

FEDERAL ENERGY REGULATORY COMMISSION



AGENCY FINANCIAL REPORT FISCAL YEAR 2021



Chairman Richard Glick

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

OFFICE OF THE CHAIRMAN

Letter from Chairman Glick

I am pleased to present the Federal Energy Regulatory Commission's (Commission's) Agency Financial Report for fiscal year 2021. This report was prepared in accordance with the guidelines set forth in Office of Management and Budget Circular No. A-136. This report illustrates how we manage our resources and highlights our major accomplishments in meeting our mission.

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

As outlined in the Management Assurances section of this report, the Commission has completed evaluations of its assessment of the effectiveness of internal control over operations, systems, and financial reporting. I am providing reasonable assurance that the Commission meets the objectives required by the Federal Managers' Financial Integrity Act and that our financial systems conform to government-wide standards. In addition, I can provide assurance that the performance information contained in this report is complete and reliable and describes the results achieved towards our goals.

Sincerely,

RICHARD GLICK 1.ally signed by RICHARD
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Richard Glick
Chairman
Federal Energy Regulatory Commission
November 12, 2021

TABLE OF CONTENTS

| | |
|---|-----------|
| STRATEGIC PLAN SUMMARY | i |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 1 |
| Introduction | 2 |
| Organizational Structure | 2 |
| Full Cost Recovery | 4 |
| Program Performance Overview | 4 |
| Financial Performance Overview | 10 |
| Systems, Controls, and Legal Compliance | 14 |
| Possible Future Effects of Existing Events and Conditions | 16 |
| Limitations of the Financial Statements | 16 |
| FINANCIAL SECTION | 17 |
| Message from the Chief Financial Officer | 18 |
| Independent Auditors' Report | 19 |
| Balance Sheets | 23 |
| Statements of Net Cost | 25 |
| Statements of Changes in Net Position | 26 |
| Statements of Budgetary Resources | 27 |
| Statements of Custodial Activity | 28 |
| Notes to Financial Statements | 29 |
| OTHER INFORMATION | 45 |
| Improper Payments Information Act (IPIA) Reporting | 46 |
| Civil Monetary Penalty Adjustment for Inflation | 46 |
| APPENDIX A: STATUTORY AUTHORITY | 47 |
| APPENDIX B: ACRONYM LISTING | 49 |

STRATEGIC PLAN SUMMARY (UNAUDITED)

MISSION

ECONOMICALLY EFFICIENT, SAFE, RELIABLE, AND SECURE ENERGY FOR CONSUMERS

Assist consumers in obtaining economically efficient, safe, reliable, and secure energy services at a reasonable cost through appropriate regulatory and market means, and collaborative efforts.

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

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

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

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

GOAL 2: PROMOTE SAFE, RELIABLE, AND SECURE INFRASTRUCTURE.

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

Objective 2.1: Facilitate benefits to the nation through the review of natural gas and hydropower infrastructure proposals.

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

GOAL 3: MISSION SUPPORT THROUGH ORGANIZATIONAL EXCELLENCE.

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

Objective 3.1: Manage resources effectively through an engaged workforce.

Objective 3.2: Facilitate public trust and understanding of Commission activities by promoting transparency, open communication, and a high standard of ethics.

**Management's
Discussion and Analysis
(Unaudited)**

INTRODUCTION (Unaudited)

In accordance with the guidelines set forth in the Office of Management and Budget (OMB) Circular No. A-136 and Section 230 of Circular No. A-11, this report presents the Federal Energy Regulatory Commission's (the Commission, FERC) fiscal years (FY) 2021 and 2020 audited annual financial statements and program performance report. The financial section includes the Commission's audited balance sheets, statements of net cost, changes in net position, budgetary resources, custodial activity, and notes to the financial statements. Additionally, this report includes an overview of the Commission, including its mission and organizational structure.

This Agency Financial Report (AFR) serves as a guide to the Commission's key initiatives and activities during FY 2021. Approximately 1,451 full time equivalents (FTEs) carried out the Commission's mission in FY 2021 using an appropriation of \$404,350,000 that is 100% offset by collections at year-end.

The Commission has chosen to produce an AFR and Annual Performance Report (APR). The Commission will include its FY 2021 Annual Performance Report with its Congressional Budget Justification and will post it on the Commission's web site at www.ferc.gov.

ORGANIZATIONAL STRUCTURE (Unaudited)

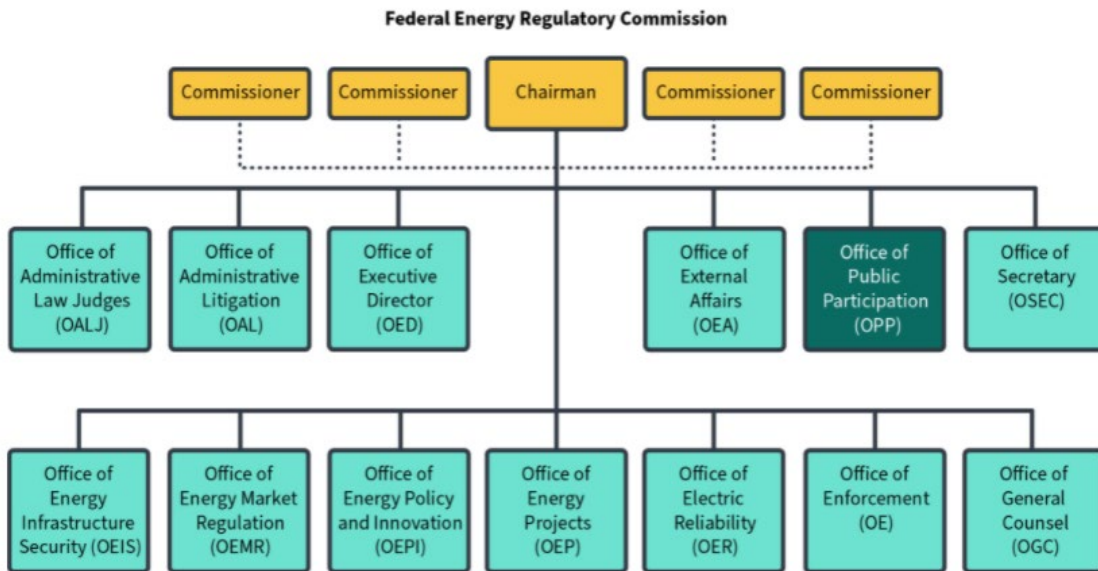
The Commission is an independent regulatory agency within the U.S. Department of Energy (DOE). The Commission's statutory authority centers on major aspects of the Nation's wholesale electric, natural gas, hydroelectric, and oil pipeline industries.

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

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

In addition to the Chairman and four Commissioners, FERC is organized into 13 separate functional offices, each responsible for carrying out specific portions of the Commission's responsibilities. The offices work in close coordination to effectively carry out the Commission's statutory authority.

An organizational chart is included below.



FULL COST RECOVERY (Unaudited)

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 Federal Power Act (FPA) and the Omnibus Budget Reconciliation Act of 1986. The Commission deposits this revenue into the Department of the Treasury (Treasury) as a direct offset to its appropriation, resulting in no net appropriations.

PROGRAM PERFORMANCE OVERVIEW (Unaudited)

The United States has the world's most durable market economy, of which every sector depends vitally on energy. Within the energy realm, the Commission's statutory authority centers on major aspects of the Nation's wholesale electric, natural gas, hydroelectric, and oil pipeline industries. The statutes and laws from which the Commission draws its authority are listed in Appendix A.

On October 1, 2018, the Commission submitted to Congress its updated Strategic Plan which will serve as a guide through FY 2022. The full Strategic Plan can be found at www.ferc.gov.

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

The Strategic Plan also includes key challenges and opportunities relative to each strategic objective. The Commission set forth a plan to address these challenges and take advantage of the opportunities. Included below is the Commission's program performance overview which describes its annual accomplishments related to these strategic challenges.

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

The nation's security and economic prosperity depend on maintaining economically efficient, safe, reliable, and secure energy services at a reasonable cost for consumers. FERC's jurisdiction includes the wholesale sale and transmission of electricity and natural gas in interstate commerce, as well as the transportation of oil by pipeline in interstate commerce. FERC's regulation ensures just and reasonable rates, terms, and conditions for those jurisdictional services.

In carrying out its regulatory role, FERC uses a range of ratemaking activities as well as market oversight and enforcement. FERC's orders, rules, and policies use both market- and cost-based ratemaking means to regulate energy service providers' rates and practices. Through these efforts, FERC ensures that consumers have reasonable access to the services they need and that service providers are appropriately compensated. Fraud, market manipulation, and other violations pose a significant threat to the markets overseen by the Commission, and the financial harm imposed by such actions is ultimately borne by consumers. The Commission's enforcement activities include both promoting compliance and detecting and deterring market manipulation. Promoting compliance and inhibiting market misconduct strengthen markets and increase market confidence.

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

Strategic Challenge: Changes in Energy Supply and Demand

Changes in both energy supply and demand are having an impact on the fuel mix of resources participating in wholesale electric markets, the dynamics of competitive markets, incentives for investment in infrastructure, and the security and

resilience of the bulk-power system. These changes create new challenges and increase the complexity of maintaining just, reasonable, and not unduly discriminatory or preferential rates, terms, and conditions of jurisdictional service.

In FY 2021, the Commission issued Order Nos. 2222-A and 2222-B, which addressed arguments raised on rehearing of Order No. 2222, the Commission's September 2020 final rule to remove barriers to the participation of distributed energy resource aggregations in the capacity, energy, and ancillary service markets operated by RTOs and ISOs. The Commission further addressed one type of distributed energy resources by issuing a Notice of Inquiry on the potential impacts of eliminating the ability of states to prevent demand response resources from participating in organized wholesale markets. And the Commission issued Order No. 872-A, which addressed arguments raised on rehearing of its July 2020 final rule revising the Commission's regulations implements the Public Utility Regulatory Policies Act (PURPA). In FY 2020 and 2021, the Commission also conducted outreach related to changes in energy supply and demand. For example, the Commission conducted several technical conferences on the appropriate structure of organized wholesale capacity markets. In addition, the Commission conducted outreach regarding considerations related to state adoption of mechanisms to price carbon dioxide emissions in regions with Commission-jurisdictional organized wholesale electricity markets, leading to issuance of a policy statement clarifying how the Commission will consider market rules proposed by regional grid operators that seek to incorporate a state-determined carbon price.

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

Strategic Challenge: Non-traditional Market Participants

The Commission recognizes that jurisdictional energy markets are continuing to evolve, including the increasing participation of non-traditional market participants, which creates opportunities for the Commission to engage with both traditional and new stakeholders to bolster compliance. Compared to traditional market participants like public utilities and natural gas companies, non-traditional market participants encompass a wider range of entities, including financial traders that possess different strategies and incentives for participating in jurisdictional energy markets. As such, these non-traditional participants may be less familiar with the Commission's requirements and, therefore, may face many different types of compliance challenges.

In FY 2021, the Commission continued to conduct outreach through industry conferences and other venues to educate non-traditional market participants about compliance with FERC requirements and enforcement processes. FERC staff participated in conferences, workshops, and one-on-one discussions that included non-traditional market participants. In FY 2021, Staff participated in 6 industry conferences and workshops that included non-traditional market participants, providing greater opportunity for outreach to these market participants. In addition, non-traditional market participants have expressed appreciation for the information and feedback they have received as part of the surveillance inquiry process. FERC also continues to provide transparency into its non-public surveillance and investigative activities by including in its annual report on enforcement details on enforcement matters that close with no public action.

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

Infrastructure for which FERC approval is required includes non-federal hydropower facilities, interstate natural gas pipelines and gas storage projects, and Liquefied Natural Gas (LNG) facilities. Hydropower facilities provide reliable, flexible, renewable, domestic energy that supports the electric grid. In addition to power generation, hydropower projects can provide other public benefits such as environmental protection and enhancement and recreational opportunities. The development of shale gas resources has led to increased interest in developing natural gas infrastructure—pipelines, storage, and LNG facilities—to enable that growing natural gas supply to reach market areas.

In the FPA and the Natural Gas Act (NGA), Congress charged the Commission with ensuring that these types of energy infrastructure are in the public interest and provide energy for consumers at a reasonable cost. Congress also charged the Commission with overseeing the development and review of, as well as compliance with, mandatory reliability standards for the bulk-power system to increase the reliability of that infrastructure. In addition to these efforts, the Commission helps to secure energy infrastructure from cyber and physical attacks through a collaborative approach that encourages voluntary architecture assessments of energy infrastructure and the promotion of best practices to mitigate existing and emerging

vulnerabilities. Accordingly, the Commission's goal of promoting the development of safe, reliable, and secure infrastructure serves the public interest.

Objective 2.1: Facilitate benefits to the nation through the review of natural gas and hydropower infrastructure proposals.

Strategic Challenge: Permitting Challenges

A variety of factors, many of which are outside the Commission's control, make it increasingly difficult for the Commission to complete its permitting process for needed energy infrastructure on a schedule that is timely and predictable. The Commission, however, strives to complete the permitting process in an efficient manner and continues to seek new ways to improve the process.

The Commission continued to take actions in FY 2021 to seek and implement ways to make the Commission's permitting process more efficient. The Commission continued its efforts under Title 41 of the Fixing America's Surface Transportation Act (FAST-41) by working with project sponsors and other agencies to update and maintain the permitting dashboard and the Coordinated Project Plans, which describe the consultation process and responsibilities of each agency in the process. The Commission also presented (virtually) at the National Hydropower Conference explaining the FAST-41 process. Additionally, consistent with the D.C. Circuit's June 2020 decision in *Allegheny Defense Project v. FERC*, the Commission continues to expedite its action on requests for rehearing of its orders, including orders addressing energy infrastructure certification and licensing, so that aggrieved parties may more quickly seek appellate review. The Commission also recognized the interests and concerns of affected landowners and other aggrieved entities by modifying a final rule issued in FY 2020 to adopt a policy of presumptively staying NGA section 7 certificates pending rehearing in certain circumstances.

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

Strategic Challenge: Public and Environmental Safety Impacts

Recent incidents at jurisdictional facilities have highlighted the safety and environmental impacts that can be associated with hydropower and natural gas infrastructure. To address such issues, the Commission identified two areas for improvement: (1) the Commission's dam safety program; and (2) its natural gas pipeline compliance program.

In May 2020 flooding occurred in Central Michigan, damaging two FERC regulated dams and causing two dam breaches, one at a non-jurisdictional dam and one at a jurisdictional dam. In response to this incident, a Forensic Investigation Team was convened by FERC to determine the root cause and contributing factors of the incident and provide recommendations. In September 2021, the Forensic team released an interim report that outlined physical causes for the incident. The team continues its work, and a final report is expected in early 2022. Also in FY 2021, the Commission worked to review comments received on RM20-9-00 as well as four engineering guidelines related to its dam safety program: Docket Nos. AD20-20-000 (Supporting Technical Information Document), AD20-21-000 (Part 12D Program), AD20-22-000 (Potential Failure Modes Analysis), and AD20-23-000 (Level 2 Risk Analysis). The proposed rulemaking has the potential to strongly impact future dam safety-related activities at hydropower projects licensed by the Commission.

Additionally, in FY 2021, the Security Branch within the Commission's dam safety program continued to carry out cyber security and physical security inspections and perform remote document reviews. The development of this Branch has allowed the Commission's dam safety engineers to focus on dam structure integrity and performance and proper review of auxiliary/ancillary structures.

Efforts also continued in FY 2021 to improve the Commission's natural gas pipeline compliance program to ensure that the regulated community is held to the high standards set forth in project-specific certificate conditions.

Strategic Challenge: New and Evolving Threats

FERC-jurisdictional infrastructure and facilities are at increased risk from new and evolving threats, including physical and cybersecurity threats, by sophisticated actors that often have access to significant resources.

In FY 2021, the Commission continued to monitor the development of modifications to Reliability Standard CIP-012-1 – Cyber Security – Communications between Control Centers. In FY 2020, the Commission approved the Reliability Standard and directed NERC to develop modifications to the CIP Reliability Standards to require protections regarding the availability of communication links and data communicated between bulk electric system Control Centers. The Commission expects NERC to file the modified Cyber Security Reliability Standard in FY 2022.

In FY 2021, as a result of a Notice of Inquiry that sought comments on the potential benefits and risks associated with the use of virtualization and cloud computing services in the operation of the nation's bulk electric system, the Commission issued an Order directing NERC to make an informational filing that considers the feasibility of modifying the CIP Reliability Standards to facilitate the voluntary use of virtualization and cloud computing for purposes beyond data storage (i.e., to perform BES reliability operating services), as well as the status and schedule for any plans to modify the standards by NERC. The Order directed NERC to submit this informational filing by January 1, 2022.

In FY 2021, the Commission continued to conduct CIP Reliability Standards audits of jurisdictional entities. These audits help the Commission evaluate jurisdictional entities' compliance with the CIP Reliability Standards. Information gained during these audits provided the basis not only for the Commission to make recommendations to the entities regarding cybersecurity best practices, but also informed the annual Lessons Learned report. The Lessons Learned report will be shared with regulated entities in early FY 2022.

In addition, the Commission conducted voluntary and collaborative cyber and physical security assessments at electric, natural gas, LNG, and hydropower facilities to assist in identifying vulnerabilities and threats, as well as mitigation strategies.

Additionally, in FY 2021, the Commission issued an Order approving Reliability Standards CIP-013-2 (Cyber Security – Supply Chain Risk Management), CIP-005-7 (Cyber Security – Electronic Security Perimeter(s)), and CIP-010-4 (Cyber Security – Configuration Change Management and Vulnerability Assessments). The Reliability Standards were filed with the Commission in response to the Commission's directive in Order No. 850 for NERC to develop and submit modifications to include Electronic Access Control or Monitoring Systems (EACMS) in the supply chain risk management Reliability Standards, and to file the modifications within 24 months of the effective date of Order No. 850. The proposed Reliability Standards also address the Commission's concern that the exclusion of Physical Access Control Systems (PACS) may leave a gap in the supply chain risk management Reliability Standards.

Strategic Challenge: New Challenges to Bulk-Power System Performance

Multiple internal and external factors—including the development and growth increased of new technologies, such as electric storage; the deployment of distributed energy resources; increased dependence on computing and telecommunications; and threats from extreme weather and natural disasters—are creating new challenges and opportunities to maintain and improve reliability, security, and resilience. All these trends are occurring in an environment of greater customer needs, expectations, and capabilities.

In FY 2021, the Commission analyzed comments received in response to a Notice of Inquiry issued in FY 2020, to seek comments on enhancements to the currently-effective CIP Reliability Standards in addressing cybersecurity risks pertaining to data security, the detection of anomalies and events, mitigation of cybersecurity events, the potential risk of a coordinated cyberattack on geographically distributed targets and whether Commission action, including potential modifications to the CIP Reliability Standards, would be appropriate to address such risk. In FY 2020, the Electric Reliability Organization (ERO), prompted by a Commission and ERO staff inquiry report into a January 2018 cold weather bulk power system event in the Midwest, which recommended new or revised Reliability Standards to address the need for generating units to prepare for cold weather, initiated revisions to the Reliability Standards pertaining to cold weather preparedness for generators. In FY 2021, the Reliability Standards revisions were approved by the Commission in the *Order Approving Cold Weather Reliability Standards*, 176 FERC 61,119.

In FY 2021, the Commission, ERO and Registered Entity staff jointly launched an inquiry into a bulk power system disturbance event that lasted from February 8 through February 20, 2021. During this event, extreme cold temperatures and freezing precipitation caused over one thousand individual bulk-power system generating units in Texas and the south central United States to experience over four thousand outages, derates or failures to start, resulting in energy and transmission

emergencies. A preliminary report in this inquiry made recommendations for improving bulk power system performance, including but not limited to: 1) revising the mandatory Reliability Standards to require Generator Owners to identify and protect cold-weather-critical components, 2) build new generating units, and retrofit existing units, to operate to specific ambient temperatures and weather based on extreme temperature and weather data and account for effects of precipitation and cooling effect of wind, 3) perform annual training on winterization plans and, 4) develop Corrective Action Plans for freeze-related outages.

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

The public interest is best served when the Commission operates in an efficient, responsive, and transparent manner. The Commission pursues this goal by maintaining processes and providing services in accordance with governing statutes, authoritative guidance, and prevailing best practices. The Commission's staff, while serving in different component offices, must work collaboratively and execute processes that work in concert with each other to produce the high-quality results expected by the American people. In accomplishing this goal, the Commission will use its resources efficiently, empower its employees, and earn the public trust. These essential outcomes are indicative of a model regulatory agency.

Objective 3.1: Manage resources effectively through an engaged workforce.

Strategic Challenge: New Challenges and Opportunities for Mission-Related Information

Availability of mission-related information is increasing, which presents new challenges and opportunities for FERC to leverage analytics. This strategic challenge is guided by the President's Management Agenda CAP Goal Leveraging Data as a Strategic Asset, H.R.4174 – 115th Congress (2017-2018) – Foundations for Evidence Based Policy Making Act of 2018, and OMB's Memorandum M-19-23 Phase 1 Implementation of the Foundations for Evidence-Based Policymaking Act of 2018. The Federal Data Strategy, released by the CAP Goal Leaders in the spring of 2019, set forth principles, practices, and an action plan for agencies to deliver a more consistent approach to federal data stewardship, access, and use.

In FY 2021, the Commission continued to build out its data governance program. The data governance organization delivered phase 1 of its data platform roadmap, delivering on core data analytics capabilities and data sets in the cloud to orchestrate shared data services and dashboards across the Commission, releasing 50+ data products to users across the Commission. The data governance organization continued the implementation and maturity of data stewardship and building out the FERC Data Catalog in alignment with the data product governance lifecycle, which ensures a strong and consistent methodology for inventorying and integrating data assets into the analytics platform. By leveraging the capabilities of the data analytics platform, the data governance organization continues to facilitate and support the creation of trusted analytic data products to support and promote data driven decision making.

Strategic Challenge: Maintaining a Secure and Reliable IT Infrastructure

FERC works diligently to maintain secure and reliable IT infrastructure to meet the needs of the Commission and provide innovative solutions to support employees.

In FY 2021, FERC continued to execute multiple initiatives to support modernization efforts for the enterprise IT infrastructure, core mission applications, and endpoint hardware. The Commission completed upgrades of its network and office tools, such as Microsoft Teams, to continue to support a fully remote workforce. Additionally, the Commission upgraded its wireless network to support the needs of employees as well as Commission stakeholders in anticipation of return to the office. The Commission completed a backend upgrade of its public facing mission application, eLibrary, which completed the infrastructure stabilization and enhanced several FERC internal document management capabilities. In support of the Commission's XBRL final rule, the Commission provided an operational testing capability for filers of the modernized financial information collection forms. The modernization of the forms replaced an outdated technology platform with a robust system that supports both current and future data collection needs and form reporting requirements. In support of the Commission's final rule regarding market-based rates, the Commission implemented a system to support data collection & surveillance and market-based rates. This system is a modernized ability for filers to submit the required data. In FY 2021, the Commission awarded its single largest IT Support Services Contract, which provides IT operations, enterprise architecture,

cybersecurity and systems engineering services to the enterprise wide IT infrastructure and core mission and support applications. Additionally, the Commission awarded multiple Blanket Purchase Agreements as well as the first Call Order to support application modernization initiatives. The Commission also procured, obtained and transitioned a service contract which supports enterprise program management (PMO) activities.

Strategic Challenge: Attracting and Retaining the Required Workforce

The Commission’s human capital strategic challenge has expanded beyond what was initially identified in the FY 2018–2022 Strategic Plan. In addition to the challenges of new and emerging knowledge/skill demands, the Commission experiences challenges with remaining a competitive employer in the energy industry sector due to constraints with offering comparable compensation for mission critical positions. As a result, the Commission faces significant challenges attracting, recruiting and retaining the required workforce necessary to meet and support the mission. In addition to these challenges, the Commission must position itself to appropriately respond to increasing staffing vulnerabilities due to attrition and retirement, employee development pressures and a need for cross-functional collaboration. The Commission’s continued issues acquiring staff will have a negative impact on program performance unless it finds viable recruiting and compensation strategies to acquire and retain skilled staff.

The Commission has made recruitment and hiring a strategic priority, working diligently to hire ahead of forecasted attrition and seeking to leverage available pay flexibilities to be more competitive in the energy sector job market resulting in an FTE utilization rate of 99% in FY2021. The Commission also completed a workforce analysis to address human capital challenges with mitigation strategies to be incorporated in a comprehensive Human Capital Operating Plan (HCOP) which the Commission is currently developing and will be completed in FY2022. This plan will provide a strategic framework that will better enable the Commission to reach the qualified candidate pools across the country, be competitive with other employers, and comply with federal requirements aimed at hiring people with targeted disabilities and other designations.

FERC supports its myriad responsibilities with professionals specializing in an array of engineering, science and technology disciplines as well as legal and economic professionals with deep understanding of energy law and market fundamentals.

Staff continued the process of planning employee development opportunities and developing targeted hiring initiatives for mission critical occupations as determined to be the highest priority. In addressing this challenge, Commission staff have identified enterprise-wide solutions that can be deployed to address these gaps prospectively. In FY 2021, hiring and development efforts included maximizing the use of available Title 5 retention and recruitment incentives. The Commission continues to use Federal Government-wide direct hire authorities to include Information Technology, Economists, Biological Scientists, Fishery Biologists, General Engineers, Engineers, Physical Scientists, and Acquisition occupations. While the direct hire authority expedited the hiring process, the Commission is still constrained by the inability to offer competitive compensation for these needed skill sets.

Objective 3.2: Facilitate public trust and understanding of Commission activities by promoting transparency, open communication, and a high standard of ethics.

Strategic Challenge: Greater Public Interest in Regulatory Issues

Greater public interest in and concern about issues that are or may come before the Commission are creating the need for more dynamic engagement processes with the public.

The dramatic transformation of the nation’s energy landscape has put a spotlight on the Commission and its mission of ensuring economically efficient, safe, reliable, and secure energy for consumers. This has required FERC to improve the sophistication and reach of its public engagement program with coordinated outreach efforts to multiple audiences, including new audiences for the Commission’s messages, on several fronts using a variety of tools and platforms.

Primary among those efforts was the public engagement surrounding creation of the Office of Public Participation. In its FY2021 appropriations legislation, Congress directed the Commission to report by June 2021 on progress establishing the new office. Throughout the second and third quarters of FY2021, the Commission employed extensive use of social media, interviews with reporters and the Commission’s own podcast platform, outreach to stakeholder groups and creative use of

the Commission's new, easy-to-access website to promote a series of listening sessions and workshops. The Commission used these events to collect public input on how to create the office – a key component to ensuring that the result would serve its intended audience, the public. This months-long effort culminated in a report outlining the purpose and structure of the office that was sent to Congress and made public in June 2021, and the subsequent formation of the office and process for hiring a new Director.

Tied to these efforts is the Commission's work to broaden and make more inclusive its outreach. This included updates to engagement strategy by the Office of External Affairs, including the initiation of an effort to assess and improve the Commission's government-to-government engagement with Tribal governments, which represent people and resources often affected by projects that the Commission oversees. This effort is ongoing. The commission launched another FY2021 priority – environmental justice and equity – with the Chairman's appointment of a Senior Counsel for Environmental Justice and Equity, tasked with working to integrate these issues across all program offices within the Commission. This has allowed the Commission to increasingly engage members of the public, including those who have been marginalized in the past, affected by Commission decisions and the state and federal lawmakers and policymakers who also participate in these decisions on their constituents' behalf.

The Commission continuously and consistently engages with federal lawmakers, state regulators and other officials who maintain interests in the policies and actions that affect their constituents and stakeholders through regular contacts, updates and briefings on major Commission actions and prompt, informative responses to individual inquiries. The Commission has been able to leverage its large and growing presence on social media to alert the public and these stakeholders to important announcements, activities and policy developments. For example, the Commission used its popular Open Access podcast platform to introduce the new Senior Counsel for Environmental Justice and Equity to the public and stakeholders, and to promote the wide-ranging discussion of these issues on all FERC's social media platforms. And over the course of the past year, the Commission has used its social media platforms to inform the public about matters ranging from the joint FERC-NERC staff inquiry into the February 2021 freeze in Texas to a highlight of the 11 hydropower orders that the Commission approved at its September 2021 meeting. Posting these to the FERC.gov website, combined with eye-catching social media posts that drive traffic back to FERC.gov, helps make the Commission's actions more transparent to the public. This, in turn, also highlights these newsworthy items to a range of stakeholders including members of Congress, state regulators and policymakers, as well as third-party groups such as trade associations, NGOs and unions. Finally, the Commission wraps up its activities and initiatives in a monthly email newsletter to an audience comprised of these stakeholder groups, members of the public and the news media. In two years, the FERC Insight audience has grown to more than 6,000 subscribers.

FINANCIAL PERFORMANCE OVERVIEW (Unaudited)

As of September 30, 2021, the financial condition of the Commission was strong 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 OMB Circular No. A-136, Financial Reporting Requirements. The Commission did not require any additional budgetary resources nor, were there any significant financial impacts as a result of the COVID-19 pandemic.

Sources of Funds. The Commission is financed from offsetting collections. However, the Commission initially receives a General Fund appropriation at the beginning of the fiscal year, which is used to fund its operating and capital expenditures. Throughout the year, the Commission collects monies through annual charges and filing fees and returns the appropriated amount to the Treasury by year-end, resulting in a net zero appropriation. The offsetting collections serve as the financing source for any unexpended appropriations at year-end. Consistent with the requirements of the Omnibus Budget Reconciliation Act of 1986, as amended, the Commission collected fees to offset 100% of its direct budget authority in FY 2021.

The Commission received an appropriation for FY 2021 in the amount of \$404.4 million and \$0.2 million of reimbursable authority. Additional funds available to obligate in FY 2021 were \$52.2 million from prior-year unobligated appropriations and \$6.2 million of prior-year obligations that were subsequently de-obligated in the current year. The sum of all operating funds available to obligate in FY 2021 was \$468.4 million. Separately, the Commission pays states the fees collected for the

FY 2021 Agency Financial Report

occupancy and use of public lands. The Commission's payment to states budget authority for FY 2021 was \$5.5 million, which included a \$0.3 million sequestered amount that was identified as temporarily unavailable.

Costs by Function. The Commission incurred costs of \$419.7 million in FY 2021, which was an increase of \$33.3 million from FY 2020. Approximately 69 percent of costs were used for salaries and benefits. The remaining 31 percent was used to obtain technical assistance for the Commission's principal regulatory programs, to cover operating expenses, staff travel, and reimbursable work. For FY 2021, salaries and benefits increased by \$11.4 million as compared to FY 2020 with the net effect on the other cost categories of an increase of \$21.9 million.

Costs by Function (millions)

| Costs by Function | FY 2021 | FY 2020 |
|------------------------------|----------------|----------------|
| Salaries and Benefits | \$290.7 | \$279.3 |
| Travel/Transportation | 0.6 | 1.2 |
| Rent/Communication/Utilities | 34.3 | 35.0 |
| Contract Support | 77.9 | 56.1 |
| Printing/Supplies/Other | 16.2 | 14.8 |
| Total costs | \$419.7 | \$386.4 |

Audit Results. The Commission received an unmodified audit opinion on its FY 2021 financial statements. This was the 28th consecutive year that the Commission has received an unmodified opinion. For FY 2021, no material weaknesses or significant deficiencies in internal control over financial reporting were identified by the audit.

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

Analysis of the Balance Sheet

The Commission's assets were approximately \$234.6 million and \$188.9 million as of September 30, 2021 and 2020, respectively. FY 2021 assets increased by \$45.7 million as compared to September 30, 2020. The assets reported in the Commission's Balance Sheet are summarized in the Asset Summary table below.

Assets Summary (millions)

| Assets | FY 2021 | FY 2020 |
|-----------------------------|----------------|----------------|
| Fund Balance with Treasury | \$179.7 | \$165.7 |
| Accounts Receivable, net | 6.2 | 4.0 |
| Advances and Prepayments | 0.2 | 0.9 |
| Unbilled Receivable | 19.2 | 2.9 |
| Property and Equipment, net | 29.3 | 15.4 |
| Total Assets | \$234.6 | \$188.9 |

The Fund Balance with Treasury represents the Commission's largest asset of \$179.7 million as of September 30, 2021 which is an increase of \$14.0 million over the FY 2020 balance. This increase is primarily due to a higher amount of available resources for operations but not yet paid as of year-end.

FY 2021 Agency Financial Report

The Accounts Receivable, net and Unbilled Receivable has a balance of \$25.4 million as of September 30, 2021. This balance represents the outstanding amounts due from annual charges, civil penalties or other penalties issued by the Commission to entities under its regulation and is net of allowance for estimated uncollectible amounts. Approximately \$5.2 million of the accounts receivable balance is represented by agreed upon civil penalty cases. The \$2.2 million net increase in net receivables is due to annual charges at the end of FY 2021 and the \$16.3 million increase in unbilled receivables is due to costs exceeding billings this year, resulting in additional billings for next year.

The Property and Equipment, net was \$29.3 million as of September 30, 2021, an increase of \$13.9 million compared to FY 2020. The balance is comprised of the net value of the Commission's equipment, furniture, leasehold improvements, computer hardware and software and construction in process. The \$13.9 million increase is due to increased capitalized assets, primarily attributed to the building multi-year modernization project along with capital equipment and software purchases.

The Commission's liabilities were \$96.4 million and \$64.9 million as of September 30, 2021 and 2020, respectively. The Liabilities Summary table shows an increase in total liabilities of \$31.5 million over FY 2020. FY 2021 total liabilities included an increase of approximately \$2.1 million in resources transferable to Treasury and other Federal entities, an increase in revenue collected under protest of \$21.9 million, and a decrease in refunds and other amounts due of \$.1 million. The remaining increase of \$7.4 million is made up of normal fluctuations in accounts payable.

Liabilities Summary (millions)

| Liabilities | FY 2021 | FY 2020 |
|---|----------------|----------------|
| Accounts Payable | \$18.9 | \$17.2 |
| Employer Contributions & Payroll Taxes | 3.3 | 2.9 |
| Resources Transferable to Treasury and Other Federal Entities | 6.1 | 4.0 |
| Federal employee and veteran benefits payable | 25.4 | 22.0 |
| Accrued Payroll and leave | 11.5 | 10.8 |
| Other Liabilities | 31.2 | 8.0 |
| Total Liabilities | \$96.4 | \$64.9 |

The difference between total assets and total liabilities is the Net Position. The Commission's net position was approximately \$138.2 million as of September 30, 2021.

Analysis of Statement of Changes in Net Position

The Statement of Changes in Net Position reports the change in net position during the reporting period. The Commission's net position was \$138.2 million and \$124.0 million at September 30, 2021 and 2020, respectively. Net Position is affected by changes in the Commission's Cumulative Results of Operations. The increase in Cumulative Results of Operations is primarily related to the Commission financing more of its operations using its offsetting collections as compared to the prior year.

Net Position Summary (millions)

| Position | FY 2021 | FY 2020 |
|----------------------------------|----------------|----------------|
| Unexpended Appropriations | \$0 | \$0 |
| Cumulative Results of Operations | 138.2 | 124.0 |
| Total Net Position | \$138.2 | \$124.0 |

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).

The Commission's net cost by strategic goal for FY 2021 and FY 2020 was \$0 million and \$0.03 million, respectively. The Commission is a full cost recovery agency and recovers all of its costs through allocated annual charges to the entities that it regulates. Overall, FY 2021 costs increased by approximately \$33.3 million over FY 2020 costs. This increase was due to additional costs incurred of \$13.9 million within the Just and Reasonable Rates goal, \$12.4 million within the Infrastructure strategic goal, and \$7.0 million within the Mission Support goal as compared to FY 2020.

Analysis of the Statement of Budgetary Resources

The Statement of Budgetary Resources shows the sources of budgetary resources available and the status at the end of the period. It represents the relationship between budget authority and budget outlays and reconciles total obligations to total outlays. For FY 2021, the Commission had budgetary resources available of \$468.4 million, the majority of which was derived from offsetting collections. This represents an increase of \$32.7 million over FY 2020 budgetary resources available of \$435.7 million. The FY 2021 increase in the Commission's budgetary resources was primarily the result of higher spending authority and carryover authority in FY 2021 compared to FY 2020. The status of budgetary resources includes obligations incurred of \$444.7 million or 95 percent of funds available. Similarly, FY 2020 obligations incurred were \$383.5 million, or 88 percent of funds available. The unobligated budget authority available at September 30, 2021 was \$23.7 million, which is a decrease of \$28.5 million over the FY 2020 amount of \$52.2 million.

Total net outlays for FY 2021 were \$21.8 million, which represents a \$5.4 million increase over FY 2020 net outlays of \$16.4 million. The increase from last year is the result of a \$17.3 million increase in gross outlays primarily due to a lower unobligated ending balance and to a \$22.7 million increase in distributed offsetting receipts in FY 2021 as compared to FY 2020.

Analysis of the Statement of Custodial Activity

The Statement of Custodial Activity displays the total Custodial Revenue and Disposition of Collections related to that revenue activity. This statement ensures that revenue billed and collected by the Commission on behalf of other federal agencies will not be reported twice as revenue on the consolidated government's Statement of Net Cost. The Commission reported \$65.6 million in custodial revenue in FY 2021, which represents a \$31.0 million increase over FY 2020 of \$34.6 million. The increase is primarily due to a \$31.0 million net increase in civil penalties and annual charges as compared to FY 2020.

SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE (Unaudited)

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

- Federal Managers' Financial Integrity Act of 1982 (FMFIA);
- Management's Responsibility for Enterprise Risk Management and Internal Control (OMB) Circular A-123;
- Federal Financial Management Improvement Act of 1996 (FFMIA);
- Prompt Payment Act; and
- Debt Collection Improvement Act of 1996.

Management Assurances

During Fiscal Year 2021, the Commission focused its efforts on assisting consumers in obtaining reliable, efficient, and sustainable energy services at a reasonable cost through appropriate regulatory and market means. In fulfilling this mission, the Commission has pursued three primary goals. First, we have worked diligently to ensure that rates, terms, and conditions for jurisdictional services, including wholesale sales and transmission of electric energy and natural gas, are just, reasonable and not unduly discriminatory or preferential. Second, we continue to promote the development of safe, reliable, and efficient energy infrastructure that serves the public interest. Third, we are achieving organizational excellence by maintaining processes and providing services in accordance with governing statutes, authoritative guidance, and prevailing best practices. We are progressing in each of these areas while we continue to improve our capabilities to meet the challenges of the energy issues confronting our nation.

To accomplish our goals, we must manage our resources efficiently and integrate our budget, performance measures, and management controls to improve performance and accountability. The Commission's management is responsible for managing risks and maintaining effective internal control to meet the objectives of Sections 2 and 4 of the FMFIA. Our internal control program is helping us meet these responsibilities by monitoring our financial, human capital and information resources to safeguard our assets, improve the integrity of our reporting, and use our resources more effectively in reaching our goals. Problems that impede our progress or our ability to safeguard our assets continue to be brought to the attention of management and are addressed appropriately.

The Commission conducted its assessment of risk and internal control in accordance with the OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. In accordance with OMB Circular No. A-123, we evaluated the effectiveness and efficiency of our internal controls over operations, reporting and compliance. Based on the results of our evaluations, 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 as of September 30, 2021.

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

Richard Glick
Chairman
Federal Energy Regulatory Commission
November 2021

Federal Managers' Financial Integrity Act of 1982

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

Management Control Review Program

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

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

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

FY 2021 FMFIA Results

The Commission evaluated its management control systems for the fiscal year ending September 30, 2021. 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 2021 OMB Circular No. A-123, Appendix A

The Commission evaluated its internal controls over reporting for the fiscal year ending September 30, 2021. Based on the results of this evaluation, the Commission can provide reasonable assurance that its internal controls are operating effectively and that no material weaknesses were found in the design or operation of our internal controls.

Federal Financial Management Improvement Act of 1996

The FFMIA requires each agency to implement and maintain systems that comply substantially with: (i) FFMIA system requirements, (ii) applicable Federal accounting standards, and (iii) the USSGL at the transaction level. The FFMIA requires the Chairman to determine whether the agency's financial management systems comply with the FFMIA and to develop remediation plans for systems that do not comply.

FY 2021 FFMIA Results

As of September 30, 2021, the Commission evaluated its financial management system to determine if it complied with applicable Federal requirements and accounting standards required by FFMIA. We found that the Commission's financial management system was in substantial compliance with the Federal financial management system requirements, applicable Federal accounting standards and the USSGL at the transaction level. In making this determination, we undertook financial reporting tests of the system and reviewed entries at the transaction level and determined compliance with Federal requirements and accounting standards required by FFMIA.

Prompt Payment Act

The Prompt Payment Act requires Federal agencies to make timely payments to vendors for supplies and services, to pay interest penalties when payments are made after the due date, and to take cash discounts when they are economically justified. As of September 30, 2021, the Commission made 99 percent of its payments, that were subject to the Prompt Payment Act, on-time. The Commission incurred \$36 in interest penalties in FY 2021 and \$167.03 in FY 2020. The agency made 100 percent of its vendor payments electronically in FY 2021.

Debt Collection Improvement Act of 1996

The Debt Collection Improvement Act of 1996 was enacted to enhance the ability of the Federal Government to service and collect debts. The agency goal is to maintain the delinquent debt owed to the Commission at year-end at less than two percent of its current annual billings. As of September 30, 2021, delinquent debt was approximately \$0.9 million which is approximately two-thousandths of a percent of its current annual billings. The Commission continues to aggressively pursue the collection of delinquent debt and continues to meet the requirement that all eligible delinquent debt over 120 days is referred to the U.S. Treasury for collection.

POSSIBLE FUTURE EFFECTS OF EXISTING EVENTS AND CONDITIONS

Certain licensees have filed appeals against their Other federal agency administrative charges, U.S. federal lands annual charges or their Headwater Benefits assessment to seek a partial or 100% refund. Additionally, a civil penalty case, \$20.2 million in principal plus \$4.2 million in interest, was paid under protest. The combined liability of these appeals totaling \$25.7 million as of September 30, 2021 and is included in the balance sheet as revenue collected under protest. The FY 2021 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 Commission, pursuant to the requirements of 31 U.S.C. 3515(b). While the statements have been prepared from the books and records of the Commission in accordance with accounting principles generally accepted in the United States of America for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.

Financial Section

**FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426**

Office of the
Executive Director

Message from the Chief Financial Officer

I am pleased to present the Federal Energy Regulatory Commission's (Commission) comparative financial results for fiscal years (FY) 2021 and 2020. The accompanying financial statements and related notes fairly present the Commission's financial position and were prepared in conformity with accounting principles generally accepted in the United States of America, and requirements set forth in Office of Management and Budget (OMB) Circular No. A-136, Financial Reporting Requirements.

During FY 2021, the Commission continued to focus on its statutory responsibilities. Through strict adherence to its primary mission, the Commission assisted consumers in obtaining reliable, efficient, and sustainable energy services at a reasonable cost through appropriate regulatory and market means. In fulfilling this mission, the Commission continued to establish policies and processes designed to ensure that rates, terms, and conditions for wholesale sales and transmission of electric energy and natural gas are just, reasonable, and not unduly discriminatory or preferential. Additionally, the agency took action to continually promote the development of safe, reliable, and efficient energy infrastructure that serves the public interest.

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

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

- The Commission obtained an unmodified opinion on its financial statements for the 28th consecutive year. In addition, it strengthened its internal control program by continuing on-going self-assessment efforts as required by OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. This assessment resulted in the Commission's assertion that it has reasonable assurance that its internal controls over financial reporting were operating effectively during FY 2021.
 - The Commission collected \$435.5 million in offsetting receipts during the fiscal year, which was more than \$31.1 million in excess of its statutory collection requirements. In FY 2021, the Financial Management staff issued 100 percent of the related regulatory assessments electronically to jurisdictional entities.
 - The Commission awarded 96 percent of its procurement actions on time.
 - The Commission awarded 33.3 percent of its contract dollars to small businesses or other social economic programs, which far exceeded our small business target for FY 2021.
 - The Commission awarded over 99 percent of its contract actions without successful protests.
 - The Commission paid 99 percent of its invoices on time according to the Prompt Payment Act with an error rate of less than 1 percent.

Our keen focus on program performance and significant financial accomplishments demonstrate the high regard we have for accountability and public disclosure. This report demonstrates a continued commitment to fulfill our fiduciary responsibilities to Commission stakeholders. In striving to be a partner within the Commission by providing high quality services and products through financial stewardship, innovative solutions, and customer engagement, I am proud of the role my organization has played in furthering the cause of the mission of the Commission and protecting the interests of the American public.

W. Doug Foster, Jr.
Chief Financial Officer
Federal Energy Regulatory Commission
November 12, 2021

INDEPENDENT AUDITORS' REPORT



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

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Federal Energy Regulatory Commission (the Commission), which comprise the balance sheets as of September 30, 2021 and 2020, and the related statements of net cost, changes in net position, custodial activity, and statements of budgetary resources for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 21-04 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Federal Energy Regulatory Commission as of September 30, 2021 and 2020, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended in accordance with U.S. generally accepted accounting principles.



Other Matters

Interactive Data

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

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Letter from Chairman Glick, Strategic Plan Summary, Message from the Chief Financial Officer, Other Information – (including the Improper Payments Information Act (IPIA) Reporting and Civil Penalty Adjustment for Inflation), Appendix A: Statutory Authority, and Appendix B: Acronym Listing of the Agency Financial Report are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2021, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

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



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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements as of and for the year ended September 30, 2021 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 21-04.

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

Purpose of the Other Reporting Required by Government Auditing Standards

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

KPMG LLP

Washington, D.C.
November 12, 2021

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FY 2021 Agency Financial Report

FEDERAL ENERGY REGULATORY COMMISSION

Balance Sheets

As of September 30, 2021 and 2020

(in dollars)

| | <u>2021</u> | <u>2020</u> |
|--|------------------------------|------------------------------|
| Assets (Note 3): | | |
| Intragovernmental: | | |
| Fund Balance with Treasury (Note 4) | \$ 179,686,037 | \$ 165,706,093 |
| Accounts receivable (Note 5) | 11,693 | - |
| Advances and Prepayments | 200,089 | 931,047 |
| Total intragovernmental | <u>179,897,819</u> | <u>166,637,140</u> |
| With the public: | | |
| Accounts receivable, net (Note 5) | 25,344,892 | 6,927,356 |
| Property, plant and equipment, net (Note 6) | 29,325,325 | 15,377,292 |
| Total with the public | <u>54,670,217</u> | <u>22,304,648</u> |
| Total assets | \$ <u>234,568,036</u> | \$ <u>188,941,788</u> |
| Liabilities: | | |
| Intragovernmental: | | |
| Accounts payable | \$ 2,524,416 | \$ 2,784,845 |
| Other Liabilities (Note 7): | | |
| Employer contributions and payroll taxes (Note 7) | 3,276,592 | 2,881,358 |
| Liability to the general fund of the US government and other Federal entities for custodial and Non-entity assets (Note 7) | 6,099,453 | 3,960,601 |
| Workers' compensation payable (Note 7 and 9) | 585,881 | 613,399 |
| Total intragovernmental | <u>12,486,342</u> | <u>10,240,203</u> |
| With the public: | | |
| Accounts payable | \$ 16,323,613 | \$ 14,457,864 |
| Federal employee benefits payable | 25,396,603 | 22,011,540 |
| Other Liabilities (Note 7): | | |
| Other liabilities with related budgetary obligations (Note 7) | 4,454,421 | 3,259,047 |
| Accrued funded payroll and leave (Note 7) | 11,544,862 | 10,851,291 |
| Revenue collected under protest (Note 11) | 25,731,982 | 3,797,704 |
| Refunds and other amounts due (Note 7) | 33,067 | 124,126 |
| Commitments and contingencies (Note 7, 9 and 11) | 55,000 | 40,000 |
| Collections due to states (Note 13) | 324,178 | 181,431 |
| Total with the public (Note 7): | <u>83,863,726</u> | <u>54,723,003</u> |
| Total liabilities | \$ <u>96,350,068</u> | \$ <u>64,963,205</u> |

Continued on next page

FY 2021 Agency Financial Report

Net Position:

| | | | | |
|--|----|---------------------------|----|---------------------------|
| Unexpended appropriations - Funds from Other than Dedicated Collections | \$ | - | \$ | - |
| Cumulative results of operations - Funds from Other than Dedicated Collections | | <u>138,217,968</u> | | <u>123,978,582</u> |
| Total net position | | <u>138,217,968</u> | | <u>123,978,582</u> |
| Total liabilities and net position | \$ | <u><u>234,568,036</u></u> | \$ | <u><u>188,941,788</u></u> |

The accompanying notes are an integral part of these statements.

FY 2021 Agency Financial Report

FEDERAL ENERGY REGULATORY COMMISSION
 Statements of Net Cost
 For the Years Ended September 30, 2021 and 2020
 (in dollars)

| | 2021 | 2020 |
|--|----------------|----------------|
| Program costs: | | |
| Regulation: | | |
| Ensure Just and Reasonable Rates, Terms, and Conditions (Note 14) | | |
| Gross costs | \$ 190,282,601 | \$ 176,341,897 |
| Less: earned revenue | 190,282,601 | 176,326,710 |
| Net program costs | \$ - | \$ 15,187 |
| | | |
| Promote Safe, Reliable, and Secure Infrastructure (Note 14) | | |
| Gross costs | \$ 142,944,102 | \$ 130,563,547 |
| Less: earned revenue | 142,944,102 | 130,552,301 |
| Net program costs | \$ - | \$ 11,246 |
| | | |
| Mission Support Through Organizational Excellence (Note 14) | | |
| Gross costs | \$ 86,489,136 | \$ 79,501,485 |
| Less: earned revenue | 86,489,136 | 79,494,637 |
| Net program costs | \$ - | \$ 6,848 |
| | | |
| Total (note 14): | | |
| Gross costs | \$ 419,715,839 | \$ 386,406,929 |
| Less: earned revenue | 419,715,839 | 386,373,648 |
| Net Cost of Operations | \$ - | \$ 33,281 |

The accompanying notes are an integral part of these statements.

FY 2021 Agency Financial Report

FEDERAL ENERGY REGULATORY COMMISSION
 Statements of Changes in Net Position
 For the Years Ended September 30, 2021 and 2020
 (in dollars)

| | 2021 | 2020 |
|---|-----------------------|-----------------------|
| Unexpended Appropriations: | | |
| Beginning balances | \$ - | \$ - |
| Appropriations received | 404,350,000 | 382,000,000 |
| Other Adjustments - Appropriations Returned to Treasury | (86,427,751) | (95,628,551) |
| Appropriations used | (317,922,249) | (286,371,449) |
| Net Change in Unexpended Appropriations | - | - |
| Total Unexpended Appropriations | \$ - | \$ - |
| | | |
| Cumulative Results of Operations: | | |
| Beginning balances | \$ 123,978,582 | \$ 112,940,651 |
| Appropriations used | 317,922,249 | 286,371,449 |
| Transfers – out to Treasury without reimbursement | (316,962,559) | (287,761,127) |
| Imputed financing from costs absorbed by others (Note 10) | 13,279,695 | 12,460,891 |
| Net Cost of Operations | - | (33,281) |
| Net Change in Cumulative Results of Operations | 14,239,385 | 11,037,932 |
| Total Cumulative Results of Operations: Ending | \$ 138,217,968 | \$ 123,978,582 |
| | | |
| Net Position | \$ 138,217,968 | \$ 123,978,582 |

The accompanying notes are an integral part of these statements.

FY 2021 Agency Financial Report

FEDERAL ENERGY REGULATORY COMMISSION
 Statements of Budgetary Resources
 For the Years Ended September 30, 2021 and 2020
 (in dollars)

| | <u>2021</u> | <u>2020</u> |
|---|------------------------|------------------------|
| Budgetary Resources: | | |
| Unobligated balance from prior year budget authority, net | \$ 58,369,573 | \$ 50,415,579 |
| Appropriations | 5,544,588 | 3,164,610 |
| Spending authority from offsetting collections | 404,477,842 | 382,102,694 |
| Total Budgetary Resources | <u>\$ 468,392,003</u> | <u>\$ 435,682,883</u> |
| Status of Budgetary Resources: | | |
| New obligations and upward adjustments (Note 15) | \$ 444,672,018 | \$ 383,495,729 |
| Unobligated balances, end of year: | | |
| Apportioned, unexpired accounts | 23,514,995 | 51,992,680 |
| Unapportioned, unexpired accounts | 204,990 | 194,474 |
| Unobligated balance, end of year (total) | <u>23,719,985</u> | <u>52,187,154</u> |
| Total budgetary resources | <u>\$ 468,392,003</u> | <u>\$ 435,682,883</u> |
| Budget Authority and Outlays, Net: | | |
| Outlays, net | \$ 13,550,610 | \$ (3,739,304) |
| Less: Distributed offsetting receipts | (35,335,493) | (12,670,178) |
| Agency outlays, net | <u>\$ (21,784,883)</u> | <u>\$ (16,409,482)</u> |

The accompanying notes are an integral part of these statements.

FY 2021 Agency Financial Report

FEDERAL ENERGY REGULATORY COMMISSION
 Statements of Custodial Activity
 For the Years Ended September 30, 2021 and 2020
 (in dollars)

| | 2021 | 2020 |
|--|---------------------|---------------------|
| Revenue Activity: | | |
| Sources of Cash Collections: | | |
| Annual Charges | \$ 58,341,838 | \$ 33,487,918 |
| Other | 4,231,519 | 70,015 |
| Total Cash Collections | 62,573,356 | 33,557,933 |
| Accrual adjustments | 3,081,709 | 1,074,133 |
| Total Custodial Revenue (Note 12) | 65,655,066 | 34,632,066 |
| Disposition of Collections: | | |
| Transferred to others: | | |
| United States Treasury | (35,335,493) | (12,670,178) |
| United States Army – Corps of Engineers | (10,549,498) | (10,590,734) |
| Department of Interior | (11,001,030) | (7,221,914) |
| Various states | (5,687,335) | (3,075,107) |
| Decrease (increase) in amounts yet to be transferred | (3,081,709) | (1,074,133) |
| Total Disposition of Collections | (65,655,066) | (34,632,066) |
| Net Custodial Activity | \$ - | \$ - |

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

(1) Description of Reporting Entity

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

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

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

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

On October 1, 2018, the Commission submitted to Congress its updated Strategic Plan which will serve as a guide through FY 2022. As part of the update process, the Commission reviewed and updated its strategic objectives to align its core functions and authorities with the intended outcome. Further, the Commission added a third goal to capture management initiatives and responsibilities related to public trust, transparency and communication. The Commission reviewed its resource alignment and made changes where appropriate.

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

Ensure Just and Reasonable Rates, Terms and Conditions

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

Promote Safe, Reliable, and Secure Infrastructure

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

Mission Support Through Organizational Excellence

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

Cost Recovery

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

Annual Charges

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

Hydropower

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

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

Gas, Electric, and Oil

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

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

Filing Fees

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

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

- Identify the service for which the fee is to be assessed;
- Explain why that particular service benefits an identifiable recipient more than it benefits the general public;

- Base the fee on as small a category of service as possible; and
- Demonstrate what direct and indirect costs are incurred by the Commission in rendering the service.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

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

These financial statements have also been prepared in accordance with the form and content for financial statements specified by OMB Circular No. A-136, Financial Reporting Requirements.

The financial statements include all activity related to the Commission's portion of appropriation (89X0212), including the budget authority allotted by DOE to other DOE agencies. In addition, the Commission receives allotments from DOE appropriation (89X5105). Both of the Commission's appropriations relate to budget functional classification code 276, Energy Information Policy and Regulation, and appropriation (89X5105) relates to budget functional classification code 806, Energy Information Policy and Regulation.

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

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

(b) Budgets and Budgetary Accounting

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

(c) Basis of Accounting

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

(d) Revenue and Financing Sources

As described above, the Commission is granted budget authority from offsetting collections. The Commission receives an appropriated amount from the Treasury general fund at the beginning of the fiscal year, which is used for its operating and capital expenditures. Throughout the year, the Commission collects monies through annual charges and filing fees and returns the appropriated amount to the Treasury general fund at year-end. The offsetting collections serve as the financing source for any unexpended budget authority.

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

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

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

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

(e) Fund Balance with Treasury

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

(f) Allowance for Doubtful Accounts

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

(g) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. The Commission capitalizes property and equipment purchases (other than furniture and software) with a cost greater than \$100,000 and a total useful life exceeding two years. The Commission capitalizes individual furniture purchases with a cost greater than \$50,000 and bulk furniture purchases related to the acquisition of newly leased space or total renovation of existing Commission space with a cost greater than \$250,000. The Commission also capitalizes commercially purchased or internally developed software with a cost greater than \$500,000 and leasehold improvements over \$250,000 that are related to initial move-ins, buildouts of newly leased space, and/or a complete renovation of already leased space. Depreciation is calculated based on an estimated useful life of the shorter of 20 years or the life of the lease for leasehold improvements, 10 years for furniture, 2 to 5 years for commercially purchased or internally developed software, and 5 years for equipment. All assets (other than software, hardware, equipment and furniture) with an acquisition cost of \$50,000 or greater with a life expectancy of two years, will be depreciated over their useful life. Expenditures for repairs and maintenance are charged to program costs as incurred.

(h) Liabilities

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

(i) Workers' Compensation Payable

The Federal Employees Compensation Act (FECA) provides income and medical cost protection to cover Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for the Commission's employees under FECA are administered by the U.S. Department of Labor (DOL) and are ultimately paid by the Commission. The workers' compensation payable represents billings from DOL that are unpaid at year-end.

(j) Collections Due to States

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

(k) Revenue Collected Under Protest

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

(l) Accrued Leave

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

(m) Civil Penalties and 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 an accounts receivable and liability for both civil penalties and unjust disgorged funds at the time the fine/penalty is imposed by a Commission Order. Pursuant to federal regulations imposed civil penalties are required to be paid to the U.S. Treasury and unjust disgorged profits are required to be paid to the impacted entities and/or the U.S. Treasury in accordance to the agreed upon stipulations and consents. The Commission records disgorged funds as a liability until they are disbursed to appropriate entities.

(n) Net Position Accounts

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

(o) Tax Status

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

(p) Use of Estimates

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

(q) Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

FY 2021 Agency Financial Report

(3) Non-Entity Assets

Non-entity assets at September 30, 2021 and 2020 consisted of:

| | <u>2021</u> | <u>2020</u> |
|--|-----------------------|-----------------------|
| Intragovernmental: | | |
| Fund balance with Treasury: | | |
| Collections due to states | \$ 324,178 | \$ 3,346,041 |
| Revenue collected under protest | 25,731,982 | 3,797,704 |
| Miscellaneous receipts held in suspense | 33,067 | 124,126 |
| Total non-entity intragovernmental assets | <u>26,089,227</u> | <u>7,267,871</u> |
| Total non-entity accounts receivable, net (note 5) | <u>5,602,808</u> | <u>2,471,424</u> |
| Total non-entity assets | <u>31,692,035</u> | <u>9,739,295</u> |
| Total entity assets | <u>202,876,001</u> | <u>179,202,493</u> |
| Total assets | <u>\$ 234,568,036</u> | <u>\$ 188,941,788</u> |

4) Fund Balance with Treasury

Fund balance with Treasury at September 30, 2021 and 2020 consisted of:

| | <u>2021</u> | <u>2020</u> |
|---------------------------------------|--------------------|--------------------|
| Status of Fund Balance with Treasury: | | |
| Unobligated balance: | | |
| Available | \$ 23,514,995 | \$ 51,992,680 |
| Unavailable | 15,528,198 | 15,517,682 |
| Obligated balance not yet disbursed | 114,553,618 | 94,092,471 |
| Non-budgetary FBWT | <u>26,089,226</u> | <u>4,103,261</u> |
| Total | <u>179,686,037</u> | <u>165,706,093</u> |

FY 2021 Agency Financial Report

(5) Accounts Receivable, net

Entity and non-entity account receivable at September 30, 2021 and 2020 consisted of:

| | 2021 | | |
|--|----------------------|---------------------|----------------------|
| | Annual Charges | Other | Total |
| Entity | | | |
| Uncollected billings | \$ 524,613 | \$ 44,984 | \$ 569,597 |
| Unbilled receivables | 19,209,657 | - | 19,209,657 |
| Uncollected intragovernmental billings | - | 11,693 | 11,693 |
| Allowance for doubtful accounts | (27,968) | (9,202) | (37,170) |
| Total entity accounts receivable, net | <u>19,706,302</u> | <u>47,475</u> | <u>19,753,777</u> |
| Non-entity | | | |
| Uncollected billings | 417,820 | 77,503,233 | 77,921,053 |
| Allowance for doubtful accounts | - | (72,318,245) | (72,318,245) |
| Total non-entity accounts receivable, net (Note 3) | <u>417,820</u> | <u>5,184,988</u> | <u>5,602,808</u> |
| Total accounts receivable, net and unbilled receivable | <u>\$ 20,124,122</u> | <u>\$ 5,232,463</u> | <u>\$ 25,356,585</u> |
| 2020 | | | |
| | Annual Charges | Other | Total |
| Entity | | | |
| Uncollected billings | \$ 1,505,932 | \$ 58,868 | \$ 1,564,800 |
| Unbilled receivables | 2,920,693 | - | 2,920,693 |
| Uncollected intragovernmental billings | - | 33,281 | 33,281 |
| Allowance for doubtful accounts | (16,754) | (46,088) | (62,842) |
| Total entity accounts receivable, net | <u>4,409,871</u> | <u>46,061</u> | <u>4,455,932</u> |
| Non-entity | | | |
| Uncollected billings | 623,749 | 103,045,544 | 103,670,293 |
| Allowance for doubtful accounts | (11,571) | (101,187,298) | (101,198,869) |
| Total non-entity accounts receivable, net | <u>612,178</u> | <u>1,858,246</u> | <u>2,470,424</u> |
| Total accounts receivable, net and unbilled receivable | <u>\$ 5,022,049</u> | <u>\$ 1,904,307</u> | <u>\$ 6,926,356</u> |

As of September 30, 2021, there were three civil penalty cases, totaling \$57.3 million, that elected to have the district court procedures of section 31(d)(3)(a) of the FPA apply. Under these proceedings, the district court of the United States may rule to find these defendants not liable for the imposed civil penalty in whole or part. Until final determination of the district courts, the Commission is not allowed under the FPA to collect any imposed civil penalties. Because of the uncertainties of the outcome in the final determination of the district courts, the Commission has included the related civil penalties in the Allowance for Doubtful Accounts. In addition to the three civil penalty cases in district court proceedings, as of September 30, 2021 there was one civil penalty case totaling \$15.0 million being litigated through a bankruptcy court proceeding and is deemed as uncollectible until a final determination on the amount subject to be collected is settled. As a result of the bankruptcy court proceeding, the Commission has included the aforementioned civil penalty in the Allowance for Doubtful Accounts.

FY 2021 Agency Financial Report

(6) Property and Equipment, net

Property and equipment and related accumulated depreciation at September 30, 2021 and 2020 consisted of:

| | 2021 | | |
|-----------------------------------|-------------------------------|-------------------------------------|----------------------|
| | Acquisition Amount | Accumulated Depreciation | Net |
| Capital Leases | \$ 4,774,951 | \$ 4,774,951 | \$ - |
| Furniture | 11,827,158 | 11,513,831 | 313,327 |
| Equipment | 12,520,308 | 9,615,192 | 2,905,116 |
| ADP software | 38,999,934 | 31,113,150 | 7,886,784 |
| Leasehold improvements | 12,649,419 | 12,262,859 | 386,560 |
| Construction in process | 17,503,732 | - | 17,503,732 |
| Internal software in development | 329,806 | - | 329,806 |
| Total property and equipment, net | <u>\$ 98,605,309</u> | <u>\$ 69,279,984</u> | <u>\$ 29,325,325</u> |

| | 2020 | | |
|-----------------------------------|-------------------------------|-------------------------------------|----------------------|
| | Acquisition Amount | Accumulated Depreciation | Net |
| Capital leases | 4,774,951 | 4,476,517 | 298,434 |
| Furniture | 11,500,547 | 11,378,511 | 122,036 |
| Equipment | \$ 12,520,308 | \$ 8,568,735 | \$ 3,951,573 |
| ADP software | 33,578,132 | 26,468,276 | 7,109,856 |
| Leasehold improvements | 12,231,517 | 12,189,181 | 42,336 |
| Construction in process | 2,757,035 | - | 2,757,035 |
| Internal software in development | 1,096,022 | - | 1,096,022 |
| Total property and equipment, net | <u>\$ 78,458,512</u> | <u>\$ 63,081,220</u> | <u>\$ 15,377,292</u> |

As of September 30, 2021, the Commission no longer has a Capital Lease.

FY 2021 Agency Financial Report

(7) Other Liabilities

Other liabilities at September 30, 2021 and 2020 consisted of

| | 2021 | | |
|---|----------------------|--------------------|-------------------|
| | <u>Current</u> | <u>Non-Current</u> | <u>Total</u> |
| Intragovernmental: | | | |
| Employer contributions and Payroll Taxes | \$ 3,276,592 | - | 3,276,592 |
| Liabilities to the General Fund of the US government and other federal entities for custodial and non-entity assets | 6,099,453 | | 6,099,453 |
| Workers' compensation payable (Note 9) | <u>522,406</u> | <u>63,475</u> | <u>585,881</u> |
| Total other intragovernmental liabilities | 9,898,451 | 63,475 | 9,961,926 |
| With the public: | | | |
| Other liabilities with related budgetary obligations | 4,454,421 | | 4,454,421 |
| Accrued funded payroll and leave | 11,544,862 | | 11,544,862 |
| Revenue collected under protest | 25,731,982 | | 25,731,982 |
| Refunds and other amounts due | 33,067 | | 33,067 |
| Commitments and Contingent Liability (Note 9) | 55,000 | | 55,000 |
| Collections due to states (Note 9) | <u>324,178</u> | | <u>324,178</u> |
| Total other liabilities | <u>\$ 52,041,961</u> | <u>63,475</u> | <u>52,105,436</u> |

| | 2020 | | |
|---|----------------------|--------------------|-------------------|
| | <u>Current</u> | <u>Non-Current</u> | <u>Total</u> |
| Intragovernmental: | | | |
| Employer contributions and Payroll Taxes | \$ 2,881,358 | \$ - | \$ 2,881,358 |
| Liabilities to the General Fund of the US government and other federal entities for custodial and non-entity assets | 3,960,601 | - | 3,960,601 |
| Workers' compensation payable (Note 9 and 11) | <u>542,643</u> | <u>70,756</u> | <u>613,399</u> |
| Total other intragovernmental liabilities | 7,384,602 | 70,756 | 7,455,358 |
| With the public: | | | |
| Other liabilities with related budgetary obligations (Note 9) | 3,259,047 | | 3,259,047 |
| Accrued funded payroll and leave | 10,851,291 | - | 10,851,291 |
| Revenue collected under protest | 3,797,704 | - | 3,797,704 |
| Refunds and other amounts due | 124,126 | - | 124,126 |
| Commitments and Contingencies | 40,000 | - | 40,000 |
| Collections due to states (Note 9) | <u>181,431</u> | | <u>181,431</u> |
| Total other liabilities | <u>\$ 25,638,201</u> | <u>\$ 70,756</u> | <u>25,708,957</u> |

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

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

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

(8) Leases

Capital Leases:

As of September 30, 2021, the Commission no longer has a future minimum Capital Lease Liability related to leased equipment. The equipment was placed into service and will be depreciated over the length of the lease using the straight-line method.

| | <u>2021</u> | | <u>2020</u> |
|--|----------------|----|-------------|
| Summary of Assets Under Capital Lease: | | | |
| Acquisition Cost | \$ 4,774,951 | \$ | 4,774,951 |
| Less: Accumulated Amortization | \$ (4,774,951) | \$ | (4,476,517) |
| Capital Lease Asset | \$ - | \$ | 298,434 |

Operating Leases:

The General Services Administration (GSA) enters into lease agreements for government buildings and maintains those lease agreements. The Commission pays GSA a standard level user charge for the annual rental of building space, of which Commission Headquarters is in Washington, DC and several other regional and satellite offices are located in various parts of the country. The standard level users charge approximates the commercial rental rates for similar properties. The Commission generally executes an occupancy agreement with GSA, which normally includes a requirement to give 30-120 days' notice to vacate. Expenses incurred for building leases amounted to \$31.7 million and \$31.8 million for the fiscal years ended September 30, 2021 and 2020, respectively.

The table below identifies minimum lease amounts, net of executory costs, that the Commission may be liable for in the future based on current agreements or current negotiations to renew existing lease agreements. The Commission also anticipates renewing expiring leases that are not currently in negotiations, for similar terms and conditions upon the expiration of those current agreements. One such renewal that the Commission anticipates is the headquarters building renewal for years 2026 and beyond.

Real Property Operating Leases – Future Payments

| <u>Fiscal Year</u> | <u>GSA</u> | <u>Non-GSA</u> | <u>Total</u> |
|-------------------------------------|----------------------|--------------------------------|----------------------|
| FY 2022 | \$ 19,858,298 | \$ | \$ 19,858,298 |
| FY 2023 | 19,256,430 | | 19,256,430 |
| FY 2024 | 19,062,414 | | 19,062,414 |
| FY 2025 | 18,166,909 | | 18,166,909 |
| FY 2026 | 877,012 | | 877,012 |
| Beyond FY 2026 | 3,465,850 | | 3,465,850 |
| Total future minimum lease payments | \$ <u>80,686,913</u> | \$ <u> </u> | \$ <u>80,686,913</u> |

(9) Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources at September 30, 2021 and 2020 consisted of:

| | <u>2021</u> | <u>2020</u> |
|--|---------------|---------------|
| Intragovernmental | | |
| Other | | |
| Workers' compensation payable (Note 7) | \$ 585,881 | \$ 613,399 |
| Total intragovernmental | 585,881 | 613,399 |
| | | |
| Federal employee benefit payable | 24,910,684 | 19,173,222 |
| Collections due to states (Note 7) | 324,178 | 181,431 |
| Commitments and Contingencies (Note 7 and 11) | 55,000 | 40,000 |
| Total liabilities not covered by budgetary resources | \$ 25,875,742 | \$ 20,008,052 |
| Total liabilities covered by budgetary resources | \$ 38,609,824 | \$ 37,072,723 |
| | | |
| Total liabilities not requiring budgetary resources | 31,864,502 | 7,882,431 |
| Total liabilities | \$ 96,350,068 | \$ 64,963,206 |

The Total liabilities not requiring budgetary resources is comprised of \$31.9 million of liabilities in FERCs receipt accounts for FY 2021 as compared to \$7.9 million in FY 2020.

(10) Employee Benefits

Commission employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). Employees participating in CSRS contribute 7% of their basic pay to the plan, and the Commission makes a matching contribution. For employees participating in the FERS program hired before January 1, 2013, the Commission makes a contribution of 17.3% of basic pay. For employees participating in the FERS-Revised Annuity Employees (RAE) program hired after January 1, 2013, the Commission makes a contribution of 15.5% of basic pay. For employees participating in the FERS-Further Revised Annuity Employees (FRAE) program hired after December 31, 2013, the Commission makes a contribution of 15.5% of base 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. Public Law 112-96, Section 5001 of the "Middle Class Tax Relief and Job Creation Act of 2013," makes a significant change to the FERS program. Beginning January 1, 2013, new employees under FERS-RAE contribute 3.1% of their basic pay compared to 0.8% contributed by employees hired prior to January 1, 2013. Furthermore, new employees hired after December 31, 2013 under FERS-FRAE contribute 4.4% of their basic pay compared to the contribution rates of FERS and FERS-RAE employees.

The actuarial present value of accumulated benefits, assets available for benefits, and unfunded pension liability of CSRS and FERS is not allocated to individual departments and agencies and is, therefore, not disclosed by the Commission. For the fiscal years ended September 2021 and 2020 both plans cost approximately \$32.0 million and \$28.4 million, respectively. The total imputed costs for pension, life and health insurance recognized by the Commission for FY 2021 and FY 2020 are \$13.2 million and \$12.5 million, respectively and will ultimately be funded through the Office of Personnel Management.

(11) Commitments and Contingencies

Certain licensees have filed appeals against their Other federal agency administrative charges, U.S. federal lands annual charges or their Headwater Benefits assessment to seek a partial or 100% refund. Additionally, a civil penalty case, \$20.2 million in principal plus \$4.2 million in interest, was paid under protest. The combined liability of these appeals totals \$25.7 million as of September 30, 2021 and is included in the balance sheet as revenue collected under protest. The FY 2021 liability is fully funded and therefore poses no adverse or material future effect on the Commission's financial position.

In addition, the Commission has one legal case where a settlement agreement has been reached with the claimant. The legal case is an Equal Employment Opportunity case settled for \$55,000 as of September 30, 2021.

(12) Custodial Activity

The Commission currently bills regulated entities annual charges as a custodian for certain Federal agencies. These agencies include the U.S. Army Corps of Engineers, the Department of Interior, and the Treasury. Accrual accounting is used to account for the Commission's custodial activities. The receivables are maintained by the Commission, and the collections are processed to each Federal agency on a monthly basis. In addition to the annual charges, penalty and administrative costs are assessed on past-due bills and remitted to the Treasury when received. For FY 2021 and FY 2020, these custodial collections totaled approximately \$65.6 million and \$34.6 million, respectively.

(13) Funds from Dedicated Collections

In accordance with the Federal Accounting Standards Advisory Board's Statement on Federal Financial Accounting Standards (SFFAS) No. 27 *Identifying and Reporting Earmarked Funds* and as amended by SFFAS No. 43 *Funds from Dedicated Collections: Amendment Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds*, the Commission is required to report separately on the Balance Sheets and Statements of Changes in Net Position, the non-exchange revenue, other financing sources, net cost of operations and net position attributable to funds from dedicated collections. In addition, the Commission must disclose the fund(s) for which it has program management responsibility. The Commission's Collections Due to States fund, 89X5105, meets the criteria for funds from dedicated collections. This fund and the receipt fund 895105 are custodial in nature and therefore do not impact the Balance Sheet's net position or the Statement of Changes in Net Position. The balances as of September 30, 2021 and 2020 were \$0.3 million and \$0.2 million, respectively. Funds 89X5105 and 895105 pertain to the Use of Government lands. "Reasonable annual charges for recompensing the United States for the use, occupancy, and enjoyment of its lands or its other property will be fixed by the Commission." 18 C.F.R. CH 1, part 11.2(a).

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

(14) Intragovernmental Costs and Exchange Revenue

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

Intragovernmental costs and exchange revenue for the years ended September 30, 2021 and 2020 consisted of:

| | <u>2021</u> | <u>2020</u> |
|--|-----------------------|-----------------------|
| Ensure Just and Reasonable Rates, Terms, and Conditions | | |
| Intragovernmental costs | \$ 49,547,404 | \$ 42,589,892 |
| Public costs | <u>140,735,197</u> | <u>133,752,005</u> |
| Total Just and Reasonable Rates, Terms, and Conditions costs | 190,282,601 | 176,341,897 |
| Intragovernmental earned revenue | 18,945 | 107,588 |
| Public earned revenue | <u>190,263,656</u> | <u>176,219,122</u> |
| Total Just and Reasonable Rates, Terms, and Conditions earned revenues | 190,282,601 | 176,326,710 |
| Promote Safe, Reliable, and Secure Infrastructure | | |
| Intragovernmental costs | 37,221,002 | 31,533,558 |
| Public costs | <u>105,723,100</u> | <u>99,029,989</u> |
| Total Infrastructure costs | 142,944,102 | 130,563,547 |
| Intragovernmental earned revenue | 14,232 | 79,658 |
| Public earned revenue | <u>142,929,870</u> | <u>130,472,643</u> |
| Total Infrastructure earned revenues | 142,944,102 | 130,552,301 |
| Mission Support Through Organizational Support | | |
| Intragovernmental costs | 22,520,778 | 19,201,107 |
| Public costs | <u>63,968,358</u> | <u>60,300,378</u> |
| Total Mission support costs | 86,489,136 | 79,501,485 |
| Intragovernmental earned revenue | 8,611 | 48,504 |
| Public earned revenue | <u>86,480,525</u> | <u>79,446,133</u> |
| Total Mission support earned revenues | 86,489,136 | 79,494,637 |
| Costs | | |
| Intragovernmental costs | 109,289,184 | 93,324,557 |
| Public costs | <u>310,426,655</u> | <u>293,082,372</u> |
| Total costs | \$ <u>419,715,839</u> | \$ <u>386,406,929</u> |
| Revenue | | |
| Earned intragovernmental revenue | 41,788 | 235,750 |
| Earned public revenue | <u>419,674,051</u> | <u>386,137,898</u> |
| Total earned revenue | \$ <u>419,715,839</u> | \$ <u>386,373,648</u> |

(15) Apportionment Categories of Obligations Incurred

Apportionment categories of obligations incurred for the fiscal years ended as of September 30, 2021 and 2020 consisted of:

| | <u>2021</u> | <u>2020</u> |
|----------------------------|-----------------------|-----------------------|
| Category A: | | |
| Direct | \$ 444,702,674 | \$ 383,403,551 |
| Reimbursable | (30,655) | 92,178 |
| Total obligations incurred | <u>\$ 444,672,019</u> | <u>\$ 383,495,729</u> |

Category A apportionments distribute budgetary resources by fiscal quarters.

(16) Undelivered Orders at the End of the Fiscal Year

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’s budgetary resources reported as undelivered orders as of September 30, 2021 and 2020 were \$76.6 million and \$60.7 million, respectively of which \$76.4 million are in an unpaid status and \$0.2 million are in a paid status. The undelivered orders reported as of September 30, 2021 consisted of \$38.6 million Federal and \$38.0 million Non-Federal amounts.

(17) Explanation of Differences Between the SBR and the Budget of the U.S. Government

The Commission had no differences between the Statement of Budgetary Resources and the Budget of the United States as of September 30, 2020. 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, 2021 is not presented because the submission of the FY 2023 budget occurs after publication of these financial statements. The Commission’s Budget Appendix can be found under the DOE on the OMB website and will be available in early February 2022.

FY 2021 Agency Financial Report

(18) Reconciliation of Net Cost to Outlays

The Budget and Accrual Reconciliation (BAR) reconciles budgetary and financial accounting information by reconciling net cost of operations to net outlays. The BAR explains the relationship between the Commission's net outlays on a budgetary basis and the net cost of operations during the reporting period. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting.

| | 2021 | | |
|--|--------------------------------|----------------------------|--------------------------|
| | Intra- governmental | With the public | Total FY 2021 |
| Net Cost | \$ 122,527,091 | (122,527,091) | - |
| Components of Net Cost That Are Not Part of Budgetary Outlays: | | | |
| Change in Property, plant, and equipment depreciation | - | (6,198,763) | (6,198,763) |
| Other | - | 18,951,422 | 18,951,422 |
| Increase/(decrease) in assets: | | | |
| Accounts receivable | 11,693 | 18,417,537 | 18,429,229 |
| Other assets | (730,958) | - | (730,958) |
| (Increase)/decrease in liabilities: | | | |
| Accounts payable | 260,428 | (1,865,749) | (1,605,321) |
| Federal employee and veteran benefits payables | 0 | (3,385,063) | (3,385,063) |
| Other liabilities | (2,506,568) | (23,889,911) | (26,396,479) |
| Other financing sources: | | | |
| Federal employee retirement benefit costs paid by OPM and imputed to the agency | (13,279,695) | - | (13,279,695) |
| Transfers out (in) without reimbursement | (959,690) | - | (959,690) |
| Total Components of Net Cost That Are Not Part of Net Outlays: | <u>(17,204,791)</u> | <u>2,029,473</u> | <u>(15,175,318)</u> |
| Components of Budget Outlays That Are Not Part of Net Cost: | | | |
| Acquisition of capital assets | - | 1,195,374 | 1,195,374 |
| Other | 21,985,966 | 5,544,588 | 27,530,554 |
| Total Components of Budget Outlays That Are Not Part of Net Cost | <u>21,985,966</u> | <u>6,739,962</u> | <u>28,725,928</u> |
| Other Temporary Timing Differences: | - | - | - |
| Net Outlays – Calculation | <u>127,308,266</u> | <u>(113,757,656)</u> | <u>13,550,610</u> |
| Related amounts on the Statement of Budgetary Resources: | | | |
| Outlays, net | - | 13,550,610 | 13,550,610 |
| Distributed offsetting receipts | (35,335,493) | - | (35,335,493) |
| Agency Outlays, net | <u>\$ (35,335,493)</u> | <u>13,550,610</u> | <u>(21,784,883)</u> |

FY 2021 Agency Financial Report

| | 2020 | | |
|--|--------------------------------|----------------------------|--------------------------|
| | Intra- governmental | With the public | Total FY 2020 |
| Net Cost | \$ 105,549,698 | \$ (105,516,417) | \$ 33,281 |
| Components of Net Cost That Are Not Part of Budgetary Outlays: | | | |
| Change in Property, plant, and equipment depreciation | - | (3,982,805) | (3,982,805) |
| Other | - | 8,770,975 | 8,770,975 |
| Increase/(decrease) in assets: | | | |
| Accounts receivable | (60,887) | 5,211,648 | 5,150,761 |
| Other assets | 255,199 | - | 255,199 |
| (Increase)/decrease in liabilities: | | | |
| Accounts payable | (1,456,498) | 4,675,765 | 3,219,268 |
| Federal employee and veteran benefits payables | - | (3,604,119) | (3,604,119) |
| Other liabilities | (3,096,389) | (4,056,956) | (7,153,346) |
| Other financing sources: | | | |
| Federal employee retirement benefit costs paid by OPM and imputed to the agency | (12,460,891) | - | (12,460,891) |
| Transfers out (in) without reimbursement | 1,389,677 | - | 1,389,678 |
| Total Components of Net Cost That Are Not Part of Net Outlays: | <u>(15,429,790)</u> | <u>7,014,508</u> | <u>(8,415,280)</u> |
| Components of Budget Outlays That Are Not Part of Net Cost: | | | |
| Acquisition of capital assets | - | (727,829) | (727,829) |
| Other | 2,476,849 | 3,164,610 | 5,641,459 |
| Total Components of Net Cost That Are Not Part of Net Cost: | <u>2,476,849</u> | <u>(2,436,781)</u> | <u>4,913,629</u> |
| Other Temporary Timing Differences: | - | - | - |
| Net Outlays - Calculation | <u>92,596,757</u> | <u>(96,065,129)</u> | <u>(3,468,370)</u> |
| Related amounts on the Statement of Budgetary Resources: | | | |
| Outlays, net (SBR 4190) | - | (3,739,304) | (3,739,304) |
| Distributed offsetting receipts (SBR 4200) | (12,670,178) | - | (12,670,178) |
| Agency Outlays, net | <u>\$ (12,670,178)</u> | <u>\$ (3,739,304)</u> | <u>\$ (16,409,482)</u> |

(19) Subsequent Event

The Commission, when possible, will negotiate civil penalties as part of a Stipulation and Consent Agreement resolving compliance issues. In such cases the civil penalty is imposed through a Commission order approving the negotiated agreement, obviating the need for an assessment process. The Commission determined after September 30, 2021, through court litigation proceedings, that no funds will be collected against certain parties of a previously issued civil penalty case totaling \$13 million. The \$13 million was removed from the Commission's Uncollected Accounts Receivable and Allowance for Doubtful Accounts. As a result of this significant event, the Commission made the determination to include this subsequent event in the financial statements and disclosures as of September 30, 2021.

Other Information

(unaudited)

Improper Payments Information Act (IPIA) Reporting (Unaudited)

The Commission has performed a review of its payments through September 30, 2021 and it has processed 99.3 percent of its payments without error. The Commission found only 19 erroneous payments out of 2,549 total payments. The value of those erroneous payments totaled \$755,593 out of total payments of \$96,319,853 for FY 2021.

Civil Monetary Penalty Adjustment for Inflation (Unaudited)

The Federal Civil Penalties Inflation Adjustment Act of 1990, as amended, requires agencies to make regular and consistent inflationary adjustments of civil monetary penalties to maintain their deterrent effect. To improve compliance with the Act, and in response to multiple audits and recommendations, agencies should report annually in the Other Information section the most recent inflationary adjustments to civil monetary penalties to ensure penalty adjustments are both timely and accurate.

| Penalty (Name of Penalty) | Authority (Statute) | Date-Previous Adjustment | Date-Current Adjustment | Current Penalty Level (\$) |
|---|--|--------------------------|-------------------------|--|
| Violation of any provision of Part II of the FPA or related rule or order | 16 U.S.C. § 825o-1(b), Sec. 316A of the Federal Power Act | Jan-20 | Jan-21 | \$1,307,164 per violation, per day |
| Violation of or failure/refusal to comply with any rule or regulation issued under Part I of the FPA or any related order or term of a license, permit, or exemption | 16 U.S.C. § 823b(c), Sec. 31(c) of the Federal Power Act | Jan-20 | Jan-21 | \$23,607 per violation, per day |
| Violation of or willful failure to comply with any order of the Commission; file any report required under the FPA; or submit any information or document or respond to subpoena required by the Commission in the course of an investigation conducted under the FPA | 16 U.S.C. § 825n(a), Sec. 315(a) of the Federal Power Act | Jan-20 | Jan-21 | \$3,083 per violation |
| Violation of any provision of the NGA or any related rule, regulation, restriction, condition, or order | 15 U.S.C. § 717t-1, Sec. 22 of the Natural Gas Act | Jan-20 | Jan-21 | \$1,307,164 per violation, per day |
| Violation of any provision of the NGPA or any related rule or order | 15 U.S.C. § 3414(b)(6)(A)(i), Sec. 504(b)(6)(A)(i) of the Natural Gas Policy Act of 1978 | Jan-20 | Jan-21 | \$1,307,164 per violation, per day |
| Violation of or failure/refusal to comply with regulations or orders concerning posting and filing rate schedules issued by the Commission under section 6 of the ICA | 49 App. U.S.C. § 6(10) (1988), Sec. 6(10) of the Interstate Commerce Act | Jan-20 | Jan-21 | \$1,368 per offense and \$69 per day after the first day |
| Violation of or failure to comply orders issued by the Commission under sections 3, 13, or 15 of the ICA | 49 App. U.S.C. § 16(8) (1988), Sec. 16(8) of the Interstate Commerce Act | Jan-20 | Jan-21 | \$13,685 per violation, per day |
| Violation of or failure to comply with Commission's requirements to provide information in connection with the Commission's valuation of a pipeline carrier's property under section 19(a) of the ICA | 49 App. U.S.C. § 19a(k) (1988), Sec. 19a(k) of the Interstate Commerce Act | Jan-20 | Jan-21 | \$1,368 per offense, per day |
| Violation of or failure to keep or submit certain accounts, records, or memoranda required by the Commission under authority granted in section 20 of the ICA | 49 App. U.S.C. § 20(7)(a) (1988), Sec. 20(7)(a) of the Interstate Commerce Act | Jan-20 | Jan-21 | \$1,368 per offense, per day |

Appendix A: Statutory Authority

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

Electric, Hydropower, & General Statutes

Department of Energy Organization Act
Electric Consumers Protection Act (ECPA)
Electronic Freedom of Information Act of 1996
Energy Independence and Security Act of 2007 (EISA)
Energy Policy Act of 1992
Energy Policy Act of 2005
Federal Power Act
Hydropower Regulatory Efficiency Act of 2013
Information Technology Management Reform Act of 1996 (ITMRA/Clinger-Cohen Act)
Power Plant & Industrial Fuel Use Act
Public Utility Holding Company Act of 2005 (PUHCA)
Public Utility Regulatory Policies Act of 1978 (PURPA)
Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA)

Natural Gas Statutes

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

Oil Statutes

Interstate Commerce Act
Oil Pipeline Regulatory Reform

Environmental and Other Statutes

Clean Air Act
Clean Water Act
Coastal Zone Management Act
Endangered Species Act
Federal Deepwater Ports Act of 1974 (DWPA)
Fish and Wildlife Coordination Act
National Environmental Policy Act (NEPA)
National Historic Preservation Act
Rivers and Harbors Act
Wild and Scenic Rivers Act

Appendix B: Acronym Listing

FY 2021 Agency Financial Report

| Acronym | Full Description |
|---------|--|
| AFR | Agency Financial Report |
| APR | Annual Performance Report |
| BAR | Budget and Accrual Reconciliation |
| CSRS | Civil Service Retirement System |
| C.F.R. | Code of Federal Regulations |
| CIP | Critical Infrastructure Protection |
| DOE | Department of Energy |
| DOL | Department of Labor |
| ECPA | Electric Consumers Protection Act |
| EISA | Energy Independence and Security Act of 2007 |
| ERO | Electric Reliability Organization |
| FASAB | Federal Accounting Standards Advisory Board |
| FECA | Federal Employees Compensation Act |
| FERS | Federal Employees' Retirement System |
| FERC | Federal Energy Regulatory Commission |
| FFMIA | Federal Financial Management Improvement Act of 1996 |
| FMFIA | Federal Managers' Financial Integrity Act |
| FPA | Federal Power Act |
| FPC | Federal Power Commission |
| FY | Fiscal Year |
| FTE | Full Time Equivalent |
| FRAE | Further Revised Annuity Employees |
| GSA | General Services Administration |
| GPRA | Government Performance and Results Act |
| HCOP | Human Capital Operating Plan |
| IOAA | Independent Offices Appropriations Act of 1952 |
| IPIA | Improper Payments Information Act |
| ISO | Independent System Operator |
| IT | Information Technology |
| ITMRA | Information Technology Management Reform Act of 1996 |
| LNG | Liquefied Natural Gas |
| NERC | North American Electric Reliability Corporation |
| NGWDA | Natural Gas Wellhead Decontrol Act of 1989 |
| OAL | Office of Administrative Litigation |
| OALJ | Office of Administrative Law Judges |
| OCSLA | Outer Continental Shelf Lands Act of 1978 |
| OE | Office of Enforcement |
| OEA | Office of External Affairs |

FY 2021 Agency Financial Report

| Acronym | Full Description |
|---------|--|
| OED | Office of the Executive Director |
| OEIS | Office of Energy Infrastructure Security |
| OEMR | Office of Energy Market Regulation |
| OEP | Office of Energy Projects |
| OEPI | Office of Energy Policy and Innovation |
| OER | Office of Electric Reliability |
| OGC | Office of the General Counsel |
| OIG | Office of the Inspector General |
| OMB | Office of Management and Budget |
| OPP | Office of Public Participation |
| OSEC | Office of the Secretary |
| PACS | Physical Access Control Systems |
| PJM | PJM Interconnection |
| PUHCA | Public Utility Holding Company Act of 2005 |
| PURPA | Public Utility Regulatory Policies Act of 1978 |
| RTO | Regional Transmission Organization |
| RAE | Revised Annuity Employees |
| SBR | Statement of Budgetary Resources |
| SBREFA | Small Business Regulatory Enforcement Fairness Act of 1996 |
| SFFAS | Statement on Federal Financial Accounting Standards |
| USSGL | United States Standard General Ledger |