilities were $54.1 million as of September 30, 2007. The liabilities reported in the Commission's Balance Sheet are summarized in the Liabilities Summary table.

Liabilities Summary (millions)

Liabilities	FY 2007	FY 2006
Accounts Payable	$13.1	$13.5
Federal Employee Benefits	6.4	5.8
Other Liabilities	34.7	65.4
Total Liabilities	**$54.1**	**$84.7**

The decrease in total liabilities of $30.6 million is largely due to the release of collections held in protest and suspense, as of September 30, 2007 upon resolution of appeals and other factors in FY 2007.

The difference between total assets and total liabilities is net position. The Commission’s net position was approximately $6.9 million as of September 30, 2007, and is discussed in the Analysis of Statement of Changes in Net Position further below.

Analysis of the Statement of Net Cost

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

Net Cost of Operations (dollars)

Operation	FY 2007	FY 2006
Energy Infrastructure	$0	$(22,541)
Competitive Markets	0	(4,264)
Enforcement	0	(3,656)
Net Cost of Operations	**$0**	**$(30,461)**

The Commission's net cost of operations for FY 2007 was $0 as compared to FY 2006 net cost of operations of ($30,461). The Commission is a full cost recovery agency and recovers all of its costs through the allocated annual charges to the entities it regulates. In FY 2007 for financial reporting purposes, the Commission accrued its reimbursable revenue to match total reimbursable costs to report a net cost of $0 on its financial statements.

Analysis of Statement of Changes in Net Position

The Statement of Changes in Net Position reports the change in net position during the reporting period. Net position is affected by changes in its two components: Cumulative Results of Operations and Unexpended Appropriations. The overall decrease in Net Position of $6.6 million is the result of increased expended appropriations for FY 2007 compared to FY 2006.

Net Position Summary (millions)

Position	FY 2007	FY 2006
Unexpended Appropriations	$4.5	$9.5
Cumulative Results of Operations	2.4	4.0
Total Net Position	**$6.9**	**$13.5**

Analysis of the Statement of Budgetary Resources

The Statement of Budgetary Resources shows the sources of budgetary resources available and the status at the end of the period. It represents the relationship between budget authority and budget outlays, and reconciles obligations to total outlays. For FY 2007, the Commission had budgetary resources available of $231.5 million, the majority of which was derived from new spending authority. This represents a decrease of $0.9 million over FY 2006 budgetary resources available of $232.4 million. The unobligated budget authority available at September 30, 2007 was $3.4 million, which is a decrease of $2.3 million from the FY 2006 amount of $5.7 million.

The FY 2007 status of budgetary resources includes obligations incurred of $228.0 million, or 98.5 percent of funds available. Similarly, FY 2006 obligations incurred were $226.6 million, 97.5 percent of funds available. Total net outlays for FY 2007 were $77.3 million, which represents a $26.1 million increase from FY 2006 net outlays of $51.2 million. The increase between years is primarily the result of greater collections in FY 2007 of Commission distributed offsetting receipts.

Analysis of the Statement of Custodial Activity

The Statement of Custodial Activity displays the total Custodial Revenue and the Disposition of Collections related to that revenue activity. This statement ensures that revenue billed and collected by the Commission on behalf of another federal agency will not be reported twice as revenue on the consolidated government's Statement of Net Cost. In FY 2007, the Commission reported $69.9 million in custodial revenue compared to $45.8 million in FY 2006. The majority of the increase over FY 2006 is due to an increase in civil penalty revenue reported in the current year compared to prior year.

Controls, Systems, and Legal Compliance

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

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

Integrity Act Statement

During fiscal year 2007, the Commission responded to the challenge of a changing energy industry as it became more competitive. Our strategic plan contains three primary Commission goals which reflect the Commission's vision of "Abundant, reliable energy in a fair competitive market." We are progressing on each goal and are tracking our achievements so that the real benefits of competition to consumers and the industry are not delayed. Our goals are: (1) Promote the development of a strong energy infrastructure; (2) Support competitive markets; (3) Prevent market manipulation.

To accomplish our goals, we must manage our resources efficiently and integrate our budget, business plan, performance measures, and management controls to improve performance and accountability. We have developed a business plan that outlines detailed objectives and resources for each goal and through this plan we track our progress. Problems that impede our progress continue to be brought to the attention of management and resolved within the Commission at the appropriate level. The auditors' FY 2007 report on the Commission's internal control structure disclosed no material weaknesses or reportable conditions and no instances of noncompliance with laws and regulations. We will continue to maintain a strong management control system.

The Commission's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). In accordance with OMB Circular A-123, Management's Responsibility for Internal controls; we evaluated the effectiveness and efficiency of our internal controls over operations and our compliance with applicable laws and regulations as of September 30, 2007. Based on the results of this evaluation, the Commission can provide reasonable assurance that its internal controls are operating effectively and that no material weaknesses were found in the design or operation of our internal controls.

In addition, the Commission assessed the effectiveness of internal controls over financial reporting, which includes the safeguarding of assets and our compliance with applicable laws and regulations in accordance with the requirements of OMB Circular A-123, Appendix A. The results of this assessment found no material weaknesses in the design or operation of our controls over financial reporting. The Commission can provide reasonable assurance that its internal controls over financial reporting as of September 30, 2007, are operating effectively.

Joseph T. Kelliher
Chairman
Federal Energy Regulatory Commission
September 2007

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

Management Control Review Program

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

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

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

FY 2007 Integrity Act Results

The Commission evaluated its management control systems for the fiscal year ending September 30, 2007. This evaluation provided reasonable assurance that the Commission’s management controls achieved their intended objectives. As a result, management concluded that the Commission did not have any material weaknesses in its programmatic or administrative activities.

FY 2007 Revised OMB A-123 Results

The Commission evaluated its internal controls over financial reporting for the fiscal year ending September 30, 2007. The scope of the evaluation covered all financial processes and the systems that were in place as of June 30, 2007. The evaluation provided reasonable assurance that the Commission’s management controls achieved their intended objectives. As a result, management concluded that the Commission did not have any material weaknesses in its programmatic or administrative activities.

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

FY 2007 Improvement Act

As of September 30, 2007, the Commission evaluated its financial management system to determine if it complied with applicable Federal requirements and accounting standards required by the Improvement Act. We found that the Commission’s financial management system was in substantial compliance with the Federal financial management system requirements, applicable Federal accounting standards and the U.S. Standard General Ledger at the transaction level. In making this determination, we undertook financial reporting tests of the system and reviewed entries at the transaction level, and determined compliance with Federal requirements and accounting standards required by the Improvement Act

Prompt Payment. The Prompt Payment Act requires Federal agencies to make timely payments to vendors for supplies and services, to pay interest penalties when payments are made after the due date, and to take cash discounts when they are economically justified. As of September 30, 2007, the Commission made 97% of its payments, that were subject to the Prompt Payment Act, on-time. The Commission incurred $506 in interest penalties in FY 2007, which was a decrease compared to the FY 2006 amount of $1,026. The agency made 99% of its vendor payments electronically in FY 2007.

Debt Collection. The Debt Collection Improvement Act of 1996 was enacted to enhance the ability of the Federal Government to service and collect debts. The agency goal is to maintain the delinquent debt owed to the Commission at year-end at less than two percent of its current annual billings. As of September 30, 2007, delinquent debt was $8.1 million, which was approximately three percent of its current annual billings. Included in this amount is a single delinquent debt of approximately $5.8 million which is currently under appeal at the Commission. The Commission continues to aggressively pursue the collection of delinquent debt and continues to meet the requirement that all eligible delinquent debt over 180 days is referred to the U.S. Treasury for collection.

Improper Payments Information Act (IPIA) Reporting

The Commission has performed a review of its payments through September 30, 2007 and it has processed 99% of its payments without error. The Commission found only 22 erroneous payments out of 6,514 total payments.

Possible Future Effects of Existing Events and Conditions

As the result of a September 2007 hydropower annual charges appeal, the Commission included a $0.1 million liability in the financial statements as revenue collected under protest. If the licensee ultimately prevails in their claim against the Commission, the Commission would be liable for the amount of the judgment rendered against it. However, this contingent liability is fully funded and therefore poses no adverse or material future effect on the Commission's financial position.

Limitations of the Financial Statements

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

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Financial Section

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FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

Office of the
Executive Director

Message from the Chief Financial Officer

I am pleased to present the Commission's comparative financial results for fiscal years 2007 and 2006. As stewards responsible for regulating energy industries in the economic, environmental and safety interest of the American public; accountability is part of the Commission's culture. This is evidenced by the unqualified opinion expressed by independent auditors on the Commission's principal financial statements for the 14th consecutive year. Moreover, this financial statement audit and management's assessment of internal controls revealed no material weaknesses in the design and operation of key controls affecting financial reporting. The accompanying financial statements and related notes fairly present the Commission's financial position and were prepared in conformity with accounting principles generally accepted in the United States of America, and the Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements.

Fiscal Year 2007 was a challenging year for the Commission. The year-long Continuing Resolution held Commission funding at FY 2006 levels which required the exercise of greater fiscal discipline. The Chief Financial Officer's organization led the Commission through this period by re-prioritizing funding for administrative requirements and services; re-evaluating programmatic requirements to defer funding of lower priority initiatives, and redeploying funds identified through these measures to key strategic priorities. As a result of these deliberate actions, the Commission has come though this fiscal year making suitable progress towards achieving many of the strategic objectives articulated in its FY 2006-2011 Strategic Plan. Other noteworthy financial management accomplishments include the following:

- Issued over $184 million in billings to regulated entities via the Department of the Treasury's Pay.Gov web portal. This marked the first year in which the Commission utilized this service. Issuance of the Commission's annual charge assessments electronically eliminated the time and expense associated with previous delivery methods. Moreover, the effective delivery of these electronic invoices directly to cognizant officials within each regulated entity, facilitated the Commission collecting over 99% of these charges by their established due dates.

- Enhanced our web-based travel system (Northrop Grumman's GovTrip application) by integrating it with the core financial management system. This enhancement allowed the Commission to seamlessly integrate travel business processes with related financial management requirements and realize the full vision of the government-wide e-Gov Travel Services initiative.

- Conducted a full and open competition for services related to the Commission's strategic goal of promoting the development of a strong national energy infrastructure. This $18 million award will provide the Commission with a capable private partner that will assist in licensing hydropower projects for the next five years.

- Strengthened our internal control program by continuing our on-going self-assessment efforts as required by OMB Circular A-123, Management's Responsibility for Internal Control. The Commission for the second consecutive year asserted reasonable assurance that its internal controls over financial reporting were operating effectively. Additionally, we corrected a number of immaterial deficiencies identified during the FY 2006 assessment and plan to devise corrective plans for newly identified issues during the current year's review.

The Federal Energy Regulatory Commission recognizes the importance of public disclosure and accountability. This report demonstrates our commitment to fulfill our fiduciary responsibilities to Commission stakeholders and the American public.

Thomas R. Herlihy
Chief Financial Officer
Federal Energy Regulatory Commission
November 6, 2007

KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report

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

We have audited the accompanying balance sheets of the Federal Energy Regulatory Commission (the Commission) as of September 30, 2007 and 2006, and the related statements of net cost, changes in net position, custodial activity, and budgetary resources (hereinafter referred to as "financial statements") for the years then ended. The objective of our audits was to express an opinion on the fair presentation of these financial statements. In connection with our fiscal year 2007 audit, we also considered the Commission's internal controls over financial reporting and performance measures and tested the Commission's compliance with certain provisions of applicable laws, regulations, and contracts that could have a direct and material effect on these financial statements.

SUMMARY

As stated in our opinion on the financial statements, we concluded that the Commission's financial statements as of and for the years ended September 30, 2007 and 2006, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

Our report emphasizes that the Commission changed its method of reporting the reconciliation of net cost of operations to budget in fiscal year 2007.

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

We noted no deficiencies involving the design of the internal control over the existence and completeness assertions related to key performance measures.

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

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

OPINION ON THE FINANCIAL STATEMENTS

We have audited the accompanying balance sheets of the Federal Energy Regulatory Commission as of September 30, 2007 and 2006, and the related statements of net cost, changes in net position, custodial activity, and budgetary resources for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of September 30, 2007 and 2006, and its net costs, changes in net position, custodial activity and budgetary resources for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 19 to the financial statements, the Commission changed its method of reporting the reconciliation of net cost of operations to budget in fiscal year 2007.

The information in the Management Discussion and Analysis is not a required part of the financial statements, but is supplementary information required by U.S. generally accepted accounting principles and OMB Circular No. A-136, *Financial Reporting Requirements*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

In our fiscal year 2007 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

We noted certain additional matters that we have reported to the management of the Commission in a separate letter dated November 6, 2007.

INTERNAL CONTROL OVER PERFORMANCE MEASURES

Our tests of internal control over performance measures, as described in the Responsibilities section of this report, disclosed no deficiencies involving the design of the internal control over the existence and completeness assertions related to key performance measures.

COMPLIANCE AND OTHER MATTERS

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

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

* * * *

RESPONSIBILITIES

Management's Responsibilities. The United States Code Title 31 Sections 3515 and 9106 require agencies to report annually to Congress on their financial status and any other information needed to fairly present their financial position and results of operations. To meet these reporting requirements, the Commission prepares and submits financial statements in accordance with OMB Circular No. A-136.

Management is responsible for the financial statements, including:

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

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

Auditors' Responsibilities. Our responsibility is to express an opinion on the fiscal year 2007 and 2006 financial statements of the Commission based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin No. 07-04. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes:

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

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

In planning and performing our fiscal year 2007 audit, we considered the Commission's internal control over financial reporting by obtaining an understanding of the Commission's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in *Government Auditing Standards* and OMB Bulletin No. 07-04. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of our audit was not to express an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

As required by OMB Bulletin No. 07-04 in our fiscal year 2007 audit, with respect to internal control related to performance measures determined by management to be key and reported in the Management Discussion and Analysis and Performance sections, we obtained an understanding of the design of internal controls relating to the existence and completeness assertions and determined whether these internal controls had been placed in operation. We limited our testing to those controls necessary to report deficiencies in the design of internal control over key performance measures in accordance with OMB Bulletin 07-04. However, our procedures were not designed to provide an opinion on internal control over reported performance measures and, accordingly, we do not provide an opinion thereon.

As part of obtaining reasonable assurance about whether the Commission's fiscal year 2007 financial statements are free of material misstatement, we performed tests of the Commission's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, including certain provisions referred to in FFMIA. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, and contracts applicable to the Commission. However, providing an opinion on compliance with laws, regulations, and contracts was not an objective of our audit and, accordingly, we do not express such an opinion.

Under OMB Bulletin No. 07-04 and FFMIA, we are required to report whether the Commission's financial management systems substantially comply with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA Section 803(a) requirements.

KPMG

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

KPMG LLP

November 6, 2007

FEDERAL ENERGY REGULATORY COMMISSION

Balance Sheets

September 30, 2007 and 2006

(in dollars)

	2007	2006
Assets (note 3):		
Intragovernmental:		
Fund balances with Treasury (note 4)	$ 48,361,676	$ 62,235,809
Accounts receivable (note 5)	22,640	3,116,978
Total intragovernmental	48,384,316	65,352,787
Accounts receivable, net (note 5)	4,647,677	23,201,271
Property and equipment, net (note 6)	7,987,011	9,584,790
Other assets (note 7)	-	5,994
Total assets	$ 61,019,004	$ 98,144,842
Liabilities:		
Intragovernmental:		
Accounts payable	$ 3,434,843	$ 2,651,245
Other (note 8):		
Accrued payroll and benefits	996,000	990,179
Resources transferable to Treasury and other Federal entities	4,618,517	21,314,038
Workers' compensation payable (note 10)	758,944	493,190
Miscellaneous receipts transferable to Treasury	5,098	1,765
Total intragovernmental	$ 9,813,402	$ 25,450,417
Accounts payable	9,664,254	10,828,696
Other (note 8):		
Accrued payroll and benefits	5,363,070	4,855,118
Revenue collected under protest (note 12)	97,776	4,660,347
Resources transferable to other entities from disgorged funds	16,472,603	20,435,812
Refunds and other amounts due	1,730,332	7,411,636
Accrued leave (note 10)	10,973,250	11,011,332
Capital lease liability	-	29,000
Total liabilities	$ 54,114,687	$ 84,682,358
Commitments and contingencies (note 12)		
Net Position:		
Unexpended appropriations	$ 4,493,446	$ 9,463,468
Cumulative results of operations	2,410,871	3,999,016
Total net position	6,904,317	13,462,484
Total liabilities and net position	$ 61,019,004	$ 98,144,842

The accompanying notes are an integral part of these statements.

FEDERAL ENERGY REGULATORY COMMISSION

Statements of Net Cost

For the Years Ended September 30, 2007 and 2006
(in dollars)

Program Costs:	2007	2006
Regulation:		
Energy Infrastructure:		
Gross costs (note 15)	$ 183,580,477	$ 174,498,313
Less: earned revenue (note 15)	183,580,477	174,520,854
Net program costs	$ -	$ (22,541)
Competitive Markets:		
Gross costs (note 15)	$ 28,451,474	$ 32,725,356
Less: earned revenue (note 15)	28,451,474	32,729,620
Net program costs	$ -	$ (4,264)
Enforcement:		
Gross costs (note 15)	$ 28,018,671	$ 27,075,620
Less: earned revenue (note 15)	28,018,671	27,079,276
Net program costs	$ -	$ (3,656)
Total:		
Gross costs (note 15)	$ 240,050,622	$ 234,299,289
Less: earned revenue (note 15)	240,050,622	234,329,750
Net cost of operations	$ -	$ (30,461)

The accompanying notes are an integral part of these statements.

FEDERAL ENERGY REGULATORY COMMISSION

Statements of Changes in Net Position

For the Years Ended September 30, 2007 and 2006

(in dollars)

	2007	2006
Cumulative Results of Operations:		
Beginning balance	$ 3,999,016	$ 5,745,921
Budgetary financing sources:		
Appropriations used	226,871,540	224,565,776
Other Financing Sources (Non-Exchange):		
Transfers – out to Treasury without reimbursement	(239,839,793)	(236,767,551)
Imputed financing from costs absorbed by others (note 11)	11,380,108	10,424,409
Total Financing Sources	(1,588,145)	(1,777,366)
Net Cost of Operations	-	30,461
Net Change	(1,588,145)	(1,746,905)
Cumulative Results of Operations	$ 2,410,871	$ 3,999,016
Unexpended Appropriations:		
Beginning Balance	$ 9,463,468	$ 13,629,244
Budgetary Financing Sources:		
Appropriations received	221,901,518	220,400,000
Appropriations used	(226,871,540)	(224,565,776)
Total Budgetary Financing Sources	(4,970,022)	(4,165,776)
Total Unexpended Appropriations	$ 4,493,446	$ 9,463,468
Net Position	$ 6,904,317	$ 13,462,484

The accompanying notes are an integral part of these statements.

FEDERAL ENERGY REGULATORY COMMISSION

Statements of Budgetary Resources

For the Years Ended September 30, 2007 and 2006

(in dollars)

	2007	2006
Budgetary Resources:		
Unobligated balance, beginning of period	$ 5,748,932	$ 8,961,795
Recoveries of prior year unpaid obligations	676,291	55,181
Budgetary authority		
Appropriation	3,094,043	3,023,934
Collected	221,917,880	220,444,346
Change in unfilled customer orders		
Without advance from Federal sources	40,979	(91,949)
Subtotal	225,052,902	223,376,331
Total budgetary resources	$ 231,478,125	$ 232,393,307
Status of Budgetary Resources:		
Obligations incurred: (note 16)		
Direct	$ 228,015,257	$ 226,609,667
Reimbursable	33,178	34,708
Subtotal	228,048,435	226,644,375
Unobligated balances:		
Apportioned	3,429,690	5,748,932
Total status of budgetary resources	$ 231,478,125	$ 232,393,307
Change in Obligated Balance:		
Obligated balance, net		
Unpaid obligations, brought forward, October 1	$ 23,174,182	$ 20,208,438
Less: Uncollected customer payments from Federal sources, brought forward, October 1	(46,303)	(138,252)
Total unpaid obligated balance, net	23,127,879	20,070,186
Obligations incurred, net	228,048,435	226,644,375
Less: Gross outlays	(229,918,138)	(223,623,450)
Less: Recoveries of prior year unpaid obligations, actual	(676,291)	(55,181)
Change in uncollected customer payments from Federal sources	(40,979)	91,949
Obligations balance, net, end of period		
Unpaid obligations	20,628,189	23,174,182
Less: Uncollected customer payments from from Federal sources	(87,283)	(46,303)
Total, unpaid obligated balance, net, end of period	$ 20,540,906	$ 23,127,879

(Continued)

FEDERAL ENERGY REGULATORY COMMISSION

Statements of Budgetary Resources (Continued)

For the Years Ended September 30, 2007 and 2006

(in dollars)

	2007	2006
Net Outlays:		
Net Outlays:		
Gross outlays	$ 229,918,138	$ 223,623,450
Less: Offsetting collections	(221,917,880)	(220,444,346)
Less: Distributed offsetting receipts	(85,255,615)	(54,362,118)
Net outlays	$ (77,255,357)	$ (51,183,014)

The accompanying notes are an integral part of these statements.

FEDERAL ENERGY REGULATORY COMMISSION

Statements of Custodial Activity

For the Years Ended September 30, 2007 and 2006

(in dollars)

	2007	2006
Sources of Cash Collections:		
Cash collections – annual charges	$ 82,035,815	$ 41,526,299
Accrual adjustment	(12,179,467)	4,284,088
Net Custodial Revenue (note 13)	69,856,348	45,810,387
Disposition of Collections:		
Transferred to Others (by Recipient):		
United States Army – Corps of Engineers	(13,153,812)	(7,609,937)
Department of Interior	(8,774,079)	(6,355,362)
United States Treasury	(59,477,033)	(27,121,021)
Various states	(3,094,042)	(3,023,934)
Increase/(Decrease) in Amounts to be Transferred	14,642,618	(1,700,133)
Net Custodial Activities	$ -	$ -

The accompanying notes are an integral part of these statements.

FEDERAL ENERGY REGULATORY COMMISSION
Notes to Financial Statements
September 30, 2007 and 2006

(1) Description of Reporting Entity

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

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

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

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

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

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

Energy Infrastructure

One of the Commission's main objectives is to stimulate infrastructure development needed to sustain energy markets by addressing regulatory and other challenges and providing cost recovery clarity. Another main objective is to maintain a reliable and safe infrastructure. In this respect, Commission authority centers on the interstate electric transmission grid and LNG and hydropower facilities. By focusing on infrastructure, this segment covers many of the Commission's important responsibilities including, pipeline certificates, hydropower licenses and preliminary permits, LNG siting and inspections, compliance activities, environmental and other licensing conditions, dam safety inspections and most rate determinations.

Competitive Markets

Another Commission goal is to support competitive energy markets. This requires the Commission to issue rules that encourage fair and competitive markets and to facilitate best practices throughout the industries. In this segment, the Commission must also work to prevent the unrestricted accumulation and/or exercise of market power. The Commission is able to work towards this by using its recently granted merger and acquisition review authority as well as traditional rate determination authority.

Enforcement

The Commission also needs to ensure that competitive energy markets benefit the Nation over the long run. The Commission must provide vigilant oversight over the marketplace to offer the public and market participants assurance that any structural or operational energy market problems will be identified and remedied quickly. Enhanced penalty authority has complemented the Commission's policy of firm but fair enforcement. In this segment, the Commission conducts investigations promptly and imposes penalties where appropriate. To balance the Commission's enforcement role, the regulated entities are encouraged to be proactive and self-police and self-report violations. The Commission works closely with regulated entities to ensure that rules are understood and their internal compliance programs are effective.

Cost Recovery

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

Annual Charges

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

Hydropower

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

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

Gas, Electric, and Oil

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

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

Filing Fees

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

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

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

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

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

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

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

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

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

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

(b) Budgets and Budgetary Accounting

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

(c) Basis of Accounting

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

(d) Revenue and Financing Sources

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

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

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

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

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

(e) Fund Balance with Treasury

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

(f) Allowance for Doubtful Accounts

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

(g) Property and Equipment

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

(h) Liabilities

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

(i) Revenue Collected Under Protest

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

(j) Accrued Leave

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

(k) Workers' Compensation Payable

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

(l) Disgorged Funds

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

(m) Net Position Accounts

Net position account balances consist of the following components:

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

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

(n) Tax Status

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

(o) Use of Estimates

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

(3) Non-Entity Assets

Non-entity assets at September 30, 2007 and 2006 consisted of:

	2007	2006
Intragovernmental:		
Accounts receivable	$ -	$ 3,082,821
Fund balances with Treasury:		
Revenue collected under protest	97,776	4,660,347
Disgorged funds	16,455,511	15,418,720
Miscellaneous receipts held in suspense	609,775	6,055,247
Special receipts fund	7,222,919	7,222,919
Other	5,098	1,765
Total intragovernmental	$ 24,391,079	$ 36,441,819
Accounts receivable, net	639,612	14,233,076
Total non-entity assets	$ 25,030,691	$ 50,674,895
Total entity assets	35,988,313	47,469,947
Total assets	$ 61,019,004	$ 98,144,842

(4) Fund Balance with Treasury

Fund Balance with Treasury at September 30, 2007 and 2006 consisted of:

	2007	2006
Fund Balances:		
Appropriated funds	$ 23,970,597	$ 28,876,812
Revenue collected under protest	97,776	4,660,347
Disgorged funds	16,455,511	15,418,719
Miscellaneous receipts held in suspense	609,775	6,055,247
Special receipts fund	7,222,919	7,222,919
Other	5,098	1,765
Total	$ 48,361,676	$ 62,235,809
Status of Fund Balance with Treasury		
Unobligated balance:		
Available	$ 3,429,690	$ 5,748,933
Unavailable	24,303,797	33,358,997
Obligated balance not yet disbursed	20,628,189	23,127,879
Total	$ 48,361,676	$ 62,235,809

(5) Accounts Receivable, net

Entity and nonentity accounts receivable at September 30, 2007 and 2006 consisted of:

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

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

(6) Property and Equipment, net

Property and equipment and related accumulated depreciation at September 30, 2007 and 2006 consisted of:

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

	2006		
	Acquisition Amount	**Accumulated Depreciation**	**Net**
Equipment	$ 4,760,722	$ 4,202,613	$ 558,109
Furniture	9,070,773	9,070,773	-
Leasehold improvements	9,491,415	5,180,970	4,310,445
Automated data processing software	17,491,138	12,803,902	4,687,236
Capital assets	29,000	-	29,000
Total Property and Equipment, net	$ 40,843,048	$ 31,258,258	$ 9,584,790

(7) Other Assets

Other assets at September 30, 2006 consisted of $5,994 in advances to others.

(8) Other Liabilities

Other liabilities at September 30, 2007 and 2006 consisted of:

	2007		
	Non-Current	Current	Total
Intragovernmental			
Accrued payroll and benefits	$ -	$ 996,000	$ 996,000
Resources transferable to Treasury and other Federal entities	-	4,618,517	4,618,517
Workers' compensation payable	594,890	164,054	758,944
Miscellaneous receipts transferable to Treasury	-	5,098	5,098
Total intragovernmental liabilities	594,890	5,783,669	6,378,559
Accrued payroll and benefits	-	5,363,070	5,363,070
Revenue collected under protest (note 12)	-	97,776	97,776
Resources transferable to other entities from disgorged funds	16,472,603	-	16,472,603
Refunds and other amounts due	-	1,730,332	1,730,332
Accrued leave	-	10,973,250	10,973,250
Total other liablities	$ 17,067,493	$ 23,948,097	$ 41,015,590

	2006		
	Non-Current	Current	Total
Intergovernmental			
Accrued payroll and benefits	$ -	$ 990,179	$ 990,179
Resources transferable to Treasury and other Federal entities	-	21,314,038	21,314,038
Workers' compensation payable	221,515	271,675	493,190
Miscellaneous receipts transferable to Treasury	-	1,765	1,765
Total intragovernmental liabilities	221,515	22,577,657	22,799,172
Accrued payroll and benefits	-	4,855,118	4,855,118
Revenue collected under protest (note 12)	-	4,660,347	4,660,347
Resources transferable to other entities from disgorged funds	20,435,812	-	20,435,812
Refunds and other amounts due	-	7,411,636	7,411,636
Accrued Leave	-	11,011,332	11,011,332
Capital Lease Liability	-	29,000	29,000
Total other liablities	$ 20,657,327	$ 50,545,090	$ 71,202,417

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

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

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

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

(9) Building Lease

The General Services Administration (GSA) enters into lease agreements for government buildings and maintains those lease agreements. The Commission pays GSA a standard level users charge for the annual rental of building space, of which Commission Headquarters is in Washington, DC and several other regional offices are located in various parts of the country. The standard level users charge approximates the commercial rental rates for similar properties. Expenses incurred for building leases amounted to $19.9 million and $20.5 million for fiscal years ended September 30, 2007 and 2006, respectively.

Real Property Operating Leases

Fiscal Year (FY)	GSA	Non-GSA	Total
FY 2008	$ 10,917,230	$ 98,521	$ 11,015,751
FY 2009	10,917,230	97,709	11,014,939
FY 2010	10,917,230	73,280	10,990,510
FY 2011	10,917,230	23,074	10,940,304
FY 2012	10,917,230	12,573	10,929,803
Beyond FY 2012	32,751,690	-	32,751,690
Total future minimum lease payments	$ 87,337,840	$ 305,157	$ 87,642,997

(10) Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources at September 30, 2007 and 2006 consisted of:

	2007	2006
Intragovernmental		
Workers' compensation payable	$ 758,944	$ 493,190
Total intragovernmental	758,944	493,190
Accrued leave	10,973,250	11,011,332
Total liabilities not covered by budgetary resources	$ 11,732,194	$ 11,504,522

(11) Pension Expense

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

On January 1, 1987, FERS went into effect pursuant to Public Law 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to

January 1, 1984, could elect either to join FERS and Social Security or remain in CSRS. FERS offers a savings plan in which the Commission automatically contributes 1% of employees' basic pay and matches any employee contribution up to an additional 4% of basic pay. For most employees hired since December 31, 1983, the Commission also contributes the employer's matching share for Social Security.

The actuarial present value of accumulated benefits, assets available for benefits, and unfunded pension liability of CSRS and FERS is not allocated to individual departments and agencies and is, therefore, not disclosed by the Commission. Total pension expense paid by the Commission for both plans for fiscal years 2007 and 2006 was approximately $12.7 million and $11.3 million, respectively as of September 30th. During fiscal years 2007 and 2006 as of September 30th, an additional $11.4 million and $10.4 million, respectively, of pension and life and health insurance expense was recognized by the Commission for amounts that will ultimately be funded through the Office of Personnel Management. This amount is also recorded as an imputed financing source.

(12) Contingencies

As the result of a September 2007 hydropower annual charges appeal, the Commission included a $0.1 million liability in the financial statements as revenue collected under protest. If the licensee ultimately prevails in their claim against the Commission, the Commission would be liable for the amount of the judgment rendered against it. However, this contingent liability is fully funded and therefore poses no adverse or material future effect on the Commission's financial position. In addition, the Commission has a Freedom of Information Act case pending in the United States District Court for the District of Columbia where the probability of success for the claimants is reasonably possible. The amount of any monetary relief at this time is unknown.

With regard to prior period appeals, the Commission resolved annual charge disputes totaling $4.7 million that were reported as contingent liabilities on September 30, 2006. The disputes were lodged by certain regulated entities challenging the dollar amount of the annual charges assessed by the Commission on prior fiscal year bills. Primarily, these disputes were based on clarifications that needed to be provided on prior year other agency costs assessments. During FY 2007, the Commission effectively addressed the issues brought forth by these regulated entities through various proceedings and issuances. Final Commission action in each instance was not challenged under the rehearing provisions stated in the Commission's regulations. By rule, these matters were administratively closed.

(13) Custodial Activity

The Commission currently bills regulated companies annual charges as a custodian for certain Federal agencies. These agencies include the U.S. Army Corps of Engineers, the Department of Interior's Bureau of Reclamation, and the Treasury. Accrual accounting is used to account for the Commission's custodial activities. The receivables are maintained by the Commission, and the collections are processed to each Federal agency on a monthly basis. In addition to the annual charges, penalty and administrative costs are assessed on past-due bills and remitted to the Treasury when received. For fiscal years 2007 and 2006, these custodial collections totaled approximately $82.0 million and $41.5 million, respectively as of September 30th. For fiscal years 2007 and 2006, net custodial revenue totaled approximately $69.9 million and $45.8 million, respectively as of September 30th.

(14) Earmarked Funds

In accordance with the Federal Accounting Standards Advisory Board's Statement on Federal Financial Accounting Standards (SFFAS) No. 27, the Commission is required to report separately on the Balance Sheets and Statements of Changes in Net Position, the nonexchange revenue, other financing sources, net cost of operations and net position attributable to earmarked funds. In addition, the Commission must disclose the earmarked fund for which it has program management responsibility. The Commission's Collections Due to States fund meets the criteria for earmarked funds. The balances as of September 30, 2007 and 2006 were $0 and $0 respectively.

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

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

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

Since the earmarked funds managed by the Commission are custodial in nature, there are no equity balances to report on the financial statements as of September 30, 2007 and 2006.

(15) Intragovernmental Costs and Exchange Revenue

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

Intragovernmental costs and exchange revenue at September 30, 2007 and 2006 consisted of:

	2007	2006
Energy Infrastructure:		
Intragovernmental costs	$ 39,345,874	$ 36,730,749
Public costs	144,234,603	137,767,564
Total Energy Infrastructure costs	183,580,477	174,498,313
Intragovernmental earned revenue	48,289	58,092
Public earned revenue	183,532,188	174,462,762
Total Energy Infrastructure earned revenue	183,580,477	174,520,854
Competitive Markets		
Intragovernmental costs	6,097,860	7,445,422
Public costs	22,353,614	25,279,934
Total Competitive Markets costs	28,451,474	32,725,356
Intragovernmental earned revenue	7,484	11,775
Public earned revenue	28,443,990	32,717,845
Total Competitive Markets earned revenue	28,451,474	32,729,620
Enforcement		
Intragovernmental costs	6,005,100	5,459,976
Public costs	22,013,571	21,615,644
Total Enforcement costs	28,018,671	27,075,620
Intragovernmental earned revenue	7,370	8,635
Public earned revenue	28,011,301	27,070,641
Total Enforcement earned revenue	$ 28,018,671	$ 27,079,276

(16) Apportionment Categories of Obligations Incurred

Apportionment categories of obligations incurred as of September 30, 2007 and 2006 consisted of:

	2007	2006
Category A:		
Direct	$ 228,015,257	$ 226,609,667
Reimbursable	33,178	34,708
Total obligations incurred	$ 228,048,435	$ 226,644,375

Category A apportionments distribute budgetary resources by fiscal quarters.

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

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

(18) Undelivered Orders at the End of the Period

Undelivered orders are obligations made by the Commission for services and purchases that have not been received and accepted as of the balance sheet date. The amount of Commission budgetary resources reported as undelivered orders as of September 30, 2007 and 2006 was $1.2 million and $3.8 million, respectively.

(19) Reconciliation of Net Cost of Operations to Budget

SFFAS No. 7 requires a reconciliation of proprietary and budgetary information in a way that helps users relate the two. In previous years, this reconciliation was accomplished by presenting the Statement of Financing as a basic Financial Statement. Beginning in fiscal year 2007, OMB Circular No. A-136, "Financial Reporting Requirements," requires that this reconciliation be presented as a note on a comparative basis rather than as a basic financial statement. Accordingly, the Commission presents the fiscal year 2007 reconciliation and comparative fiscal year 2006 reconciliation as follows:

	2007	2006
Resources used to finance activities:		
Budgetary resources obligated:		
Obligations incurred	$ 228,048,435	$ 226,644,375
Less: spending authority from offsetting collections	(222,635,150)	(220,407,578)
Obligations, net of offsetting collections	5,413,285	6,236,797
Less: offsetting receipts	(85,255,615)	(54,362,118)
Net obligations	(79,842,330)	(48,125,321)
Other resources:		
Transfers-out, net of appropriations received	(17,938,275)	(16,367,551)
Imputed financing from costs absorbed by others (note 11)	11,380,108	10,424,409
Net other resources used to finance activities	(6,558,167)	(5,943,142)
Total resources used to finance activities	$ (86,400,497)	$ (54,068,463)
Resources used to finance items not part of the net cost of operations:		
Change in budgetary resources obligated for goods/services/benefits ordered but not yet provided	$ 2,624,898	$ 903,687
Resources that fund expenses recognized in prior periods	(38,082)	(46,364)
Budgetary offsetting receipts that do not affect the net cost of operations	85,255,615	54,362,118
Resources that finance the acquisition of assets	(997,517)	(3,244,509)
Payments to States (note 14)	(3,094,042)	(3,023,934)
Total resources used to finance items not part of the net cost of operations	83,750,872	48,950,998
Total resources used to finance the net cost of operations	$ (2,649,625)	$ (5,117,465)
Components of the net cost of operations that will not require or generate resources in the current period:		
Components requiring or generating resources in the future periods:		
Increase in unfunded liabilities	$ 265,753	$ 730,411
Increase in exchange revenue receivable from the public	-	1,356,389
Total components of net cost of operations that will require or generate resources	$ 265,753	$ 2,086,800

Components not requiring or generating resources:				
Depreciation and amortization	$	2,595,296	$	2,991,773
Other		(211,424)		8,431
Total components of net cost of operations that will not require or generate resources	$	2,383,872	$	3,000,204
Total net cost of operations that do not require or generate resources in the current period		2,649,625		5,087,004
Net Cost of Operations	$	-	$	(30,461)

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Performance Report

(Unaudited)

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Introduction

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

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

In addition to the FY 2007 performance results that were highlighted in the Management's Discussion and Analysis, the tables on the following pages include the Commission's complete performance measurement data for fiscal years 2004 through 2007.

The Performance Measures for fiscal years 2004 through 2006 are aligned with the Commission's former Strategic Plan. The Performance Measures for fiscal year 2007 are aligned with the Commission's updated Strategic Plan which was submitted to Congress on September 29, 2006. The updated Strategic Plan can also be found in Appendix B.

Performance Measurement Data for Energy Infrastructure

FY 2004		
Performance Measurement	**Performance Target**	**Result**
Inspect each major onshore pipeline project at least once every four weeks during ongoing construction activity	100% of qualifying projects inspected per established schedule	All three major onshore projects were inspected at least once every four weeks.
Percentage of relicense filings based upon ALP's	25% of all relicense cases using ALP	45% of the relicense applications filed during FY2004 used ALP.
Complete implementation process of Large Generator Interconnection Policies	By year end, process 90% of all compliance tariff filings submitted by July 31	89% of the 87 compliance tariff filings were completed by the end of FY 2004. The remainder involve cases where additional time was needed to evaluate protests and unique compliance issues, and will be completed by the end of first quarter of FY 2005. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance.
Percentage of final NEPA documents, required for hydropower license applications filed after FY 2002, completed within specified time frames	75% of final NEPA documents prepared for licenses approved within the following time frames: ➢ ALP case, less than 16 months ➢ TLP case, less than 24 months	➢ 83% of final NEPA documents were issued within 16 months of the date ALP license applications were deemed complete. ➢ 100% of final NEPA documents were issued within 24 months of the date TLP license applications were deemed complete.
Percent of final NEPA documents based upon comprehensive settlement agreements completed within specified time frames	75% of final NEPA documents prepared for final comprehensive license settlement agreements are completed within 12 months	100% of final NEPA documents were issued within 12 months of the date final settlement agreements were filed with the Commission.
Percentage of pipeline certificate cases completed in specified time frames	85% of cases completed within the following time frames: ➢ unprotested cases that involve no precedential issues, 159 days ➢ protested cases that involve no precedential issues, 304 days ➢ cases of first impression or containing larger policy implications, 365 days ➢ cases requiring a major environmental assessment or environmental impact statement, 480 days	85% of the cases were completed in: ➢ 111 days for unprotested cases that involve no precedential issues; ➢ 190 days for protested cases that involve no precedential issues; ➢ 217 days for cases of first impression or containing larger policy implications; ➢ 448 days for cases requiring a major environmental assessment or environmental impact statement.

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

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

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

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

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

FY 2006		
Performance Measurement	**Performance Target**	**Result**
Develop strategic plan and timeline for transmission line siting group	By August 31, 2006	Target Met. The strategic plan and timeline were in place by August 31, 2006. Steps have been taken to establish a transmission line siting group including: the issuance of a Notice of Proposed Rulemaking to establish the necessary rules and regulations to process applications filed with the Commission and posting openings to fill these essential positions.
Issue final rules on mandatory pre-filing process for LNG terminal proposals	Within 60 days of enactment of EPAct 2005	Target Met. The Commission issued regulations on the mandatory pre-filing process for LNG terminal proposals within 60 days of the enactment of EPAct 2005. The Pre-Filing Rule was issued on October 7, 2005 in Docket No. RM 05-31-000, Order 665; the effective date of the rule was November 17, 2005.
Complete MOU with Secretary of Defense on coordination of LNG facilities affecting active military installations	By March 31, 2006	Target Not Met. Both DoD contacts retired or were transferred during negotiations. A new DoD contact was assigned in July 2006 and negotiations are underway again. This did not impact operations.
Issue reports to Congress on Alaska Natural Gas Pipeline	Reports issued in February 2006 and August 2006	Target Met. Reports issued February 1 and July 10, 2006.
Establish rules for transmission infrastructure incentives	Issue rules by August 8, 2006	Target Met. Docket No. RM06-4-000; Final Rule, Order No. 679, “Promoting Transmission Investment through Pricing Reform,” issued July 20, 2006.
Identify requirements for establishing a communications system with transmission owners and RTOs on status of transmission lines	Issue report to Congress by February 4, 2006	Target Met. Report entitled “Steps to Establish a Transmission Monitoring System for Transmission Owners and Operators within the Eastern and Western Interconnections,” submitted to Congress on February 2, 2006.
Establish process to review ERO proposed initial reliability standards	By March 31, 2006	Target Met. Developed a rulemaking process and timeline for addressing the initial reliability standards; the process and timeline were approved by the Commission in March 2006.
Issue report to Congress on operator training	By December 31, 2005	Target Not Met. Although a comprehensive study of the current state of control room operator training across the bulk power system of the United States was completed in early December, the report has not yet been sent to Congress. The Commission is currently involved in a comprehensive rulemaking related to ERO reliability standards which will include standards related to operator training. This did not negatively impact operations.
Percentage of qualifying, major, onshore-pipeline projects inspected during ongoing construction activity	100% of projects inspected at least once every four weeks	100%

FY 2006		
Performance Measurement	**Performance Target**	**Result**
Percentage of pipeline certificate cases with no precedential issues completed	➢ 90% of unprotested cases within 159 days of filing ➢ 90% of protested cases within 304 days of filing	➢ 94% ➢ 100%
Percentage of pipeline certificate cases of first impression or containing larger policy implications completed	90% within one year of filing	100%
Percentage of pipeline certificate cases requiring a major environmental assessment or environmental impact statement completed	90% within 18 months of filing	100%
Percentage of qualifying LNG plants inspected during ongoing construction activity	100% of plants inspected at least once every eight weeks	100%
Percentage of LNG import terminals inspected	100% inspected annually	100%
Percentage of LNG peak-shaving terminals inspected	50% inspected annually	50%
Percentage of ILP pre-filing notices for NOI/PAD and initial scoping document issued	85% within 60 days of NOI/PAD filing	100%
Percentage of ILP pre-filing scoping meetings and site visits completed	85% within 90 days of NOI/PAD filing	100%
Percentage of ILP pre-filing study plan determinations completed	85% within 315 days of NOI/PAD filing	100%
Percentage of final NEPA documents issued for ALP/TLP cases with settlement agreements	85% within 12 months	94%
Percentage of final NEPA documents issued for ALP/TLP cases without settlement agreements	85% within 24 months	94%

FY 2006		
Performance Measurement	**Performance Target**	**Result**
Percentage of non-independent transmission provider open access transmission tariffs that have standard generator interconnection procedures in compliance with Order No. 2003 and small generator final rule	75% by September 30, 2006	Target Met. 100% compliance with Order No. 2006, "Standardization of Small Generator Interconnection Agreements and Procedures," issued May 12, 2005, was established through language contained in paragraph 544 of the Final Rule, as follows: "On the effective date of this Final Rule…the OATTs [open access transmission tariffs] of all non-independent Transmission Providers are deemed revised to include the Final Rule SGIP [Standard Generator Interconnection Procedures] and SGIA [Standard Generator Interconnection Agreement]." In accordance with other language in the same paragraph, no further amendment to include the SGIP and SGIA in a Transmission Provider's OATT is required until compliance is due in the Commission's pending rulemaking on Electronic Tariff Filings. Compliance with Order No. 2003 (large generator rule) was completed and reported on during FY 2005 (see previous results).
Percentage of cases for cost recovery, new services, or changes to existing services processed	➢ 100% of NGA section 4 cases in 30 days ➢ 100% of FPA section 205 cases in 60 days	Target Met. 100% of the more than 3,350 statutory cases were completed by the statutory action date.
Percentage of rate cases set for hearing completed according to the established schedule	➢ 75% of Track I cases in 29.5 weeks ➢ 75% of Track II cases in 47 weeks ➢ 75% of Track III cases in 63 weeks	➢ There were no Track I cases ➢ 90% of Track II cases in 47 weeks ➢ 94% of Track III cases in 63 weeks
Percentage of rate cases set for hearing that achieve partial or complete consensual agreement	75%	78%
Percentage of Commission Opinions issued once Briefs Opposing Exceptions to Initial Decisions are filed	90% within 12 months	Target met. 100% (10 of 10) Initial Decisions processed within 12 months of Briefs Opposing Exceptions.
Percentage of merit orders accepting, modifying, or rejecting timely filed cost recovery proposals for new infrastructure submitted (including time for hearing, ADR, or settlement judge participation)	95% by applicant request date	Target Met. 96% of the 120 merit orders to resolve cost recovery proposals for new infrastructure were issued by statutory or requested date as applicable. In the case of gas pipeline certificate applications, contributed rate inserts to allow timely completion.
Timeliness of issuing environmental licensing requirements	Licensing responsibility letters sent within 45 business days of license issuance date	Target Met. All licensing responsibility letters were issued within 45 days of license issuances.
Percentage of NEPA documents completed for projects utilizing the pre-filing processes	85% within 8 months of determining a pipeline or LNG facility application complete	100%
Participation in NERC / industry reliability readiness reviews	➢ 100% of the Reliability Coordinators ➢ Large entities which represent 80% of the load served by all entities reviewed by NERC	Target Met. FERC participated in 100% of NERC's Reliability Coordinator reviews (5 of 5), and participated in 22 readiness reviews of large entities which represent 94.5% (125,503 MW) of the load served by all entities reviewed by NERC (132,796 MW).

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

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Resolve Regulatory and Other Challenges to Needed Development		
Issue Alaska Gas Pipeline Reports to Congress	Issue Reports in February and August 2007	Target Met. Reports were issued on January 31 and August 15, 2007.
Percentage of pipeline certificate cases with no precedential issues completed	➢ 90% of unprotested cases within 159 days of filing ➢ 90% of protested cases within 304 days of filing	Targets Met. ➢ 98% of unprotested cases were completed within 159 days of filing. ➢ 100% of protested cases were completed within 304 days of filing.

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of pipeline certificate cases of first impression or containing larger policy implications completed	90% within 365 days of filing	Target Met. 100% of cases of first impression or larger policy implications were completed within 365 days of filing.
Percentage of pipeline certificate cases requiring a major environmental assessment or environmental impact statement completed	90% within 480 days of filing	Target Met. 94% of cases requiring a major environmental assessment or environmental impact statement were completed within 480 days of filing.
Percentage of qualifying LNG plants inspected during ongoing construction activity	100% of plants inspected every 8 weeks	Target Met. 100% of qualifying LNG plants (6 of 6) where construction was occurring were inspected at least every 8 weeks.
Percentage of ILP pre-filing study plan determinations completed	85% within 150 days of applicant's filing of the proposed study plan	Target Met. 90% (9 out 10) ILP pre-filing study plan determinations were completed within 150 days of applicant's filing of the proposed study plan.
Percentage of infrastructure studies completed	➢ 100% for regional and issue-based infrastructure conferences ➢ 100% for Commission- and Congressional-directed studies	Targets Met. ➢ 100% of infrastructure studies completed for regional and issue-based conference. ➢ 100% of infrastructure studies completed for Commission- and Congressional-directed studies.
Percentage of NEPA documents completed for projects utilizing the pre-filing processes	85% within 8 months of determining a pipeline or LNG facility application complete	Target Met. Of the 18 projects that utilized the pre-filing process, 100% had final NEPA documents within 8 months of filing a complete application.
Timeliness of filings processed containing amendments to non-independent electric transmission provider OATTs	Within 60 days of filing date or applicants' requested date, whichever is later	Target Met. All 126 amendments to non-RTO/ISO OATTs completed within 60-day statutory timeframe.
Encourage Investment and Effect Timely Cost Recovery		
Timeliness of applications processed for incentive rates under section 205 of the FPA	Processed by the statutory deadline for rate filings or the applicants' requested date, whichever is later	Target Met. 100% of the 11 statutory incentive rates cases were processed within statutory timeframes.
Process cost recovery cases within reasonable timeframes (including prudently-incurred expenses to safeguard and enhance the reliability, security and safety of the energy infrastructure)	➢ 100% of statutory cases addressed by Commission order within statutory deadlines ➢ 95% of certificate cases within 12 months or applicants' requested date, whichever is later ➢ 90% of cases set for hearing within 12 months of briefs opposing exceptions	Targets Met. ➢ 100% of all 3,164 statutory items, including cost recovery cases, were completed within statutory due dates. ➢ In certificate work, 97%, or 60 of 62 cases requiring rate inserts, were completed timely. Even in the cases that were unavoidably delayed—one due to Coast Guard involvement in approving LNG facility, and the other subject to environmental issues because the company did not use the NEPA pre-filing process—the rate analyses were provided to the lead Office within the required time period. ➢ 100% issued within 12 months.

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Establish price volatility baseline	By September 30, 2007	Not Applicable. The Commission proposed to establish a price volatility baseline. The first step in this process was to determine what information was available and reasonable to collect. In FY 2007, staff reviewed available price data and concluded that a price volatility baseline was not feasible. Because of the lack of available data, this performance measure has been discontinued. Program performance was not negatively impacted as a result of not establishing a price volatility baseline.
Establish out-of-merit dispatch baseline	By September 30, 2007	Not Applicable. The Commission proposed to establish an out-of-merit dispatch baseline. The first step in this process was to determine what information was available and reasonable to collect. In FY 2007, staff contacted transmission operators and found that their data is inconsistent across transmission systems and does not allow for meaningful analyses to establish this baseline. Because of the lack of consistent data, this performance measure has been discontinued. Program performance was not negatively impacted as a result of not establishing an out-of-merit dispatch baseline.
Assure Reliability of Interstate Transmission Grid		
Percentage of proposed reliability standards reviewed	100%	Target Met. Docket No. RM06-16-000; Final Rule, Order No. 693, "Mandatory Reliability Standards for the Bulk-Power System," issued March 16, 2007, in which the Commission approved 83 of 107 proposed Reliability Standards, and directed significant improvements to 56 of those standards. The Commission also required submission of further information in order to evaluate the adequacy of the remaining 24 standards. The initial 83 standards became mandatory and enforceable on June 18, 2007. In addition, the Commission approved 8 regional standards in Docket No. RM07-11-000; "Order Approving Regional Reliability Standards for the Western Interconnection and Directing Modifications," issued June 8, 2007.
Develop procedures to review the performance of the ERO	Complete by March 31, 2007	Target Met. Procedures were outlined in Docket No. RM05-30-000; Final Rule, Order No. 672, "Rules Concerning Certification of the Electric Reliability Organization; and Procedures for the Establishment, Approval, and Enforcement of Electric Reliability Standards," issued February 3, 2006.

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of NERC / industry reliability readiness reviews of Reliability Coordinators in which FERC participates	100%	Target Met. FERC participated in all 4 of NERC's Reliability Coordinator reviews.
Percentage of load served, included in NERC / industry reliability readiness reviews, in which FERC participates	50%	Target Met. FERC participated in 22 readiness reviews of large entities which represent just over 80% (332,244 MW) of the load served by all entities reviewed by NERC (414,101 MW).
Percentage of ERO penalty action rulings reviewed to prevent inappropriate rulings from going into effect by default	100%	No activity, as the standards only became mandatory on June 18, 2007, and no ERO proposed penalties were filed in FY 2007.
Protect Safety at LNG and Hydropower Facilities		
Percentage of high- and significant-hazard-potential dams inspected annually	100%	Target Met. 100% of all high and significant hazard-potential dams were inspected annually.
Percentage of high- and significant-hazard-potential dams that either meet all current structural safety standards or are undergoing investigation or remediation	100%	Target Met. 100% of all high- and significant-hazard potential dams meet current structural standards or are undergoing investigation or remediation.
Percentage inspected annually: ➢ LNG import terminals ➢ LNG peak-shaving facilities	➢ 100% ➢ 50%	Targets Met. ➢ All 5 of the operating LNG import terminals were inspected. ➢6 of the 12 peak-shaving facilities were inspected.
Percentage of LNG facilities that meet all current safety standards or are subject of a compliance letter	100%	Target Met. 100% of LNG facilities met all current safety standards or were subject to a compliance letter.
Percentage of EIS documents that contain sections addressing safety for Hydropower Projects, LNG Facilities, Gas Pipeline Projects and Storage Facilities	100%	Target Met. 100% of EIS documents contain sections relating to safety for Hydropower Projects, LNG Facilities, Gas Pipeline Projects and Storage Facilities.
Control access to Critical Energy Infrastructure Information	No instances of improper access or improper denial affecting national security or Commission proceedings	Target met. No instances.
Percentage of qualifying dams that either comply with EAP requirements or are conducting follow-up action(s) on outstanding item(s)	100%	Target Met. 100% of qualifying dams comply with EAP requirements or are conducting follow-up action(s) on outstanding item(s).
Percentage of LNG facility authorizations that incorporate consultation with all appropriate agencies on security related matters	100%	Target Met. 100% of LNG facility authorizations incorporate consultation with all appropriate agencies on security related matters.

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

Performance Measurement Results for Competitive Markets

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

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

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

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

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

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

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

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

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

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

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

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

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Employ Best Practices In Market Rules		
Timeliness of review of proposed market rules	By the statutory due date or the applicants' requested date, whichever is later	Target Met. All 358 filings from PJM, ISO-NE, NYISO, NEPOOL, SPP, Midwest ISO, and California ISO were acted on by statutory due dates.

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of proposed NAESB business practice standards rulemakings completed	➢ 100% of unopposed rulemakings within 9 months ➢ 100% of all rulemakings within 12 months	Targets Met. The Commission issued two NAESB business practice standards rulemakings during the fiscal year, both completed within 9 months of issuance of the notice of proposed rulemaking, as follows: Docket No. RM05-5-003; NOPR issued February 20, 2007; Final Rule, Order No. 676-B, "Standards for Business Practices and Communication Protocols for Public Utilities," issued April 19, 2007; and Docket Nos. RM96-1-027 and RM05-5-001; NOPR issued October 25, 2006; Final Rule, Order 698, "Standards for Business Practices for Interstate Natural Gas Pipelines; Standards for Business Practices for Public Utilities," issued June 25, 2007.
Timeliness of applications processed on requests to encourage demand response in organized markets	Within 60 days of filing date or applicants' requested date, whichever is later	Target Met. All 15 filings were acted on within 60-day statutory due dates.
Reduce Barriers to Trade Between Markets and Among Regions		
Timeliness of review of filings to reduce or eliminate seams between organized markets	By the statutory due date or the applicants' requested date, whichever is later	Target Met. All 10 filings dealing with seams issues were completed by statutory due dates. In addition, two major orders were issued related to the California ISO's Market Redesign Technology Update (MRTU) addressing seams issues between CAISO and neighboring systems in the Western Interconnect. A technical conference was held on December 15, 2006, in Phoenix, Arizona, to address these western seams issues; and on March 29, 2007, a second conference was held in Washington, DC, to address eastern seams issues.
Assure Proposed Mergers and Acquisition Are in the Public Interest		
Percentage of merger authorizations upheld by the courts	90%	Target met. 100% of merger authorizations have been upheld by the courts.

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of merged applicants reporting on compliance with merger conditions imposed by the Commission	100%	Target Met. 100% of the 9 merger applicants reported on compliance, *if* or *as* applicable, with the four types of conditions—summary, notice of consummation, proposed accounting entries, and additional conditions—imposed by the Commission. It should be noted that most of the "additional" conditions only require compliance in the event that the merger applicants subsequently take some specific action. For example, in 5 of the 9 mergers, the Commission imposed a "hold-harmless" condition, requiring that if the applicants seek to recover merger-related costs through jurisdictional rates, they must show offsetting merger-related cost savings. As of yet, none of the applicants have sought to recover any merger-related costs, so they haven't needed to make a compliance filing.
Timeliness of processing applications for the disposition, consolidation, or acquisition under section 203 of the FPA, of jurisdictional facilities (including transactions involving certain transfers of generation facilities and public utility holding company transactions, and issues of cross subsidization or encumbrances of utility assets)	➢ Within 180 days for non-major mergers ➢ Within 360 days for major mergers	Targets Met. ➢ 100% of the 100 non-major dispositions were completed within 180 days. ➢ 100% of the 9 major merger cases were completed within 360 days.
Address Market Power in Jurisdictional Wholesale Markets		
Revise open access transmission tariff	Issue final rule by June 30, 2007	Target Met. Docket Nos. RM05-17-000 and RM05-25-000; Final Rule, Order 890, "Preventing Undue Discrimination and Preference in Transmission Service," issued February 16, 2007.
Timeliness of processing initial market-based rate filings	Within 60 days of filing date or by applicant's requested date, whichever is later	Target Met. 100% of the 167 initial market-based rate applications were completed by the established target date.
Develop generation market power screens for electric market based rates	Issue final rule by June 30, 2007	Target Met. Docket No. RM04-7-000; Final Rule, Order 697, "Market-Based Rates for Wholesale Sales Of Electric Energy, Capacity And Ancillary Services By Public Utilities," issued June 21, 2007.
Act timely on complaints	80% within 60 days or, for fast-track cases only, within the designated timeframe	Target not met; 78%. The performance goal was set at an approximate target level, and the deviation from that level is slight. There was no effect on overall program or activity performance.

Performance Measurement Results for Enforcement

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

FY 2004		
Performance Measurement	**Performance Target**	**Result**
Timeliness of industry wide financial audits	Complete 90% of audits within 120 days	➢ 88% of the financial audits (22 out of 25) that were opened and closed this fiscal year were completed within the 120 day timeframe. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance.
Timeliness of Hotline call resolutions	Resolve 80% within 1 week of initial contact	72% of all Hotline matters were resolved within 2 weeks of initial contact. Although the target called for most resolutions to occur in 1 week, Hotline information is only collected on a bi-weekly basis. Future performance measures were previously revised to account for this process change. In addition, this performance target was set at an approximate level, and the deviation from that level is slight.
Timeliness of formal complaint resolutions	Complete 80% within target time frames for various paths for resolution of complaints as specified by the Commission	➢ Issued three initial decisions on complaints set for hearing, all within the established deadlines. ➢ The Commission also handled eight additional complaints, though no targets were set for their completion due to their complexity. Of those eight: ➢ four were settled; ➢ two were returned to the Commission for further action or set for hearing before a judge; ➢ one was dismissed; and ➢ one was withdrawn.
Percentage of processes that achieve consensual agreements	Maintain at or increase levels achieved in FY 2001	**OALJ/OAL:** Of the 113 cases closed in FY 2004, 29 cases were terminated by initial decision, leaving 84 cases where ADR was used. Of those 84 cases, settlement was achieved in 90% (76) of the cases. This was greater than the 80% rate achieved in FY 2001. **DRS:** Of the 24 cases[3] that were completed in FY 2004, 86% (21) of the cases achieved settlement. This was slightly less than the 90% rate achieved in FY 2001. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance.
Number of requests and referrals for ADR services	Maintain at or increase levels achieved in FY 2001	There were 54 requests or active cases in FY 2004, 2 more than in FY 2001. This number includes simple inquiries about ADR, cases in which persons eventually indicated that they were not interested in using ADR or ADR was deemed inappropriate, and cases that are ongoing into FY 2005.

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

FY 2004		
Performance Measurement	**Performance Target**	**Result**
Percentage of customers satisfied with ADR processes	85%	86% of the cases (21 out of 24) that were completed in FY 2004 achieved settlement.
Percentage of cases in time frames ➢ ADR processes completed ➢ litigated cases reaching initial decision	➢ 20% of ADR cases within 60 days ➢ 30% of ADR cases within 100 days ➢ 75% of ADR cases within 150 days ➢ 100% of ADR cases within 200 days ➢ 95% of simple litigated cases within 206 days ➢ 95% of complex litigated cases within 329 days ➢ 95% of exceptionally complex cases within 441 days ➢ 95% of regular complaints within 60 days	**ADR Cases[4] – OALJ/OAL:** 76 cases were successfully completed through the use of ADR: ➢ 4 of the 76 cases (5%) were completed in < 60 days; ➢ 13 of the 76 cases (17%) were completed in < 100 days; ➢ 20 of the 76 cases (26%) were completed in < 150 days; ➢ 36 of the 76 cases (47%) were completed in < 200 days; and ➢ 40 cases (53%) were completed in > 200 days. **ADR Cases[2] - DRS:** 24 cases were successfully completed through the use of ADR: ➢ 9 of the 24 cases (37%) were completed in < 60 days; ➢ 12 of the 24 cases (50%) were completed in < 100 days; ➢ 14 of the 24 cases (58%) were completed in < 150 days; ➢ 16 of the 24 cases (67%) were completed in < 200 days; and ➢ 8 cases (37%) were completed in > 200 days. **Litigated Cases – OALJ/OAL:** ➢ Track I Cases: No Track I cases during FY 2004. ➢ Track II Cases: FY 2004 Average processing time was 324 days. ➢ Track III Cases: FY 2004 Average processing time was 448 days. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance. **Regular Complaints – OGC:** 95%

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

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

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

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Reduce duplicative information requests through coordination with CFTC	50% reduction by September 30, 2006	Target met. Investigations coordinated with CFTC on all known cases of joint interest and there were no known duplicative information requests.
Timeliness of verification of EQR submissions	Within 10 business days of submission	Target met. Verified within 10 business days.
Review EQR submissions for completeness and contact companies that make up at least 80% of reported revenue for incomplete submissions	Within 10 business days of submission	Target met. Contacted 100% of companies in the EQR database that had filed incomplete submissions within 10 business days of filing deadline.
Conduct follow up reviews of companies that make up at least 80% of reported revenue on exercise of market power or market manipulation	Within 60 days of final submission	Target Met. Conducted follow-up reviews of EQR filers that make up at least 80% of reported revenue for the third quarter of 2005 for market manipulation or exercise of market power within 60 days of final submission.

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Timeliness of reporting to Commission on important market events	Analysis complete within 60 days of event	Target Met. Provided the Commission with seven presentations at open Commission meetings, 26 Weekly Market Reviews beginning in April 2006 reviewing weekly market developments and performance, and seven end-of-day summaries on market conditions during heat waves in the summer of 2006.
Percentage of Hotline calls resolved	60% within 2 weeks of initial contact	Target Met. Since October 1, 2005, 80% of hotline calls were resolved within two weeks of initial contact.
Percentage of non-environmental, non-tribal ADR processes (agreed to by parties) concluded	75% within 120 days (convening and process)	Target Met. The DRS completed 25 cases in FY 2006 that were non-environmental and non-tribal, and in which the parties agreed to pursue an ADR process. Of these, 22 were completed within 120 days after being referred the DRS (88%)
Number of ADR requests and referrals to the Dispute Resolution Service	Minimum number of requests and referrals equal to FY 2004	Target Met. The DRS addressed 70 new requests or ongoing cases from a previous year, involving gas, electric, hydroelectric, oil, and pipeline matters. This represents a 29.6% increase over FY 2004
Favorable Dispute Resolution Service customer satisfaction	80% customer satisfaction rate	Target Met. For training given by DRS, customer satisfaction rate was 89%. For casework concluded in FY 2006, all participants who completed evaluations gave the DRS staff favorable comments, for a satisfaction rate of 100%.
Percentage of market manipulation cases set for hearing completed according to the established schedule	➢ 75% of Track I cases in 29.5 weeks ➢ 75% of Track II cases in 47 weeks ➢ 75% of Track III cases in 63 weeks	There were no Track I, II, or III cases
Percentage of market manipulation cases set for hearing that achieve partial or complete consensual agreement	75%	100%
Timeliness of reporting to the Commission on operational audits	85% reported to the Commission within 120 days of Commencement Letter	Target Met. Since the beginning of the rating year, 100% of operational audits were reported to the Commission within 120 days of Commencement Letters.
Percentage of operational audit recommendations issued and implemented	85%	Target Met. 100% of operational audit recommendations have been issued and implemented.
Timeliness of reporting to the Commission on financial audits	85% reported to the Commission within 120 days of Commencement Letter	Target Met. Since the beginning of the rating year, 100% of financial audits were reported to the Commission within 120 days of Commencement Letters.
Percentage of financial audit recommendations issued and implemented	85%	Target Met. 100% of financial audit recommendations have been issued and implemented.
Timeliness of reporting to the Commission on Standards of Conduct compliance audits	85% reported to the Commission within 120 days of Commencement Letter	No Standards of Conduct compliance audits were initiated during FY 2006.
Percentage of Enforcement investigations completed	75% within one year	Target Met. From October 1, 2005 to the present, 88% of cases were closed within one year (84% within 9 months and 60% within 6 months).

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

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

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

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

Performance Measurement Results for Supporting Initiatives

FY 2004		
Performance Measurement	**Performance Target**	**Result**
Number of new hires from recruitment program	Attract new talent through targeted recruitment, with 50% at entry levels	66% of all hires were at entry-levels
New staff from summer intern program	Hire 30% of participants into permanent positions	25% of summer interns were hired into permanent positions This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance.
Increase diversity of staff in high grades	Continue increasing diversity in GS-14, GS-15 and SES positions	The net increase of 21 staff into high grade positions included 3 minorities (14%) and 7 women (33%).
Improved executive performance	➢ Implement 360 degree assessment of senior staff ➢ Expand training in leadership and management skills	➢ Completed 360 degree assessments & feedback; ➢ Implemented and completed FERC-wide training for all new supervisors; ➢ Developed a Leadership & Management Development Program; and ➢ Initiated an Executive coaching pilot program.
Mentoring program	Implement FERC-wide mentoring program for all employees	Although still being developed, the program's scheduled completion date is November 2004. This performance target was set for an approximate date, and the deviation from that date is slight. This difference had no effect on overall program performance.
Average IT costs per FTE	Below industry average for Federal agencies	Performance target achieved
Percentage of transactions accepted electronically	95% of transactions accepted electronically	The Commission received 75.7% of qualified documents (25,343 out of 33,469) electronically. Qualified documents represent 57% of the total documents (33,469 out of 59,114) submitted to the Commission in FY 2004. Although we did not meet the target level, the deviation had no effect on overall program performance. Besides submitting transactions electronically, parties have the option to submit transactions via digital media (i.e. CD). In addition, the percentage represents an increase over the FY 2003 result of 53%.
Improved Internet Website	99% availability	Performance target achieved
Timeliness of getting public documents online	99% within 24 hours of receipt or issuance	97.3% of public documents were available online within 24 hours of receipt or issuance. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance.

FY 2004		
Performance Measurement	**Performance Target**	**Result**
Improved reliability and availability of FERRIS	Increase customer satisfaction 25% over FY 2003	87.5% customer satisfaction rate
Network availability	99%	Performance target achieved
Desktop reliability	Increase reliability by 5% per year	Performance target achieved
Standard office automation platform and PC rate of refresh	33%	Performance target achieved
Timeliness of virus file updates on servers and workstations	Updates within 24 hours from release by vendors	92% of updates were completed within 24 hours of release. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance.
Implementation of Federal Information Security Management Act (FISMA) for small agencies	95%	Overall, the Commission had a 93% performance rating according to the FISMA OMB metric. According to the Putman scorecard, the Commission had an 84% performance rating and moved from an F to a solid B. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance.
Develop Communications Plan	Increase number of proactive interactions with the Press, Elected Officials, and Industry by 25%	Increased the number of Press releases by 16%, the number of briefings with Elected Officials (i.e. Senate and House of Representatives) by 1%, but decreased the number of Industry interactions by 38%. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance.
Redesign Internet Website	Make internet site more useful and user-friendly	Implemented new features (i.e. Public Event Calendar and Energy Projects Database) that are extremely popular with users.
Engage Stakeholders	Provide 50 presentations to government or other groups of stakeholders	The Commission made a total of 94 presentations – in a variety of forums – to numerous stakeholders throughout FY 2004.

FY 2004		
Performance Measurement	**Performance Target**	**Result**
Report Market Conditions	Publish regular summer and winter Seasonal Market Assessments, and other reports as conditions warrant	➢ The Winter Energy Market Assessment, published in November 2003, reported on the upcoming winter heating season. ➢ The State of the Markets Report, published in January 2004, analyzed the state of the energy markets for an 18-month span. ➢ The Summer Energy Market Assessment, published in June 2004, reported on the upcoming summer cooling season. ➢ The Commission also published, in May 2004, the results of an investigation into the January 2004 New England gas price spike.
Discussions with State regulatory bodies on Commission policies and actions	Formal, effective interactions between FERC and state officials on policy issues	The Commission held 23 different meetings with State regulators.
Expand discussions with Canada and Mexico	Formal interaction with Canadian and Mexican regulators on policy issues	The Commission held or participated in 10 different meetings with Canadian and/or Mexican officials on issues related to infrastructure, reliability, and other policy initiatives.
Foster communication with States and Governors on infrastructure	Hold infrastructure conferences in each region	The Commission held one infrastructure conference in the Northeast.
Outreach to stakeholder groups to encourage use of conflict resolution mechanisms	Increase number of outreach opportunities with stakeholders by 25%	The 64 outreach opportunities during FY 2004 represent an 8% increase over FY 2003.
Maintain liaison with market monitors in RTOs and ISOs	Meet at least twice annually with RTO and ISO market monitors	Commission staff meets regularly with market monitors early in the winter heating season (usually in December) and the summer cooling season (usually in June) and also participates in monthly conference calls with RTO/ISO market monitors.
Monitoring of manage-to-budget process	Bi-weekly tracking of office salary levels and quarterly review of salary levels between CFO and Office Directors	Manage-to-budget (MTB) information was tracked and provided to office contacts on a bi-weekly basis. However, ongoing reviews and discussions between the Budget Division, individual office MTB contacts, and the Chief Financial Officer did not necessitate the need for quarterly reviews with Office Directors.
Monitoring of business plan	➢ Clarity of fit between projects, activities, and objectives ➢ Periodic monitoring of completions and adjustments to plan and related resources	➢ In order to better align work and resources between the various goals and objectives of the Commission, several changes were made to the Business Plan in FY 2004. This increased the logical arrangement and clarity of projects and activities within the Commission's goals and objectives. ➢ The Business Plan was updated twice during FY 2004 to adjust workload completions and reflect resource reallocations based on workload priority changes.

FY 2004		
Performance Measurement	**Performance Target**	**Result**
Timeliness of annual charges collections	Collect 98% of outstanding receivables within 45 days of billing	97% of annual charge collections were made within 45 days of billing. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance.
Invoices paid by electronic funds transfer	98%	Over 99% of invoices were paid by electronic funds transfer.
Percentage of payments accomplished without error	98%	Over 99% of payments were accomplished without error.
Accuracy and completeness of annual financial statements	Unqualified opinion	Performance target achieved
Percentage of contracts performance-based	100%	Performance target achieved
Percentage of contracts advertised online	100%	76% of contracts were advertised on-line. The deviation from the performance target is not significant and had no effect on overall program performance. The contracts that were not advertised on-line were sole source contracts for highly technical and specialized personnel primarily in the reliability and dam safety program areas.

FY 2005		
Performance Measurement	**Performance Target**	**Result**
Number of new hires from recruitment program	Attract new talent in mainstream occupations through targeted recruitment, with 50% at entry levels	Target Met. 57% of new employees (42 of 74) were hired into mainstream occupations at the entry-level.
New staff from summer intern program	Hire 30% of participants into permanent positions	Target Not Met. 20% (6 0f 29) of interns eligible for conversion were hired into permanent positions. This performance target was set at an approximate level, and the deviation from that level is slight. In light of the increase in the number of entry-level new hires during FY 2005, this difference had no effect on overall program performance.
Increase diversity of staff in high grades	Continue increasing diversity in GS-14, GS-15 and SES positions	Target Met. Overall diversity in grades GS-14 and -15, SES, and equivalent level positions increased from 93 to 95 during FY 2005. This figure includes both women and minorities.

FY 2005		
Performance Measurement	**Performance Target**	**Result**
Improved executive/managerial development	Expand training in leadership and management skills by implementing an experienced supervisors leadership program	Target Met. Beginning in June 2005, the Commission launched a Business Acumen Course that was designed for supervisors. The curriculum, which was developed through a series of focus group meetings with SES managers, addresses the linkage between strategic plans, budgets, human capital plans, and operational plans in order to manage performance at both the organizational and individual levels. In August 2005, the first of four Business Acumen Courses were taught. Out of a target audience of 133 non-SES supervisors, 81 or 61% have completed or are enrolled to complete this course.
Improved technical development	Implement second phase of “markets curriculum” for experienced staff	Target Met. From March 2005 to June 2005, a second markets curriculum titled “FERC’s Role in the Energy Markets and Infrastructure” was implemented through a series of four separate modules.
Mentoring program	Implement FERC-wide mentoring programs	Target Not Met. Although a draft mentoring program was prepared in late January 2005, a decision was made to merge the mentoring program with a larger training/developmental program that is being developed in FY 2006. This difference had no effect on overall program performance.
Improved human capital processes	Implement selected human resources flexibilities provided by new SES Pay-for-Performance legislation	Target Met. On April 7, 2005, the Commission received provisional certification to implement SES Pay-for-Performance for calendar year 2005 by demonstrating that our SES performance appraisal system made meaningful distinctions in pay and performance, demonstrated clear alignment to strategic goals, and included good measures of performance for each executive.
Improved employee morale	Conduct baseline FERC-wide employee survey; identify issues and conduct follow-up survey; set improvement targets for follow-up survey in FY 2006	Target Met. Based on the analysis of a baseline Commission-wide employee survey conducted in early FY 2005, specific survey issues were identified and addressed (through action plans) by the Commission and each office. In accordance with a FY 2006 NDAA requirement, a follow-up survey is planned that will address and include those issues identified in the FY 2005 baseline survey (including improvement targets).
Improved services to employees	Successful implementation of payroll services and integration with HR services	Target Met. In March 2005, the Commission successfully migrated its processing of payroll distributions to the National Finance Center. Also in March 2005, the Commission’s Employee Maintenance Helpdesk was established to provide a central point of contact for all human resources and payroll related inquiries.

FY 2005		
Performance Measurement	**Performance Target**	**Result**
Average IT costs per FTE	Below industry average for federal agencies	Target Met. The Commission's FY 2005 average IT cost per FTE of $12,154 is below the FY 2005 industry average for federal agencies of $14,590.
Percentage of transactions accepted electronically	95% of transactions accepted electronically	Target Not Met. The Commission received 80.2% of qualified documents (27,934 out of 34,817) electronically. Qualified documents represented about 56% of the total documents submitted to the Commission in FY 2005. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance since parties have the option to submit transactions via digital media (i.e. CD) rather than hard-copy form. In addition, the percentage represents an increase over the FY 2004 result of 75.7%.
Improved Internet Website	99% availability	Target Met. The Commission did not experience a major Internet outage in FY 2005, with average uptime reported at 100% (per contractor FY 2005 self-evaluation reports).
Timeliness of getting public documents online	99% within 24 hours of receipt or issuance	Target Not Met. During FY 2005, 96.6% of all documents presented to the Commission's eLibrary operations staff were published within 24 hours. Of the documents the Commission receives or issues electronically, 99.88% were published within 24 hours. As the volume of electronic filings increases, the current 96.6% will rise. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance.
Improved reliability and availability of FERRIS	Increase customer satisfaction 25% over FY 2003	Target Met. During FY 2005, customer feedback from the eLibrary Helpdesk showed that 100% of customers felt they received a high quality of service.
Network availability	99%	Target Met. The Commission did not experience a major network outage in FY 2005, with average uptime reported at 100% (per contractor FY 2005 self-evaluation reports).
Desktop reliability	Increase reliability by 5% per year	Target Met. Compared to FY 2004 , the number of PC breakdowns (or re-images) during FY 2005 reduced by 9.2% from 54 re-images to 49 re-images. With no means to capture positive reliability data (e.g. reliability increases from FY 2004 to FY 2005), the current performance measure and target do not appear in future performance plans.
Standard office automation platform and PC rate of refresh	33%	Target Met. The Commission's FY 2005 upgrade percentage was 37%.

FY 2005		
Performance Measurement	**Performance Target**	**Result**
Timeliness of virus file updates on servers and workstations	Updates within 24 hours from release by vendors	Target Met
Implementation of Federal Information Security Management Act (FISMA) for small agencies	95%	Target Met. According to the Putnam scorecard, the measurement used to grade implementation of FISMA, the Commission earned a 100% (or A) rating for FY 2005.
Development of initial enterprise architecture	Complete by October 30, 2004	Target Met. The Commission's IT Enterprise Architecture was completed and in place by October 31, 2004.
Develop Communications Plan	Increase number of proactive interactions with the Press, Elected Officials, and Industry by 25%	Target Met. In FY 2005, the total number of proactive interactions increased by 27.6%.
Redesign Internet Website	Make internet site more useful and user-friendly	Target Met. In addition to several new user-friendly features, the Commission added eleven new project- / initiative-targeted web pages during FY 2005.
Engage Stakeholders	Provide 50 presentations to government or other groups of stakeholders	Target Met. The Commission provided over 70 presentations to government and/or other stakeholder groups during FY2005.
Discussions with State regulatory bodies on Commission policies and actions	Formal, effective interactions between FERC and state officials on policy issues	Target Met. The Commission participated in 61 different meetings with state officials during FY 2005.
Foster communication with States and Governors on infrastructure	Hold infrastructure conferences in each region	Target Not Met. The Commission held a total of seven infrastructure related conferences during FY 2005 in the Northeast, Western, Appalachian, and Rocky Mountain regions. This performance target was set at an approximate level, and the deviation from that level is slight. The Commission's inability to hold a conference in each region did not have an effect on overall program performance.
Maintain liaison with market monitors in RTOs and ISOs	Meet at least twice annually with RTO and ISO market monitors	Target Met. The Commission met with RTO and ISO market monitors twice during FY 2005, both at Commission-hosted conferences (December 2004 and July 2005).
Outreach to stakeholder groups to encourage use of conflict resolution mechanisms	Increase number of outreach opportunities with stakeholders by 25%	Target Met. The 83 active projects in FY 2005 represent a 29.7% increase over the 64 projects in FY 2004.
Support further discussions with Canada and Mexico	Formal interaction with Canadian and Mexican regulators on policy issues	Target Met. The Commission held or participated in 20 different meetings with Canadian and/or Mexican officials on issues related to infrastructure, reliability, and other policy initiatives during FY 2005.

FY 2005		
Performance Measurement	**Performance Target**	**Result**
Monitoring of manage-to-budget process	Bi-weekly tracking of office salary levels and quarterly review of salary levels between CFO and Office Directors	Target Not Met. Due to the National Finance Center processing of payroll distributions migration in March 2005, bi-weekly tracking information was briefly delayed. In addition, ongoing reviews and discussions between the Budget Division, individual office contacts, and the Chief Financial Officer did not necessitate the need for quarterly reviews with Office Directors. This performance target was set at an approximate level, and the deviation from that level is slight. This difference had no effect on overall program performance.
Monitoring of business plan	➢ Clarity of fit between projects, activities, and objectives ➢ Periodic monitoring of completions and adjustments to plan and related resources	Target Met. Both of the business plan updates that took place during FY 2005 accomplished the stated targets. A final FY 2005 update will be completed during the first week in November.
Timeliness of annual charges collections	Collect 98% of outstanding receivables within 45 days of billing	Target Not Met. The Commission received 92.7% of its annual charge collections within 45 days of billing. This performance target was set at an approximate level, and the deviation from that level is slight. Since the collections during the 45-day period off-set the Commission's FY 2005 appropriation and the Commission received 97.3% of its annual charge collections prior to the end of FY 2005, this difference had no effect on overall program performance,
Invoices paid by electronic funds transfer	98%	Target Met. The Commission paid 99% of its invoices via electronic funds transfer during FY 2005.
Percentage of payments accomplished without error	98%	Target Not Met. The Commission made 97% of its payments without error during FY 2005. This performance target was set at an approximate level, and the deviation from that level is slight. Since all incorrect payments were recovered via internal or Department of Treasury collection actions, this difference had no effect on overall program performance.
Accuracy and completeness of annual financial statements	Unqualified opinion	Target Met. The Commission received an unqualified opinion on its FY 2004 financial statement audit.
Percentage of contracts performance-based	85%	Target Met. Of the 118 procurement actions that required a performance-based statement of work, 100% were awarded as performance-based.
Percentage of contracts advertised online	85%	Target Met. Of the 3 procurement actions eligible for advertising, 100% were advertised online.

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of summer interns hired into permanent positions	30%	Target Not Met. 14.3% of summer interns eligible to be rehired accepted offers of permanent employment. Conversions of summer interns have steadily declined since its high in 2003 with 33%. As EPAct of 2005 requirements have evolved, the need for skill sets not represented in the summer intern population has dictated hiring from other sources. This measure is omitted in 2007 and reduced in 2008 to 20%.
Implement entry-level Professional Development Program	Complete by September 30, 2006	Target Met. FERC Entry-Level Retention Program distributed to Program Offices in September 2006.
Percentage of minorities among senior-level positions (GS-14, GS-15, SL, and SES positions)	Increase over FY 2005	Target Met. Percentage of minorities among senior-level positions increased by 1% over FY 2005.
Implement Commission-wide Business Requirements guidelines	Complete by September 30, 2006	Target Met. Commission-wide Business Requirements Guidelines distributed to the Training Council in September 2006
Reliability of IT infrastructure	99% network availability rate	Target Met.
FISMA compliance according to the Putnam scorecard	Grade of “A”	Target Met. FERC received a grade of an "A" based on the Putnam scorecard for its most recent FISMA report which ended September 30, 2006.
Integrate the Business Plan, CPIC process, and IT architecture into the Commission’s Enterprise Architecture	Complete by September 30, 2006	Target Met. DCIO's current CPIC process requires all requests to map to the FERC Business Plan. Pursuant to the CPIC process Information Technology (IT) projects are approved or denied based on a number of criteria one being whether or not it supports the Commission's mission. Approved IT projects generate a Control Board action producing document. The data from the approved CCN is used to update the IT architecture which is entered into the Commission's Enterprise Architecture through the use of the Metis tool.
Percentage of approved IT initiatives with supporting documentation per the Commission's CPIC process	100%	Target Met. The CPIC Investment Review Board approved 21 projects of which all 21 went through the CPIC review process. Therefore, 100% of the approved IT projects went through the CPIC approval process.
Establish earned value management schedule and cost performance indices for all major projects	Complete by September 30, 2006	Target Met. As implemented in FERC Capability Maturity Model Integration level 2 (CMMI-2) policies and procedures, EVM is used to measure progress on major projects and major phases of multi-phased projects.

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Develop and implement automated Business plan	Complete by September 30, 2006	Target Not Met. Though Software development for Phase 2 of the Activity and Tracking Management System (ATMS) has been completed, the target was not met because extensive testing of Phase 2 due to integration with other eGovernment systems will push deployment to February 2007. Though Phase 2 will support business plan reporting that is integrated with the HR time reporting system (MAPS), that reporting will depend on requisite information (e.g. proper use of time reporting codes, MAPS data, etc.) input by FERC's program and other offices. And since full automation will require Commission-wide deployment (Phases 3 and 4) and additional reporting requirements definition and software development, the target will not be fully met until ATMS Phase 4. Since manual processes for business planning will remain in place until they are replaced by an automated Business plan, there is no impact on operations or program performance.
Percentage of qualified-procurements that are performance-based	100%	Target Met. Of the 676 actions awarded during the period, a total of 78 actions were identified as performance-based. All 78 of these actions were awarded under performance-based contracts.
Percentage of qualified-procurements that are advertised on-line	100%	Target Met. Of the 676 actions awarded during the period, a total of 4 actions qualified for on-line advertisement, and all 4 actions were advertised on-line with Federal Business Opportunities (fedbizops.)
Percentage of total procurement dollars awarded to small, women-owned, and minority businesses	5% increase over FY 2005	Target Met. In FY 2005, the Commission awarded 22% of its total procurement dollars to small, women-owned and minority businesses. In FY 2006, the Commission awarded 34% of its total procurement dollars to these entities which constitutes a 12% increase over the FY 2005 performance level.
Percentage of invoices paid via electronic funds transfer	99%	Target Met. During FY 2006, the Commission paid 99% of its invoices via EFT.
Percentage of payments in compliance with Prompt Payment Act deadlines	100%	Target Not Met. During FY 2006, the Commission processed 94% of its payments in compliance with Prompt Payment Act deadlines. The primary cause was the Commission's acceptance of invoices during the FY 2006 Continuing Resolution (October - December) which could not be paid. Since January, the Commission has processed 98% of its payments in compliance with Prompt Payment Act deadlines.
Percentage of payments made without error	100%	Target Not Met. During FY 2006, the Commission made 99% of its payments without error. The failure to meet this target did not have an adverse affect on overall program performance.

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Timeliness of collecting accounts receivable	90% of invoices collected by due dates	Target Met. During FY 2006, the Commission collected 94% of its invoice balances by the stated due date.
Complete and accurate annual financial statements	Unqualified opinion on audited financial statements	Target Met
Percentage of filings capable of being received electronically	95%	Target Not Met. 42% of all document types are currently capable of being received electronically. Meeting the target has been delayed because of two primary factors: 1) The Commission has been responsive to industry feedback regarding the most efficient way for tariff filings to be filed electronically and has extended the prototyping and discussion of proposed solutions; and 2) The Commission has delayed to improve infrastructure (supporting database, storage, server, and disaster recovery infrastructure). To mitigate the effects of the delay the Commission encourages the filing of non-eFiling-capable documents on digital media (CD, DVD); routinely accepts non-eFiling-capable documents electronically on an exception basis when requested by filers; and performs OCR and full-text indexing on documents submitted on paper. In addition, the Commission is actively planning and gathering requirements for an eFiling system release that will meet the target. Given the mitigation efforts, there have been no negative impacts on program performance or operations.
Percentage of Commission orders approved during open meetings issued	99% within 5 business days	Target Met. 321 agenda items were approved in open meeting during the rating period. All but 2 were issued within 5 business days.
Percentage of Commission orders approved by notational vote issued	99% within 1 business day of adoption date	Target Not Met. 933 agenda items were approved through the notational process. 40 items were issued after one day of adoption date; these were all issued on the following business day. Percentage is 96%. This is a remarkable accomplishment considering the significant increase in notational items during this appraisal period and the target did not change from last appraisal period. This did not have a negative impact on operations.
Percentage of legally required notices issued	95% within 3 business days of being posted on eLibrary	Target Not Met. This measure includes notices for electric rate filings prepared by the Secretary; notices for other industries are prepared by program offices. Number of electric rate notices during the appraisal period is 2,667. Of these, 632, or 76%, were issued three days after filing was posted on eLibrary. This target was not met due to staff shortages. However, no Commission proceeding or action was negatively affected.
Percentage of press releases on important agency actions issued	95% within 1 hour of order being issued	Target Met. In FY 2006, 90 out of 92 or 97.8% of press releases were issued within 1 hour of action being taken.

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of responses to public inquiries	➢ 60% within 3 business days ➢ 100% within 5 business days	Target Met. In FY 2006, OEA responded to approximately 2,800 public inquiries. Over 90% of these inquiries were responded to within 1 business day of receipt. All public inquiries were responded to within 5 business days.
Percentage of agency actions and time-sensitive content posted on the FERC Internet Website	95% within 1 hour of order being issued	Target Met. In FY 2006, 3,159 of 3,201 or 98.7% of important agency actions were posted on the Commission's internet website within 1 hour of issuance.
Timeliness of notices to NEB (Canada) and CRE (Mexico) of FERC activities pursuant to Memorandum of Understanding	Within 1 business day	Target Met. The NEB and CRE are routinely notified of significant Commission activities that impact their respective countries through emails with summaries and links to these orders within one business day of the order being issued.
Timeliness of regional hearings or conferences email notifications sent to State officials and Governors	Within 1 business day	No regional hearings/conferences took place during the review period.
Submit FY 2005 Annual Report to Congress	Complete by June 30, 2006	Target Not Met. FY 2005 Annual Report has not been sent to Congress. The target was not met due to a significant change in the format of the Annual Report to improve the overall product by making it more targeted to the audience groups. The decision to re-format the Annual Report to track the agency's Strategic Plan resulted in a significantly more time-consuming review process and an extended period for obtaining the content for the Annual Report. There were no negative impacts on operations. The process for the FY 2006 Annual Report has already been initiated and the expectation is that the target will be met.
Submit FY 2005 international exchange and training activity data to U.S. Department of State	Complete by April 1, 2006	Target Met. FY 2005 international exchange and training activity data was sent to the U.S. Department of State in March 2006.
Submit FY 2005 FOIA Annual Report to Department of Justice	Complete by February 1, 2006	Target Met. FY 2005 FOIA Annual Report to the Department of Justice was submitted on January 27, 2006.
Submit FY 2005 Information Quality Agency Annual Report to OMB	Complete by January 1, 2006	Target Met. FY 2005 Information Quality Agency Annual Report was submitted to OMB prior to January 1, 2006.

FY 2007		
Performance Measurement	**Performance Target**	**Data Source**
Develop and implement a competency-based requirements framework	Complete by January 31, 2007	Target Met. Framework developed in January, 2007. Implementation ongoing with mainstream occupations.
Percentage of women and/or minorities among all positions	Increase over FY 2006	Target Met. FY 2007 percentage for women was 52.9%. Increased percentage over FY06 by 8% (FY 2006 - 44.5%). FY 2007 percentage for minority women was 20.6%. Increased percentage over FY06 by 1.1% (FY 2006 – 19.5%).

FY 2007		
Performance Measurement	**Performance Target**	**Data Source**
Improve retention ratio of entry-level new hires	Increase FY 2006 ratio by 10%	Target Met. Retention ration for FY 2007 hires was 100% (FY 2006 percentage was 95%).
Implement workforce planning tools	Complete by September 30, 2007	Target Met. Implemented Hiring Gap Spreadsheet and Personnel Status Report. Continue to prepare and publish the Human Capital Plan.
Timeliness of submitting Fair Act Inventory to OMB per Circular A-76 requirements	Complete by June 30, 2007	Target Met. FY 2007 FAIR Act was submitted to OMB 6/30/07.
Customers are satisfied with the use of eGovernment initiatives to interact with FERC	90%	Target Met. The customer satisfaction level for FERC eGov Services exceeds 96% based on data collected from the external users surveys.
Federal FTE time is mapped through systems to workload and strategic goals and objectives	Fully implemented by September 30, 2007	Target Not met. With the deployment of ATMS Phase 2 in February FY07 the following offices are fully able to map workload to strategic goals and objectives using an enterprise-wide system: OAL, OED, OGC, and OEMR (now OEMR and OER). For the following offices, some divisions are able to map workload to strategic goals and objectives using an enterprise-wide system while other divisions can map workload to strategic goals and objectives but must continue to use legacy, departmental, and/or cuff systems: OEA, OALJ, OE, OEP. Mapping of workload in terms of FTE time requires both a revision of budget reporting codes and development of a report that correlates information in the enterprise-wide workload tracking system with information in the FERC HR system. The complete implementation of all ATMS phases will take longer than planned due to contract staffing reductions from funding shortages under a yearlong FY 2007 continuing resolution and because the effort was underestimated. A detailed plan for ATMS Phase 3 is currently under review and the target may not be fully met in FY 2008.
Align Commission costs to strategic objectives	Complete by September 2007	Target Met. The FY2009 Budget Request has been structured to map both FTEs and the Commissions costs to strategic objectives and was completed on September 10, 2007.
Percentage of vendor payments made by established due dates	99%	Target Not Met. During FY07, the Commission processed 97.1% (1897 out of 1953) of payments in compliance with Prompt Payment Act deadlines. 37 of the 56 late payments did not result in interest begin paid to the vendor. The failure to meet this target did not have an adverse affect on overall program performance.
Percentage of payments made without error	100%	Target Not Met. During FY 2007, the Commission made 99.7% of its payments without error. The failure to meet this target did not have an adverse affect on overall program performance.

FY 2007		
Performance Measurement	**Performance Target**	**Data Source**
Timeliness of collecting accounts receivable that offset the Commission's appropriation	95% collected by due dates	Target met. During FY 2007, the Commission collected 99.5% of its offsetting accounts receivable by their stated due date.
Financial statements that present fairly, in all material aspects, the Commission's financial position	Unqualified audit opinion on FY 2006 financial statements	Target Met. Unqualified opinion received November, 2006
Percentage of transactional case assessments or convening sessions concluded	75% within 20 days	Target Met. DRS completed 100% (41 out of 41) transactional case assessments or convening sessions within 20 days after being referred to the DRS.
Percentage of transactional ADR processes agreed to by parties concluded	75% within 120 days total (convening and process)	Target Met. Dispute Resolution Services completed 34 transactional processes or cases, both environmental and non-environmental in which parties agreed to pursue an ADR process. Of these, 31 were completed within 120 days after being referred to the DRS (91%).
Number of ADR requests and referrals to the Dispute Resolution Service	Increase number over FY 2004 (base year)	Target Met. DRS addressed a total of 79 new requests or ongoing cases from a previous fiscal year involving gas, electric, hydropower, and pipelines. This represents a 46.3 % increase over FY2004, in which there were 54 new requests or ongoing cases.
Favorable Dispute Resolution Service customer satisfaction for casework and outreach	80% customer satisfaction rate	Target Met. The DRS requests customer feedback through evaluations of casework processes, and training sessions. For casework concluded in FY2007, all participants who completed evaluations gave the DRS staff favorable comments, for a satisfaction rate of 100%. In training sessions during FY2007, participant ranking for Course Content averaged 90%, Course Materials averaged 88%, and Instructor Effectiveness averaged 94%.
Number of outreach events (e.g., trainings, workshops, and presentations) to promote the use of dispute resolution skills	Increase number over FY 2004 (base year)	Target Met. There were 65 active outreach projects in FY2007. This represents a 1.6 % increase over 2004 in which there were 64 projects. Note: The projects were both internal and external to FERC.

FY 2007		
Performance Measurement	**Performance Target**	**Data Source**
Ensure timely and effective communication to all stakeholders	➢ Issue 95% of press releases for important agency actions on the same day as the underlining action ➢ Post 95% of important agency actions on the same day as the underlining action ➢ Provide an initial and complete response to 70% of inquiries at the time of the receipt of the request ➢ Develop webpages within the assigned timeframe to enhance and support the Commission's initiatives and goals	Targets Met. ➢ In FY 2007, 80 out of 80 or 100% of press releases were issued within 1 hour of action being taken. ➢ In FY 2007, 3816 of 3820 or 99% of important agency actions were posted on the Commission's internet website within 1 hour of issuance ➢ In FY 2007, the office provided an initial and complete response to 2272 of 2791 or 81% of public inquiries at the time of receipt. ➢ In FY 2007, the Commission developed the following webpages in the assigned timeframe: Market Oversight, Electric Competition, OATT Reform, Blanket Certificates, Transmission Investment, Pipeline, Hydrokinetic Energy, MOU, Policy Statement, Hydro licensing, Annual Charges, Career, Media form, and FOIA form.
Enhance communication with National and International groups	➢ Respond to 50% of Official Congressional correspondence within 10 business days ➢ Provide email notification of significant Commission actions to Congress within 1 to 2 business days of the underlining action along with briefing offers where appropriate ➢ Provide timely and effective briefings to members of Congress ➢ Provide email notification of significant Commission actions to effected State regulatory agencies within 1 to 2 business days of the underlining action ➢ Accommodate visitation requests from delegations from various countries and organizations	Targets Met. ➢ 130 out of 205 pieces of official Congressional correspondence, or 63%, were responded to within 10 business days. ➢ In FY 2007, email notifications to members of Congress were sent out on 340 significant Commission actions within 1 to 2 business days of the underlining action. Briefing offers were made on appropriate items. ➢ In FY 2007, the Commission provided 38 briefings to members of Congress. ➢ In FY 2007, 178 email notifications to State regulatory agencies were sent out on significant Commission actions within 1 to 2 business days of the underlining action. ➢ In FY 2007, OEA hosted 71 visits from 75 countries and organizations.
Percentage of cases set for hearing that achieve partial or complete consensual agreement	75%	Target Met. 88% of cases set for hearing achieved partial or complete consensual agreement.
Percentage of cases set for hearing completed according to the established schedule	➢ 75% of Track I cases in 29.5 weeks ➢ 75% of Track II cases in 47 weeks ➢ 75% of Track III cases in 63 weeks	Targets Met. ➢ There were no Track I cases. ➢ 80% of Track II cases in 47 weeks. ➢ 88% of Track III cases in 63 weeks.
Issue well-reasoned initial decisions, based on facts, law, and Commission policies which are upheld in whole or in part	80% of initial decisions upheld in whole or in part	Target Met. 91% of initial decisions were upheld in whole or in part.

Appendix A

Organizational Chart

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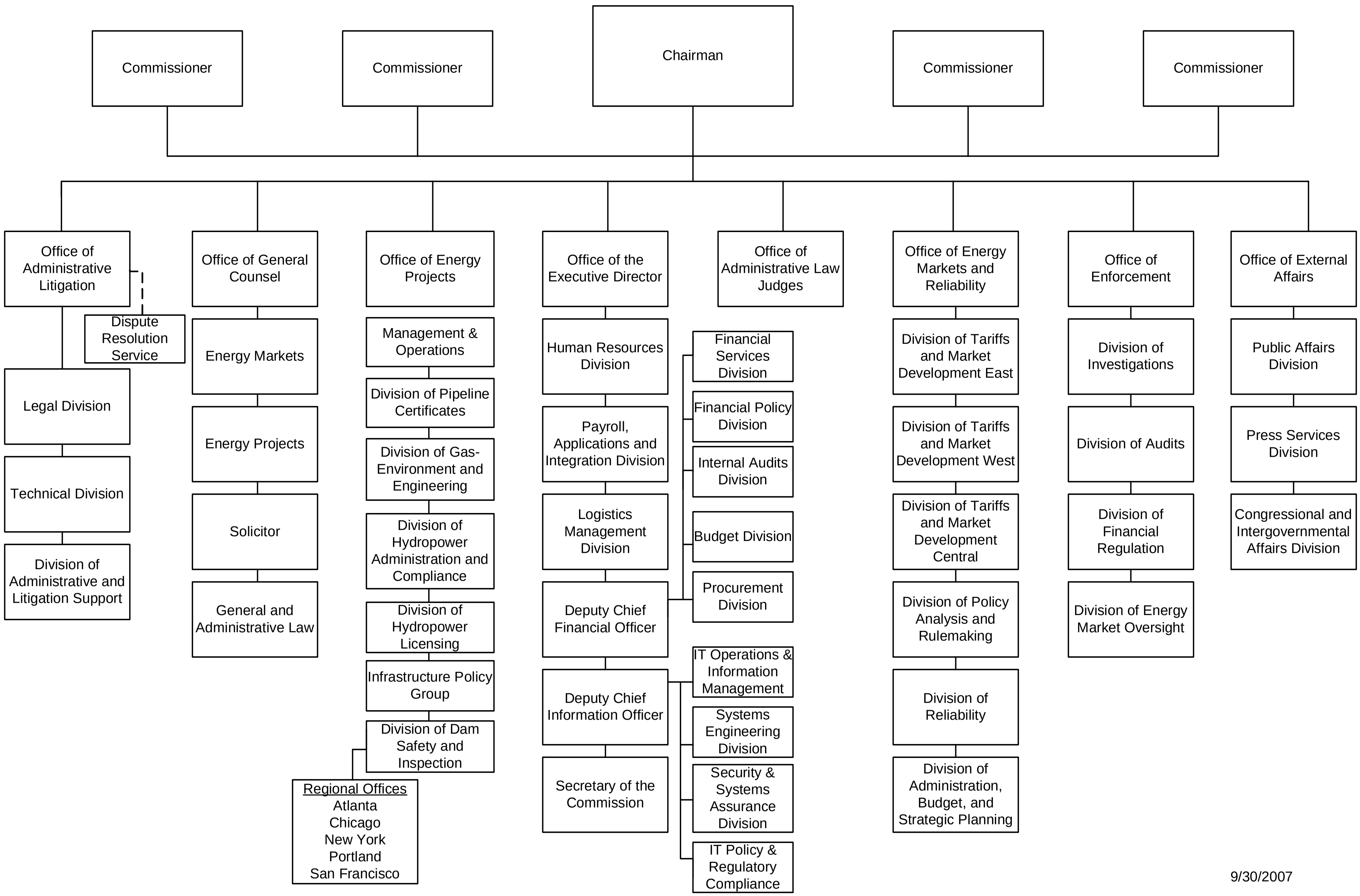
Commissioner
Commissioner
Chairman
Commissioner
Commissioner
Office of Administrative Litigation
Dispute Resolution Service
Legal Division
Technical Division
Division of Administrative and Litigation Support
Office of General Counsel
Energy Markets
Energy Projects
Solicitor
General and Administrative Law
Office of Energy Projects
Management & Operations
Division of Pipeline Certificates
Division of Gas-Environment and Engineering
Division of Hydropower Administration and Compliance
Division of Hydropower Licensing
Infrastructure Policy Group
Division of Dam Safety and Inspection
Regional Offices
Atlanta
Chicago
New York
Portland
San Francisco
Office of the Executive Director
Human Resources Division
Payroll, Applications and Integration Division
Logistics Management Division
Deputy Chief Financial Officer
Deputy Chief Information Officer
Secretary of the Commission
Financial Services Division
Financial Policy Division
Internal Audits Division
Budget Division
Procurement Division
IT Operations & Information Management
Systems Engineering Division
Security & Systems Assurance Division
IT Policy & Regulatory Compliance
Office of Administrative Law Judges
Office of Energy Markets and Reliability
Division of Tariffs and Market Development East
Division of Tariffs and Market Development West
Division of Tariffs and Market Development Central
Division of Policy Analysis and Rulemaking
Division of Reliability
Division of Administration, Budget, and Strategic Planning
Office of Enforcement
Division of Investigations
Division of Audits
Division of Financial Regulation
Division of Energy Market Oversight
Office of External Affairs
Public Affairs Division
Press Services Division
Congressional and Intergovernmental Affairs Division
9/30/2007

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Appendix B

Strategic Plan

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Federal Energy Regulatory Commission

Strategic Plan FY 2006 – FY 2011

Mission

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

Vision

Abundant, reliable energy in a fair competitive market.

Guiding Principles that Strengthen the Commission's Overall Performance

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

Organizational Excellence

Use resources efficiently and effectively to achieve its strategic priorities.

Due Process & Transparency

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

Regulatory Certainty

Provide regulatory certainty through consistent Commission approaches and actions.

Stakeholder Involvement

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

Timeliness

Act on regulatory matters in an expeditious manner.

Goal 1: Energy Infrastructure
Promote the Development of a Strong Energy Infrastructure

Objective A: Stimulate Appropriate Infrastructure Development

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

Objective B: Maintain a Reliable and Safe Infrastructure

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

Goal 2: Competitive Markets
Support Competitive Markets

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

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

Objective B: Prevent Accumulation and Exercise of Market Power

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

Goal 3: Enforcement
Prevent Market Manipulation

Objective A: Provide Vigilant Oversight

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

Objective B: Provide Firm but Fair Enforcement

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

Appendix C

Statutory Authority

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

General, Electric, Hydropower Statutes

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

Natural Gas Statutes

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

Oil Statutes

- Interstate Commerce Act
- Oil Pipeline Regulatory Reform

Environmental and Other Statutes

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

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Appendix D

Acronym Glossary

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Acronym	Full Description
ADR	Alternative Dispute Resolution
ATC	available transfer capability
CAISO	California Independent System Operator
DOE	U.S. Department of Energy
DOD	U.S. Department of Defense
DRS	Dispute Resolution Service
EIS	Environmental Impact Statement
EPAct 2005	Energy Policy Act of 2005
EQR	Electric Quarterly Report
ERO	Electric Reliability Organization
FPA	Federal Power Act
FPC	Federal Power Commission
FTE	full-time equivalent
ISO	independent transmission system operator
ITC	independent transmission company
LNG	liquefied natural gas
Midwest ISO	Midwest Independent Transmission System Operator
MOU	memorandum of understanding
NEPA	National Environmental Policy Act of 1969
NERC[5]	North American Electric Reliability Council or North American Electric Reliability Corporation
NGA	Natural Gas Act
OASIS	Open Access Same-Time Information System
OMB	Office of Management and Budget
PJM	PJM Interconnection
RTO	regional transmission organization

5 The North American Electric Reliability Corporation is the certified ERO. However, the entity is still in transition from the North American Electric Reliability Council to the North American Electric Reliability Corporation. Therefore, thus far, the Council has been filing documents with the Commission on behalf of the Corporation

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