

# FERC Regulatory Management Post-EPACT

*How Prepared Are You to Reduce Risk by  
Developing a Culture of **Sustainable Compliance**?*

# A Few of the Hard Questions

- ▶ Do you have a FERC compliance officer dedicated full (or near–full) time?
- ▶ Do you have a FERC compliance vision statement (approved by the Board)?
- ▶ Do you have a FERC compliance manual?
- ▶ Do you have annual FERC compliance training?
- ▶ Can you pass a FERC audit?
- ▶ Have you quantified your compliance risk?
- ▶ Do you track FERC regulatory matters directly (w/o using a DC law firm)?
- ▶ Do you conduct annual compliance assessments?
- ▶ Do you have compliance thresholds and standards?
- ▶ Have you integrated compliance into HR performance standards?
- ▶ Do personnel precisely understand their roles for complying (and consequences for failure)?
- ▶ How would a FERC action interrupt your current business operations?

Highly compliant (Best Practice) companies answer yes to **all** of these.

These processes cannot be cherry–picked to achieve optimal risk reduction.

# Warning Signs that Action Is Needed

## ▶ *What is being said:*

- #1 SIGN- “We are doing everything that we need to be doing.
- Best Practices are overkill and a waste of money.
- Our DC law firms have everything under control.
- Our part-time compliance analyst has everything under control.
- We can get by doing much less than other companies.
- We are doing okay because we haven’t been busted–yet.”

FERC doesn’t recognize any of that as sufficient for demonstrating a Culture of Compliance.

## ▶ *What is being done:*

- “We train when we need to: we have an outside lawyer give a lecture once a year.
- Our current policies are good enough to cover general compliance expectations.
- The CEO can’t quantify the regulatory risk, though they sign-off on 10Qs and 10Ks.
- FERC compliance is not discussed at weekly or monthly senior management meetings.
- Someone attends occasional “informational conferences” and writes a “Memo To All” as a means to achieve quantifiable risk reduction.

The call-to-action is immediate and requires senior sponsorship and resource commitment.

# Compliance Risk Management



- ▶ *Best Practice compliance is not an accident, and it certainly is not easy. It takes hard work, commitment, flexibility and adaptability.*

# Detecting Vulnerabilities

- ▶ Before an organization can know WHAT to do, they need to understand the full implications of their current compliance environment.
- ▶ Detailed assessments and audits will reveal the specific areas where compliance can be improved.
- ▶ Oftentimes, compliance risk is not just a matter of what is being done (or omitted), it can also be other factors (e.g. compliance attitudes and reverse-incentives).

# Develop Corporate Policies

- ▶ Plain-vanilla corporate policies are no longer sufficient in the aggressive FERC regulatory environment.
- ▶ Policies must be *fluent and fluid*– they can not leave room for error, but must also be flexible for varying operational objectives.
- ▶ Policy documents must be accepted and acknowledged by the highest echelons of corporate management.

# Implement Practices to Achieve Policy Goals

- ▶ Great policies must have be accompanied by implementation plans that achieve the policy objectives.
- ▶ New practices must be rolled-out during a contemplated-and managed- transitional period.
- ▶ Practices must be tested, refined, revised and reinforced by management.

# Train Staff and Contractors

- ▶ A key component of rolling out new practices is to ensure that personnel are fully onboard.
- ▶ In some cases training is informational-based, other times it is skills-based.
- ▶ The key is to minimize training time and inconvenience to operations, while achieving the highest return on training investment.

# Build “Compliance Sustainability” into Corporate Culture

- ▶ FERC not only requires that regulated companies demonstrate their “culture of compliance”, they penalize those that do not.
- ▶ Sustaining compliance is a matter of achieving a vision– one that permeates the entire organization.
- ▶ That vision can only succeed where management has developed a business model that includes a strong emphasis on compliance as an outgrowth of operations.

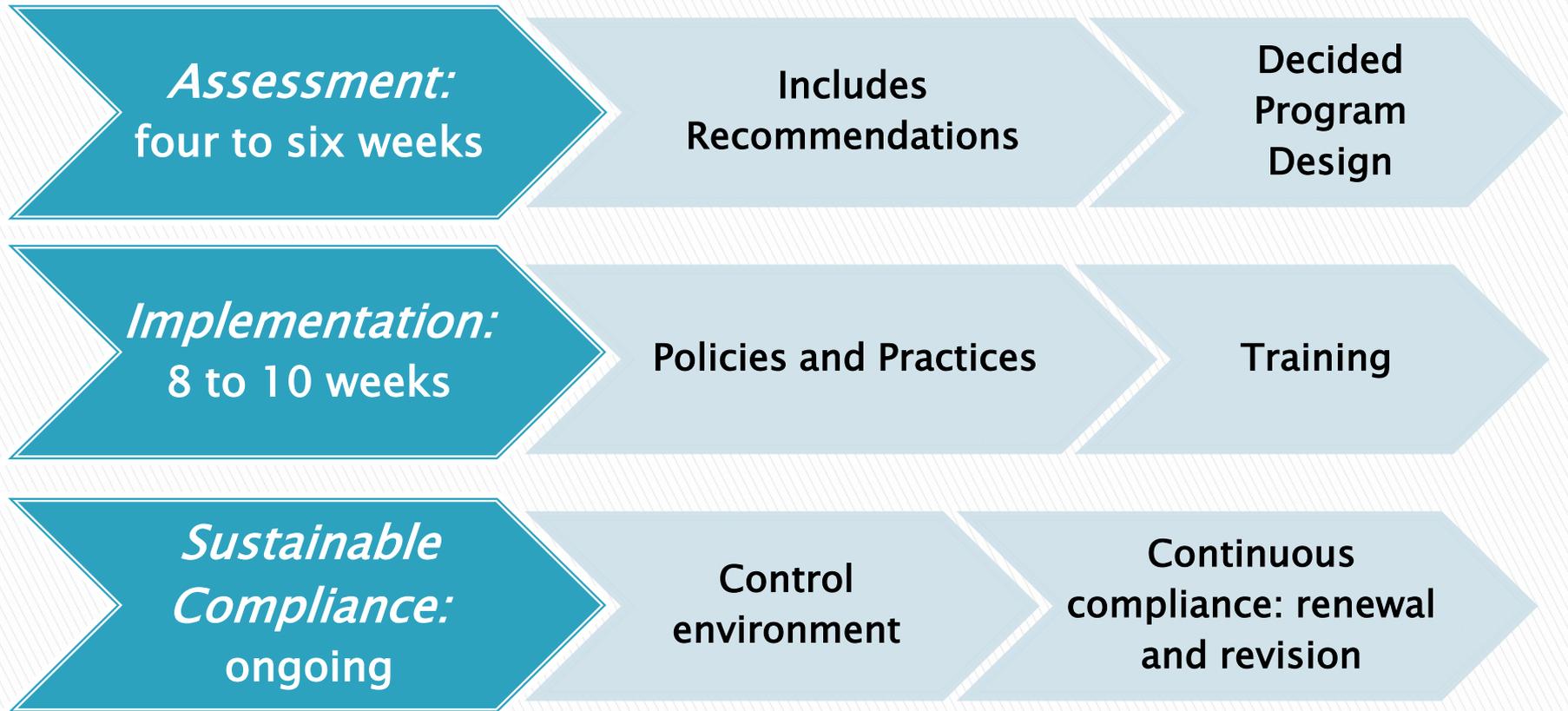
# ProComply Services

- ▶ Complete in-house compliance program with emphasis on prevention, accountability and RESULTS.
- ▶ Builds **sustainable** compliance culture across the organization.
- ▶ Experienced in actual operating environments in **both** electric and natural gas markets.
- ▶ Minimizes disruption to operations by utilizing Best Practices during compliance transition period.

Great gas or electric references!  
(Really happy customers).

No DC-firm conflicts of  
interest (or their prices).

# ProComply Services Timeline



In a few short months, the compliance program can achieve a Best Practice and minimal risk status.



# Contact us for more information:

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