

SELF-AUDITS FOR FERC COMPLIANCE: OATT AND OASIS ISSUES

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WHY SHOULD A UTILITY SELF-AUDIT?

- ❖ FERC's audit program is still very active, even if the number of audit reports has declined recently.
- ❖ Status of one utility's FERC audit:
 - ✓ The audit process has taken more than 2 years.
 - ✓ FERC Staff submitted 5 rounds of data requests. Responses took hundreds of hours to prepare.
 - ✓ Staff requested data on every transmission transaction, including hourly transactions, for a two-year period.
 - ✓ Staff spent about a week in on-site visits.
 - ✓ The utility has had several visits with Staff in Washington.

WHY SHOULD A UTILITY SELF-AUDIT? (cont'd)

- ❖ In some utilities, the burden is on the utility to be proven innocent.
- ❖ In some instances, a utility's attempts to explain its conduct may be perceived as an effort to escalate a dispute.
- ❖ Under the current regulatory environment, it is often easier for a utility to find and correct its problems than it is for the public or FERC to find them.



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OATT AND OASIS ISSUES TO AUDIT – TARIFF SERVICES

- ❖ Compliance with Order 890 and 890-A: Conditional firm service, redispatch service, study penalties, credit procedures and other issues.
- ❖ Non-tariff service: Staff is still finding that utilities are misusing secondary network service. Utilities should have detailed procedures that govern when it may be used. (Use of secondary service for hubbing is prohibited.)

OATT AND OASIS ISSUES TO AUDIT – PROCESSING OF REQUESTS

- ❖ Do operators maintain lists of entities that have executed service agreements?
- ❖ Responses to deficient requests for service – timely and informative?
- ❖ Responses to requests for non-firm service – timely?
- ❖ Reasons for denial of requests for service – informative?
(Some automatic programs do not provide sufficient information.)

OATT AND OASIS ISSUES TO AUDIT – PROCESSING OF REQUESTS (cont'd)

- ❖ Pre-emption of conditional firm service and rights of first refusal for competing short-term requests. (Some automatic programs do not provide for this.)
- ❖ Records of processing times: Some commercially available programs show incorrect (and too-long) processing times.
- ❖ Some utilities still are not considering rollover rights when they process requests for long-term service.

OATT AND OASIS ISSUES TO AUDIT – PROCESSING OF REQUESTS (cont'd)

- ❖ Some utilities still are not formally including their load and resource projections for native load in their calculations of ATC.
- ❖ Requests for redirects must be processed at the bottom of the request queue, not the top.

OATT AND OASIS ISSUES TO AUDIT – ACCOUNTING FOR TRANSMISSION COSTS

- ❖ Utilities must separately account for the cost of transmission service in conjunction with their merchants' third party sales of energy.
- ❖ "Separate accounting" also means that the merchant must include the cost of transmission in evaluating whether to make a sale of energy. To do otherwise would give the merchant an unfair advantage.
- ❖ Programs that evaluate profitability of sales should have transmission costs "hard-wired" into them.

OATT AND OASIS AUDITS – KEY TACTICS TO REDUCE AUDIT PROBLEMS

- ❖ Develop paper trails that demonstrate compliance.
 - ✓ Be sure that records of processing transmission requests are not only maintained but are accurate.
 - ✓ Absence of a paper trail may be interpreted as an indication of lack of compliance.
- ❖ Develop detailed procedures to implement tariff processing requirements.
 - ✓ Procedures ease transitions for new employees and help ensure that existing employees don't forget.
 - ✓ Procedures demonstrate a culture of compliance.
 - ✓ Procedures make it less likely that personnel will use discretion in OATT and OASIS operations.

OATT AND OASIS AUDITS – KEY TACTICS TO REDUCE AUDIT PROBLEMS (cont'd)

- ❖ Implement automatic alarms or calendar reminders of when processing deadlines are approaching.
- ❖ Develop and post business practices that state how the tariff and OASIS processes will be implemented.
- ❖ Maintain a log of discretionary actions.
- ❖ Develop training programs for OATT and OASIS administrators.
- ❖ Periodically re-audit compliance to ensure that no “backsliding” occurs.