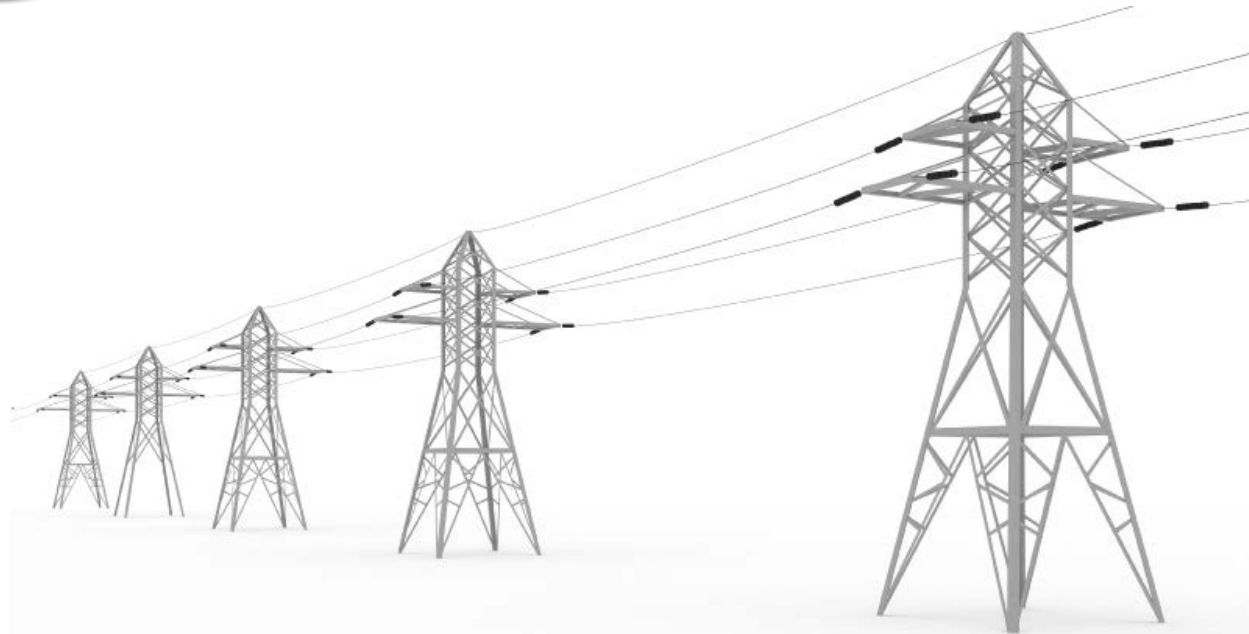




Obtained and posted by AltGov 2: [www.altgov2.org](http://www.altgov2.org)

# FERC Briefing



Agency Review Team Discussion

# FERC Overview

- FERC is an **independent and bipartisan agency**.
  - Five commissioners are appointed to staggered five-year terms by the President, and confirmed by the Senate.
  - No more than three commissioners from one party.
  - Chairman is designated by the President.
  - FERC decisions reviewed by the courts, not the President, DOE, or CEQ.
- FERC is a **quasi-judicial** agency.
  - Unlike Capitol Hill, FERC is statutorily prohibited from talking about certain matters unless the communication is on-the-record.
- **Statutory authority** centers on major aspects of the nation's electric, non-federal hydroelectric, and natural gas and oil pipeline industries.

# Strategic Goals

## **1. Ensure Just and Reasonable Rates, Terms, and Conditions**

- Establish Commission rules and policy that will result in just, reasonable, and not unduly discriminatory or preferential rates, terms, and conditions of jurisdictional service.
- Increase compliance with FERC rules; detect and deter market manipulation.

## **2: Promote Safe, Reliable, Secure, and Efficient Infrastructure**

- Foster economic and environmental benefits for the nation through approval of natural gas and hydropower projects.
- Minimize risks to the public associated with FERC-jurisdictional energy infrastructure.

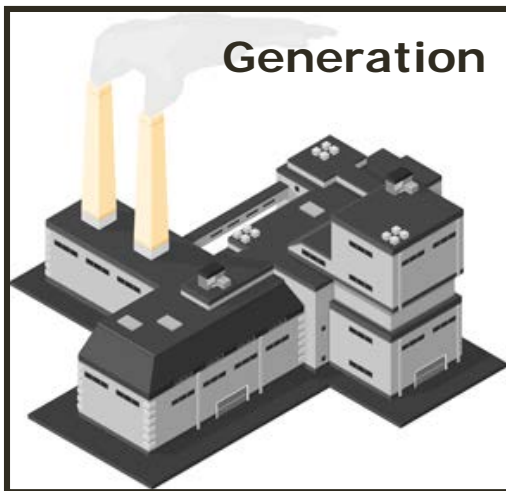
## **3: Mission Support through Organizational Excellence**

- Manage Commission Resources Effectively and Efficiently.
- Empower Commission Employees to Drive Success.
- Facilitate public trust and understanding of Commission activities by promoting transparency, open communication, and a high standard of ethics.

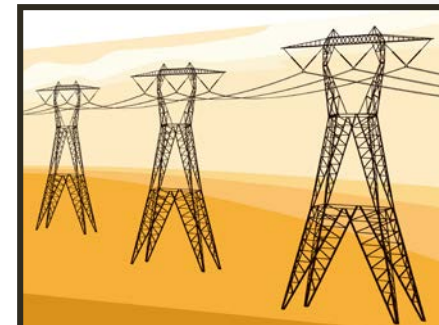
# Key Areas of FERC Regulatory Responsibility

TYPE OF REGULATION	INVESTOR-OWNED ELECTRIC POWER	INTERSTATE NATURAL GAS PIPELINES	INTERSTATE OIL PIPELINES	NONFEDERAL HYDROPOWER PROJECTS
<b>Regulation of Wholesale Markets</b>				
- Transmission & Transportation Services	Yes	Yes	Yes	N/A
- Wholesale Rates	Yes	Yes, but limited	No	N/A
- Mergers	Yes	No	No	N/A
<b>Authorization and Monitoring of Energy Facilities</b>				
- Siting	No, except for limited backstop siting	Yes, the Commission issues certificates for construction of pipelines, storage, LNG, and related facilities	No	Yes, the Commission issues licenses, exemptions, license amendments and renewals and approves shoreline management plans
- Environmental	No, except for programmatic EISs for some major actions.	Yes, NEPA review and interagency consultation for pipelines to be certificated	No	Yes, NEPA review and interagency consultation for the above authorizations
- Safety	No	No, except as part of initial certification—incorporation of DOT standards	No	Yes, dam and public safety
- Reliability	Yes, for the bulk power system	No	No	No
<b>Related Responsibilities of Some Federal Agencies</b>				
Other Federal Agencies	<p><u>DOE</u>: Power Marketing Administrations</p> <p><u>NRC</u>: nuclear power generator licenses</p> <p><u>DOI/USDA</u>: siting on federal lands</p>	<p><u>DOI</u>: siting in offshore waters, federal lands, national parks; endangered species</p> <p><u>COE</u>: water body crossings</p>		<p><u>DOI</u>: federal lands, national parks, fish and wildlife, endangered species, siting projects at Bureau of Reclamation dams</p> <p><u>COE</u>: siting projects at COE dams</p>

# Profile of Electric Industry



**Wholesale Sales**  
Regulated by FERC



**Transmission Networks**  
Regulated by FERC



**Local Distribution System**  
Regulated by States

**Final Customers  
(Retail Sales)**  
Regulated by States



# Increased Workload, Increased Scrutiny

			# Projects	Capacity, Bcf/d	Miles of Pipeline	Compression, HP
<b>Pipeline Projects</b>	Pending	Dec-13	24	14.4	938	680,624
		Dec-14	40	25.2	1,629	1,315,894
		Dec-15	63	47.2	4,528	3,456,752
		Nov-16*	39	38.9	3,012	2,942,642
	In PF	Nov-16*	15	17.9	1,905	378,437

\* As of October 14, 2016

			# Projects	Export Capacity, Bcf/d	Import Capacity, Bcf/d	Storage Capacity, Bcf
<b>LNG Projects</b>	Pending	Nov-16*	7	10.1	0.09	38.9
	In PF	Nov-16*	9	15.1	0	70.0

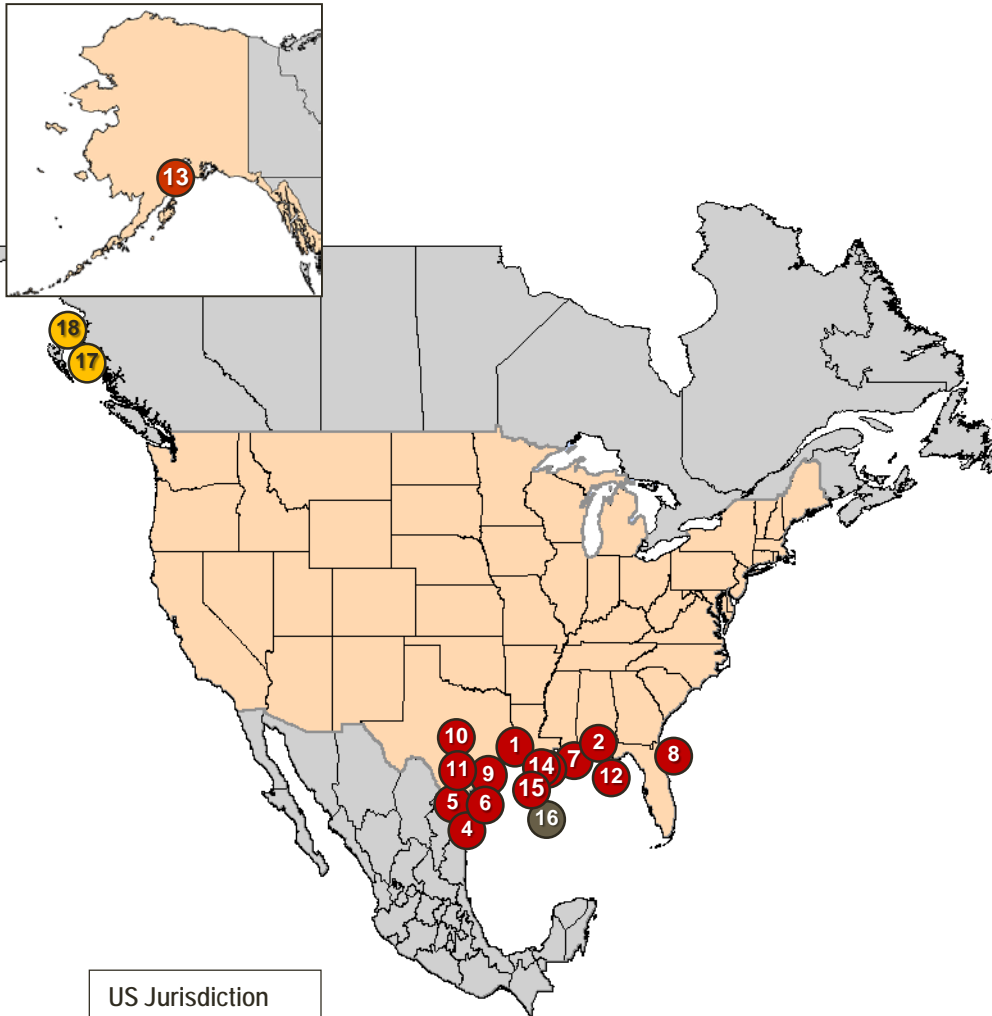
\* As of November 3, 2016

- Increased # of Rehearings
- Increased # of Appellate Reviews





# LNG Projects Export Pending



US Jurisdiction

- FERC
- MARAD/USCG

As of October 12, 2016

## PROPOSED TO FERC

### Pending Applications:

1. Sabine Pass, TX: 2.1 Bcfd (ExxonMobil – Golden Pass) (CP14-517)
2. Pascagoula, MS: 1.5 Bcfd (Gulf LNG Liquefaction) (CP15-521)
3. Cameron Parish, LA: 1.41 Bcfd (Venture Global Calcasieu Pass) (CP15-550)
4. Brownsville, TX: 0.55 Bcfd (Texas LNG Brownsville) (CP16-116)
5. Brownsville, TX: 3.6 Bcfd (Rio Grande LNG – NextDecade) (CP16-454)
6. Brownsville, TX: 0.9 Bcfd (Annova LNG Brownsville) (CP16-480)

### Projects in Pre-filing:

7. Plaquemines Parish, LA: 0.30 Bcfd (Louisiana LNG) (PF14-17)
8. Jacksonville, FL: 0.075 Bcf/d (Eagle LNG Partners) (PF15-7)
9. Port Arthur, TX: 1.4 Bcfd (Port Arthur LNG) (PF15-18)
10. Freeport, TX: 0.72 Bcfd (Freeport LNG Dev) (PF15-25)
11. Corpus Christi, TX: 1.4 Bcfd (Cheniere – Corpus Christi LNG) (PF15-26)
12. Plaquemines Parish, LA: 2.80 Bcfd (Venture Global LNG) (PF15-27)
13. Nikiski, AK: 2.55 Bcfd (ExxonMobil, ConocoPhillips, BP, TransCanada and Alaska Gasline) (PF14-21)
14. Cameron Parish, LA: 1.84 Bcfd (G2 LNG) (PF16-2)
15. Calcasieu Parish, LA: 4.0 Bcfd (Driftwood LNG) (PF16-6)

## PROPOSED TO U.S.-MARAD/COAST GUARD

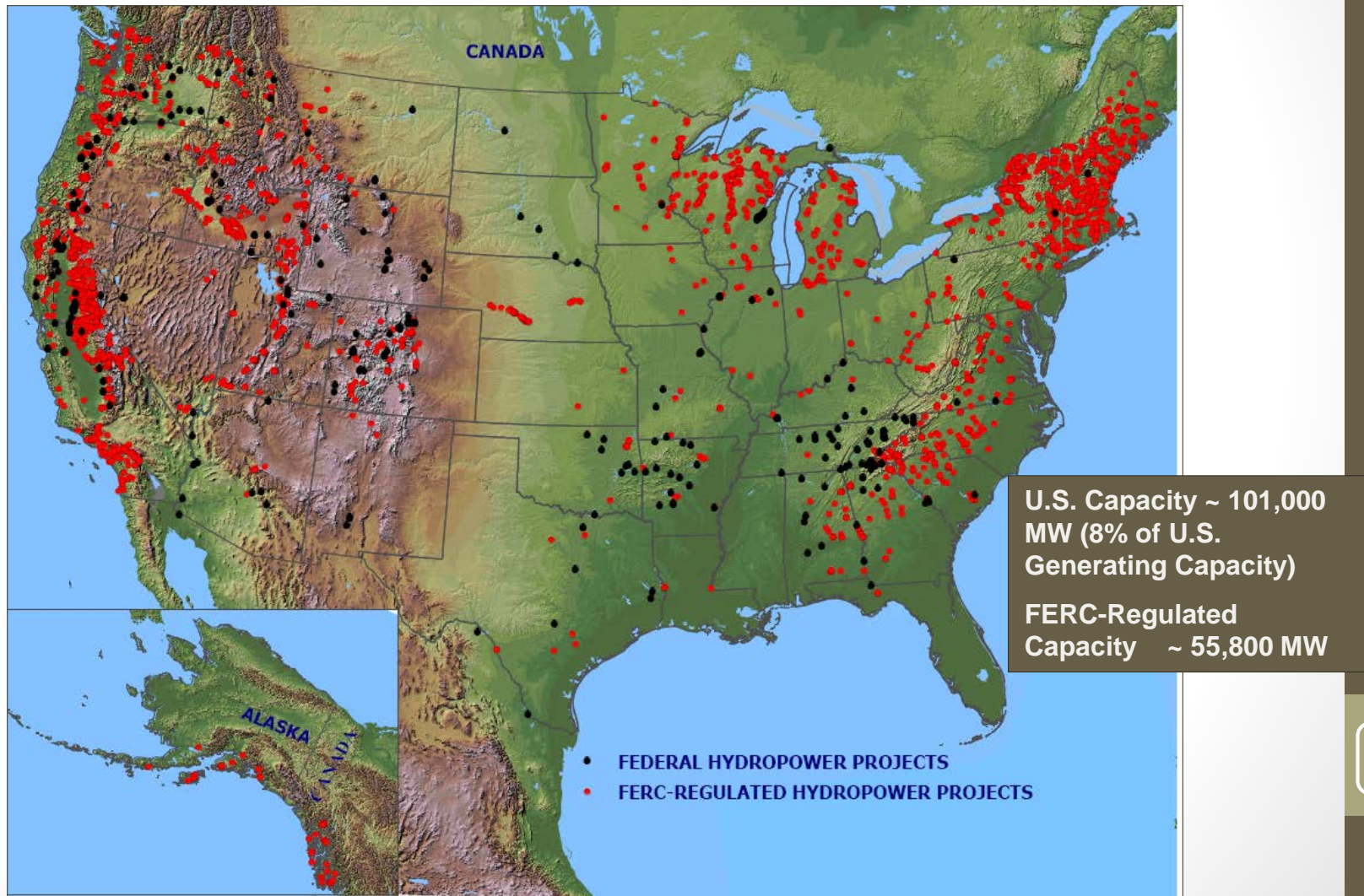
- 16 Gulf of Mexico: 1.8 Bcfd (Delfin LNG)

## PROPOSED CANADIAN SITES

17. Kitimat, BC: 1.28 Bcfd (Apache Canada Ltd.)
18. Douglas Island, BC: 0.23 Bcfd (BC LNG Export Cooperative)



# U.S. Hydropower: Federal and FERC-Regulated



# Electric Reliability

In EAct 2005, Congress gave FERC reliability authority to:

- Approve mandatory reliability standards for the bulk power system
- Certify an Electric Reliability Organization – which is the North American Electric Reliability Corporation (NERC)

# Cybersecurity

- FERC approved the first set of cybersecurity (“CIP”) rules in 2008, but also required NERC to develop improvements.
- FERC approved a major expansion of the CIP rules in 2013 (as modified in January 2016), to take effect in April 2016 for “high” and “medium” impact assets and in April 2017 for other assets.
- Apart from its rulemaking authority, FERC also works collaboratively with other agencies and industry to identify and encourage use of best practices on cybersecurity.

# Enforcement History

- Historically, the electric and natural gas industries were regulated monopolies. FERC based rates on a utility's cost to provide the service plus a fair return on investment (cost-of-service regulation).
- In the 1980s and 1990s, the electric and natural gas industries evolved into competitive markets consisting of a complex structure of formal and informal markets that help determine the rates.
- Western Energy Crisis and ENRON occurred.
- As a result, in EAct 2005, Congress granted FERC significant new authority to prohibit manipulation, not only by direct participants in the physical natural gas and wholesale electric markets, but also where “any entity” commits manipulation, directly or indirectly, “in connection with” jurisdictional transactions.

# Office of Enforcement

- **Priorities**
  - Fraud and market manipulation;
  - Serious violations of the reliability standards;
  - Anticompetitive conduct; and
  - Conduct that threatens the transparency of regulated markets.

## Civil Penalties

	Penalties (to US Treasury)	Disgorgement with interest (to those harmed or alternate place)	Audit Recoveries (to those harmed)
2012	\$148,269	\$119,147	\$5,800
2013	\$304,346	\$140,523	\$15,400
2014	\$24,934	\$3,812	\$11,700
2015	\$26,250	\$978	\$26,300
2016	\$12,250	\$5,697	\$5,300

# Budget Overview

- “No-year” budget authority
- Fully offset appropriation through the collection of annual charges and fees (based on all direct and indirect FERC costs plus related pension costs)
  - Federal Power Act of 1920
    - Section 10 paragraph (e)(1)
      - Authority to assess annual charges and filing fees to hydropower industry
      - Authority to collect for other agency costs
  - Omnibus Budget Reconciliation Act of 1986
    - Title III, Subtitle E, Section 3401 (a)(1)
      - Authority to assess annual charges and filing fees to gas, oil, and electric industries
- Excess Receipts are deposited directly to U.S. Treasury
- **Thus, FERC’s budget has no impact on the federal budget deficit.**



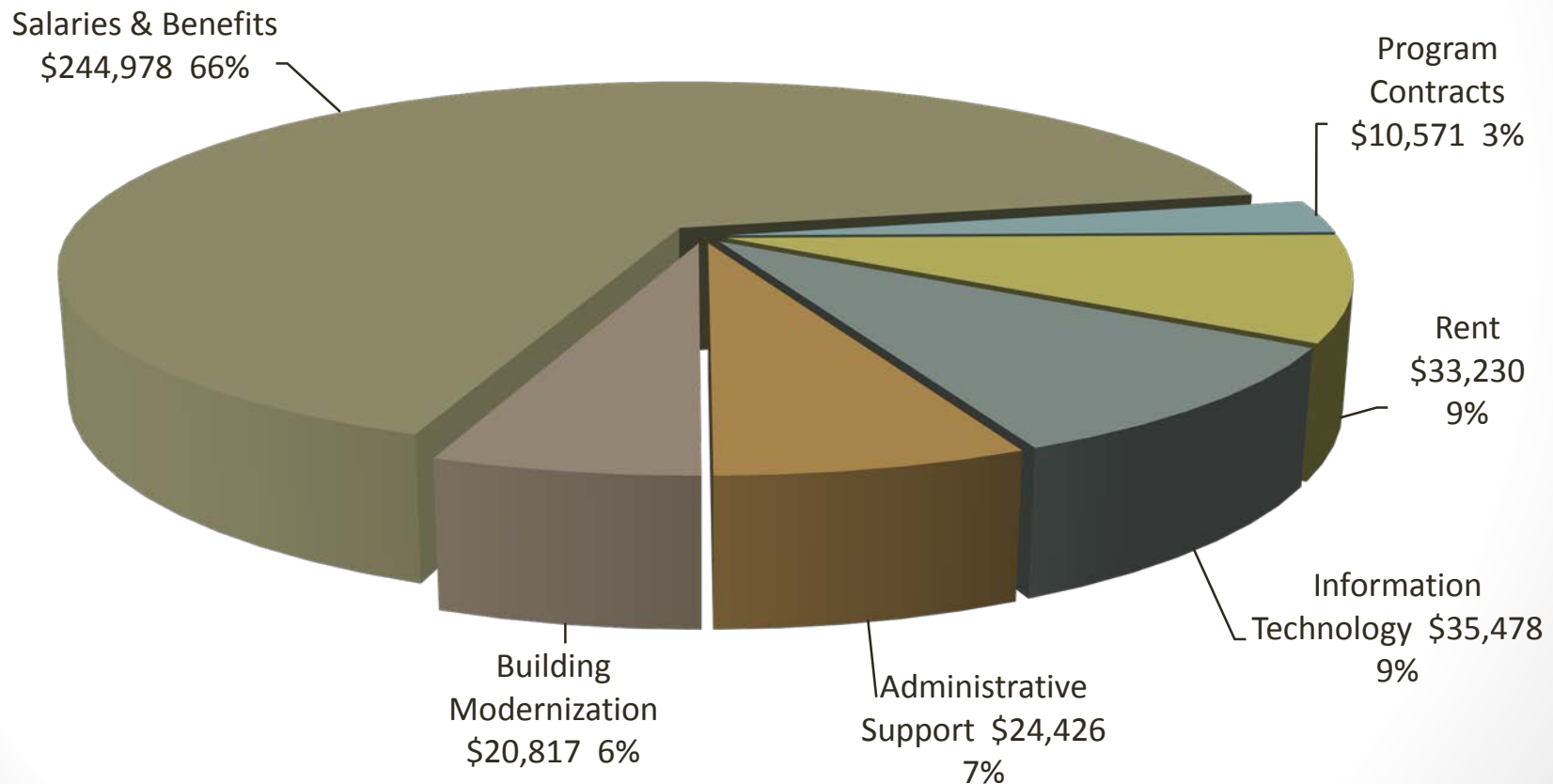
# FY 2017 Budget Status

FY 2017 Full Funding Level		FY 2017 Year Long CR Funding Level	
FY 2017 Congressional Request	\$346,800,000	FY 2016 Appropriation	\$319,800,000
FY 2016 Unobligated Carryover	<u>22,700,000</u>	FY 2016 Unobligated Carryover	<u>22,700,000</u>
Total Budget Authority	\$369,500,000	Total Budget Authority	\$342,500,000
FY 2017 Operating Plan	<u>369,500,000</u>	FY 2017 Operating Plan	<u>369,500,000</u>
Projected Carryover/(Deficit)	\$ -	Projected Deficit	(\$27,000,000)

- FY 2017 Operating Plan funds an estimated 1,499 FTEs
- FY 2017 Energy & Water Appropriations Act not yet enacted
- FERC currently operating under a continuing resolution (CR) through April 28, 2017 at FY 2016 funding level of \$ 319,800,00 and 1,480 FTEs
- A year long CR at FY 2016 levels could result in a projected deficit of approximately \$27M primarily affecting hiring, information technology improvements and the building modernization project

# FY 2017 Operating Plan (Full Funding)

FY 2017 Congressional Request: \$346,800  
FY 2016 Unobligated Carryover: 22,700  
Total Estimated Budget Authority: \$369,500



# FY 2017 Budget Comparison

Major Category	FY 2017 Full Funding	FY 2017 Year-Long CR	Difference
Salaries & Benefits	\$244,978	\$242,257	(\$2,721)
Environmental/Program Contracts	10,571	9,873	(698)
Rent	33,230	33,230	-
Information Technology	35,478	32,928	(2,550)
Administrative Costs	24,426	22,740	(1,686)
Building Modernization	20,817	1,472	(19,345)
<b>Totals</b>	<b>\$369,500</b>	<b>\$342,500</b>	<b>(\$27,000)</b>

# Appropriation History

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Appropriation	\$304,600	\$304,600	\$304,600	\$304,389	\$319,800
Offsetting Revenue	(304,600)	(304,600)	(304,600)	(304,389)	(319,800)
Excess Fees and Recoveries, FERC	(32,600)	(279)	(19,686)	(17,325)	(15,912)
<b>Total, FERC</b>	<b>(\$32,600)</b>	<b>(\$279)</b>	<b>(\$19,686)</b>	<b>(\$17,325)</b>	<b>(\$15,912)</b>

# FY 2017 FTE Allocation

Office	FY 2017 FTE Estimate
Chairman and Commissioners	32
Office of External Affairs	19
Office of the General Counsel	193
Office of Energy Projects	350
Office of the Executive Director	138
Office of Administrative Litigation	85
Office of Enforcement	201
Office of Electric Reliability	98
Office of Energy Market Regulation	237
Office of Energy Policy and Innovation	63
Office of the Secretary	21
Office of Energy Infrastructure Security	21
Office of Administrative Law Judges & Dispute Resolution	41
<b>TOTAL</b>	<b>1,499</b>