

1 FEDERAL ENERGY REGULATORY COMMISSION
2 Other Federal Agency Cost Submission
3 for Fiscal Year 2014

4 AD15-2-000

5 Thursday, March 26, 2015

6 Time: 2:00 p.m.

7

8 Conference Room 3M-2B

9 888 First Street, N.E.

10 Washington, D.C.20426

11

12 TECHNICAL CONFERENCE

13 FERC STAFF

14 Norman Rihcardson, Revenue Receivables Branch

15 Shiraz Ahmad, Revenue Receivables Branch

16 Raven Rodriguez, Revenue Receivables Branch

17 Liz Molloy, General Counsel

18

19 * * * *

20

21

22

23

24

25

1 P R O C E E D I N G S

2 MR. RICHARDSON: We will get started with our
3 technical conference. Welcome, everyone, to our 2015
4 Technical Conference with "Other Federal Agency Cost
5 Submissions."

6 Let me give you some background on myself. My
7 name is Norman Richardson. I have been with the Agency
8 for approximately eleven years, and throughout those
9 eleven years, I have worked on OFA matters, on
10 hydropower and licensee matters.

11 I'm ready to get into it, but before I do, I would
12 like to introduce my FERC staff. To the right of me is
13 Shiraz Ahmad. He is on my staff as an accountant with
14 Revenue Receivables Branch.

15 This is Raven Rodriguez, an accountant with the
16 Revenue Receivables Branch.

17 Behind Shiraz is Liz Molloy. Liz is our general
18 counsel and right beside her is our financial
19 management director Carrie Anderson.

20 If you could, just go around and introduce
21 yourselves and the agency that you are representing
22 today, please.

23 MS. OGNISTY: Kim Ognisty, I am with Winston &
24 Strawn with our hydropower group.

25 MS. MAPES: I am Katie Mapes with the firm of

1 Spiegel & McDiarmid.

2 MS. WHITE: I am Sharon White with the firm of Van
3 Ness Feldman on behalf of the Licensee Group.

4 MR. SWIGER: Mike Swiger from Van Ness Feldman.

5 MR. RICHARDSON: Welcome to all. Today's agenda
6 for our conference we are going to go over some
7 background materials.

8 We will go to our FERC Review is what we are
9 actually looking at for our review process.

10 We will go over the actual costs for each federal
11 agency and then we can entertain questions during the
12 conference or you can wait until the end.

13 At the end, we will also have a time line of
14 events and some contact information.

15 The scope of the conference, what we are doing
16 today is we're going to determine the reasonableness of
17 OFA costs and how that is related to the administration
18 of Part 1 of the Federal Power Act.

19 Also we would like to discuss how OFAs can improve
20 their costs submissions in the future.

21 These are just some applicable relevant federal
22 guidelines, the Federal Power Act and the Omnibus Bill,
23 the Budget Reconciliation Act of 1986.

24 These particular acts give us the authority to
25 assess annual charges and the authority to collect.

1 We will also be looking at OMB Circular A-25, user
2 charges and the Statement of the Federal Financial
3 Accounting Standards No 4.

4 These particular guidelines, this is the
5 methodology that we use to assess indirect and direct
6 costs and also we use these to fully collect our
7 appropriation.

8 Here is just the form that we use every year. If
9 you have seen the form in prior years, then you will
10 notice that we no longer have the direct charge of
11 "other."

12 We have removed that and I will elaborate on that
13 a little further.

14 This is basically broken out by direct costs when
15 you have salary, benefits, and travel, and then you
16 have indirect costs when you have overhead.

17 On some of the detail support that we are looking
18 at, accounting system reports, or queries, which detail
19 costs submission forms.

20 Detailed analyses which explain related-cost
21 assumptions, narrative detailing time reporting
22 processes, the description of account codes and
23 overhead rate explanations.

24 Along with the FERC review process these are some
25 of the items that we review.

1 The cost submission form, the supplemental reports
2 and analyses, a signed certification statement and
3 narrative submissions.

4 To continue some of the criteria, we also look at
5 properly segregated costs, cost accounting reports, or
6 other analyses supporting totals, and comparison to
7 conclude reasonableness.

8 For some of the improvements that we are seeing as
9 we have been going along with this process, we are
10 saying more agencies utilizing specific cost codes
11 which enables us to segregate FPA Part 1 related
12 between muni and non-muni.

13 They have also been providing a more detailed
14 narrative to explain their methodology or how it is
15 they derive at their cost structure and what I
16 previously showed is the elimination of other direct
17 costs.

18 We did this based on that there was an allocation
19 of the decycled costs that got caught up in the
20 indirect pool, so we came up with a consistent decision
21 that eliminated that double-dip where we no longer have
22 the "other" direct costs.

23 These are just some of the agencies that submit.
24 At the cabinet level, there is the U.S. Department of
25 the Interior, the U.S. Department of Agriculture, and

1 the U.S. Department of Commerce.

2 Now we are getting into the real meat of the
3 technical conference is the costs that were submitted
4 and the costs that were accepted.

5 We accepted \$6.6 million. That was roughly the
6 same amount as we accepted last year. Reported was
7 \$7.4 million.

8 They reported \$8.1 million, so it went slightly
9 down by 7% this year.

10 As you can also see, costs going down and we
11 attributed this to budget cuts and sequestration.

12 This is just a chart. In the yellow you see the
13 2013 costs and in the blue you see the 2014 costs.

14 When you look at this year, what has been accepted
15 is pretty much the same as last year, and in comparison
16 to last year, they reported less costs this year.

17 At this point in our Technical Conference, Raven
18 Rodriguez will come up to present each agency's costs.

19 MS. RODRIGUEZ: Good afternoon. I would like to
20 apologize that some of the numbers are off by a dollar
21 or so for rounding, but I'm sure everyone already knew
22 that.

23 BIA submitted a total of \$359,712 and we accepted
24 all \$359,712.

25 Out of that, \$276,693 were direct costs and

1 indirect costs were \$83,019.

2 They provided us with detail costs reports from
3 FBMS and they segregated their muni, non-muni and
4 non-specific costs with established job codes, BOC
5 codes.

6 Do you have any questions for BIA? No questions?

7 Next, BLM submitted \$99,514 and we accepted
8 \$98,352. The total direct costs for BLM were \$74,325
9 and indirect costs were 425,190.

10 The discrepancy between submitted and accepted
11 their benefits costs reported on the cost submission
12 versus their labor work summary report was off \$816, so
13 I reduced that and used the labor work summary report
14 as the accepted benefit.

15 I excluded the \$32 for "other" because we no
16 longer have the costs code of other direct costs and I
17 adjusted their overhead calculations to reflect
18 salaries and benefits only and they segregate their
19 costs using an ABC coding system with HPM, HPML and now
20 an OL to segregate muni, non-muni and nonspecific.

21 Any questions?

22 MS. WHITE: We have some concerns on BLM's
23 reports. In the past, they have been pretty good, but
24 this year they only provided one page of backup with
25 basically just annual salaries.

1 We do not think that meets the detailed cost
2 breakdown. There is no way for us to verify that these
3 labor expenses are for the administration of Part 1 of
4 the FPA when it is just an annual salary rather than
5 the weekly breakdown, the biweekly breakdown like you
6 might see in Fish & Wildlife Service reports and we
7 would contest the entire amount for BLM.

8 MS. RODRIGUEZ: I will present them that question
9 and see if they can provide us more detail.

10 MS. WHITE: Thank you.

11 MS. RODRIGUEZ: The Bureau of Reclamation, they
12 submitted \$39195 and we accepted \$39,185.

13 Their total direct costs were \$23,062 and their
14 total indirect costs were \$16,123.

15 They report via region for this year with it only
16 being three regions and they provided system reports
17 containing the cost structure segregating municipal and
18 non-municipal.

19 Any questions?

20 MS. WHITE: One minor question. Region 6 reported
21 for fiscal year 2014 some expenses for periods 001
22 through 012, that to us was ambiguous, whether that
23 refers to periods month 1 through 12 of fiscal year
24 2014 or if it is actually January through December of
25 2014 which would mean three months would be fiscal year

1 2015 expenses included in this report.

2 I can point out where if that would help you, but
3 it is a total of \$2,464.16 that are in periods 10, 11
4 and 12.

5 We just need to know whether that is October,
6 November or December or the last three months of fiscal
7 year 2014.

8 MS. RODRIGUEZ: If you can show me after and then
9 I will present it to them and have them explain it.

10 MS. WHITE: Sure.

11 MS. RODRIGUEZ: National Park Services, they
12 submitted \$558,773 and we accepted \$558,773.

13 Their direct costs were \$476,460 and their
14 indirect were \$82,313. NPS utilizes the BOC to
15 segregate salary, benefits, and travel costs.

16 They started last year. They established new
17 product codes that actually indicate regions, but they
18 still segregate muni, non-muni and non-specific.

19 Any questions?

20 MS. WHITE: One minor question on the Park
21 Service. Overall we were satisfied with this report
22 except in the travel which totaled \$10,764. We were
23 able to identify the breakdown of \$9,132 of that total
24 travel expenses, but there is \$1,631 of travel expenses
25 that have no breakdown whatsoever in their report.

1 MS. RODRIGUEZ: Can you also show me after so I
2 can bring it to their attention. The travel, what is
3 the total?

4 MS. WHITE: The total portion of their travel is
5 \$1,631.

6 MS. RODRIGUEZ: Fish & Wildlife Services, they
7 submitted \$1,917,972 and we accepted \$1,916,104. Their
8 total direct costs were \$1,382,455 and their indirect
9 was \$535,517.

10 I adjusted their overhead to just the allocated
11 salary and benefits and Fish & Wildlife currently uses
12 only the product codes, MUN, PUB, and COM to segregate
13 their municipal and non-municipal and nonspecific
14 costs.

15 MS. WHITE: No questions.

16 MS. RODRIGUEZ: Solicitor. They submitted a total
17 of \$124,785. We accepted \$122,013. The total direct
18 costs for solicitors is \$107,200 and their indirect is
19 \$17,586.

20 The difference between accepted and submitted is
21 the \$2,772. I was unable to reconcile their travel
22 vouchers with their spreadsheet that they provided in
23 cost submission, so I did exclude that.

24 Any questions?

25 OEPC, they submitted \$188,658 and we accepted the

1 entire amount of \$188,658.

2 Their direct costs were \$138,770 and their
3 indirect were \$49,880.

4 They provided a detailed cost report query and
5 they established ABC codes utilizing 9U, 9W and 9X to
6 segregate between muni and non-muni and non-specific.

7 Do you have any questions?

8 MS. WHITE: We have similar concerns for OEPC as
9 we did with BLM.

10 They provided only one page of payroll costs with
11 no breakdown at all. It is just total labor costs and
12 we lack the detailed information there to be able to
13 verify the accuracy, so we would request for backup.

14 MS. RODRIGUEZ: OHA submitted \$2,329 and we
15 accepted \$2,329. The direct portion is \$1,993. The
16 indirect portion is \$336 and they utilized the BUD, GTH
17 and REG leg as activity codes and they utilized the
18 caseload split because they do not have municipal and
19 non-municipal.

20 Do you have any questions?

21 MS. WHITE: We have reviewed their email to you
22 explaining that they do not have any project specific
23 information, however there is no evidence here that
24 they even have codes established to be able to
25 segregate muni and non-muni even though they did not

1 have any of that this year, they do not have an
2 established system that allows that segregation, and
3 for that reason that violates Commission's standards
4 and we do not think they should be included.

5 MS. RODRIGUEZ: PPA, they submitted a total cost
6 of \$9,646 and we accepted \$9,646.

7 Their direct costs was \$8,256 and their indirect
8 was \$1,390. PPA also uses ABC codes 9U, 9Y and 9X to
9 segregate between muni, non-municipal and nonspecific.

10 Any questions?

11 Forest Services, they submitted a total of
12 \$2,043,638. On this slide, I put that we accepted
13 \$1,956,295 and if you will notice on the other slide it
14 was \$1.8 million.

15 The difference is in their original cost
16 submission they allocated overhead at 7% to everything,
17 but their documentation indicated it was actually 8%,
18 so it is now pending their submitting another cost
19 submission to correct the original one.

20 It is not in the original slide with the overall
21 slide, but I did include it here.

22 The direct cost is \$1.8 million and their indirect
23 would be 127 based on the 7%, it would be slightly
24 higher with the 8%.

25 Other than that discrepancy, the reason why the

1 accepted portion is reduced, they did include \$81,000
2 and other costs, so I did reduce it by that as well.

3 Are there any questions?

4 MS. OGNISTY: Could you clarify the \$81,000, was
5 that the WORO?

6 MS. RODRIGUEZ: No, the \$81,000 is they include
7 other costs in that category that we excluded in this
8 year for the cost submissions this year so that is
9 where that \$81,000 came from.

10 MS. OGNISTY: Then, I would just like to make the
11 point that FERC had specifically asked them for an
12 explanation of the regional office, Washington office
13 cost breakdown, and in their responses they did not
14 provide any explanation whatsoever.

15 MS. RODRIGUEZ: They provided the spreadsheet that
16 corrected, because they had originally put it in the
17 muni cost pool, they provided an additional spreadsheet
18 that I posted on e-Library that changed it to the WORO.

19 In the detail of this spreadsheet there are codes
20 that indicate that it is non-specific, the WORO, but
21 they sorted it and compiled it into their costs
22 submission as a municipal cost originally.

23 That is why I presented them that question, but
24 then they resubmitted their spreadsheet that fixed that
25 and broke out a WORO and then they properly segregated

1 it between municipal and non-municipal.

2 MS. OGNISTY: Thank you.

3 MS. WHITE: I wanted to thank you for omitting
4 those other costs as that has really made our job
5 easier this year.

6 Also thank you for emailing them about the three
7 instances of high salaries.

8 In the report we flagged those as well, but we
9 still have concerns about their explanation here.

10 They explain these higher salaries because of
11 locality pay and the higher number of hours billed, but
12 we cannot determine from this report if the reported
13 costs is based on the number of hours logged or if it
14 is an actual yearly salary.

15 We want to make sure that they are seeking
16 reimbursement for the actual amount they paid and not
17 an hourly rate based on the number of hours billed.
18 You see how there would be markup?

19 MS. RODRIGUEZ: I will ask them for further
20 explanation of that.

21 MS. WHITE: Thank you.

22 MS. RODRIGUEZ: Marine Fisheries submitted
23 \$2,115,043 and we accepted \$1,532 460 and all of the
24 costs that we accepted were direct costs.

25 They utilized the MaRS accounting system or

1 reporting system and they report via regions.

2 This year we asked them for a little more detail
3 to support their cost submissions and they did provide
4 that.

5 That is how we came to the conclusion to accept
6 the \$1.5 million.

7 I didn't reduce the cost by Regions 01 - 02 which
8 is OGC because they do not segregate municipal and
9 non-municipal, and I also reduced it in Region 30, 50,
10 for the same reason.

11 MS. WHITE: Which region is that? Southwest?

12 MS. RODRIGUEZ: Yes, that is the Southwest Region.

13 We did accept Office of Habitat Conservation because
14 they did provide us an explanation as to why they that
15 salary was not able to be segregated.

16 MS. OGNISTY: So how is FERC allocating that
17 charge if they did not allocate by muni or non-muni,
18 the Habitat Office?

19 MS. RODRIGUEZ: When we have a non-specific cost
20 that is a portion of their submission we allocate it
21 based on the percentage of municipal and non-municipal
22 costs, the split of their actual costs that is already
23 segregated, then we apportion it that way.

24 MS. OGNISTY: But the Office of the Habitat
25 Conservation, it sounds like they did not have codes

1 from muni and non-municipal?

2 MS. RODRIGUEZ: No, no. Habitat Conservation, it
3 is one young lady.

4 MS. OGNISTY: Correct.

5 MS. RODRIGUEZ: She provides administrative
6 support to the program, so her salary would not be
7 segregated non-municipal or municipal.

8 MS. OGNISTY: Then, respectfully, it should not be
9 included as a cost if it cannot be allocated from the
10 muni to non-muni, just the comment.

11 MS. MOLLOY: What did you use to determine the
12 different amounts?

13 MS. RODRIGUEZ: To allocate it, whatever they have
14 from municipal and non-municipal, this split, it is a
15 formula, the split of their costs, muni versus
16 non-muni, we take all non-specific costs and we split
17 it the same way.

18 MS. OGNISTY: When you say "they" their muni and
19 non-, who are you referring to?

20 MS. RODRIGUEZ: NMFS.

21 MS. OGNISTY: NMFS generally?

22 MS. RODRIGUEZ: Yes.

23 MS. OGNISTY: You are attributing, the Office of
24 Habitat Conservation, you are allocating their costs
25 even though they do not separate them according to the

1 way NMFS does generally?

2 MS. RODRIGUEZ: Everyone gets allocated according
3 to their own split for their nonspecific costs.

4 MS. MOLLOY: We will review the data and see what
5 they filed.

6 I know what you're asking.

7 We will look at that and ask additional
8 information, if we need to, but you may as well, if you
9 choose, to submit information in 30 days if you would
10 like.

11 But we will look at what we have got and possibly
12 ask for additional information on back question.

13 MS. WHITE: On the same topic, licensees have the
14 same concern.

15 There is no established method in order for them
16 to break up muni and non-muni in that region even
17 though this woman is doing administrative work that is
18 logged into PHY, they need to have an ability just to
19 aggregate muni and non-muni if those come up even
20 though they did not do it this year.

21 It was the same concern that I had with the OHA
22 and we raised this issue last year and OHD was omitted
23 as well.

24 In addition, their explanation did indicate that
25 this woman does some project level work. She described

1 it as "coordinating FERC's activity performed by NMFS
2 regions."

3 That indicates that at least some of her work
4 should be able to be allocated between muni and
5 non-muni and there needs to be codes for her to be able
6 to do that.

7 Raven, did you eliminate the other costs that NMFS
8 reported of \$129,947?

9 MS. RODRIGUEZ: Yes.

10 MS. WHITE: You did? Thank you. Our next concern
11 with NMFS is that we identified \$71,000 and change of
12 costs that they reported for the fiscal year 2013
13 instead of fiscal year 2014.

14 It is scattered among the regions, but I have it
15 all flagged and I can point it out to you if that is
16 helpful.

17 And lastly, licensees again have an overall
18 concern about the quality of NMFS's reporting here.

19 We have pending appeals for fiscal year 2012 and
20 2013 costs for NMFS's expenses based on the persistent
21 errors in their reporting that is very well documented
22 in the record.

23 In addition, NMFS issued a letter in January of
24 this year in the pending appeal for fiscal year 2013
25 asking NMFS to provide activity specific descriptions

1 that could be linked to a FERC licensed project.

2 NMFS did not provide this information for fiscal
3 year 2013 and has again not provided it for fiscal year
4 2014.

5 It is just a bunch of print outs that we cannot
6 verify the accuracy of it at all.

7 Based on the persistent errors in the prior years
8 and our two years of pending appeals we would contest
9 all of NMFS's costs again this year. Thanks.

10 MS. RODRIGUEZ: Are there any more questions?

11 MR. RICHARDSON: From here we will take all of the
12 questions that have been addressed today, we will go
13 back to the actual agencies to see if we cannot address
14 those concerns that you have raised today.

15 We would like to have the licensees submit their
16 questions by April 27. We will give you time to get
17 the transcript from this technical conference and
18 typically that may take it up to 10 days from today,
19 but I am assuming that we will provide you with ample
20 time to address your questions.

21 From there we expect to issue the OFA notice in
22 June and from that we expect to issue the annual
23 charges in July.

24 For fiscal year 2016, we will have the same type
25 of schedule for 2015 costs.

1 Are there any questions?

2 Then visit concludes the technical conference and
3 thank you for attending.

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25