
SUPPLEMENTAL SUPPORTING STATEMENT FOR
FERC Form No. 2, "Annual Report of Major Natural Gas Companies"

The Federal Energy Regulatory Commission (Commission) requests Office of Management and Budget (OMB) review and approval of **FERC Form No. 2 "Annual Report of Major Natural Gas Companies."** Request is made for a three-year extension (through 6/30/10). Current authorization for the FERC Form No. 2 (1902-0028) expires on June 30, 2007.

A. JUSTIFICATION

1. CIRCUMSTANCES THAT MAKE THE COLLECTION OF INFORMATION NECESSARY

The FERC Form No. 2 is a financial and operating report for natural gas rate regulation for major pipeline owners. "Major" is defined as companies having combined gas sold for resale and gas transported or stored for a fee that exceeds 50 million Dth in each of the three previous calendar years. Under the FERC Form No. 2, the Commission investigates, collects and records data and prescribes rules and regulations concerning accounts, records and memoranda as necessary to administer the Natural Gas Act (NGA). The Commission is empowered to prescribe a system of accounts for jurisdictional gas pipelines and after notice and opportunity for hearing, may determine the accounts in which particular outlays the receipts will be entered, charged or credited.

The NGA authorizes and empowers the Commission to make investigations and to collect and record the data to the extent the Commission considers to be necessary or useful for the purpose of carrying out the provisions of the NGA. The NGA also authorizes the Commission to prescribe rules and regulations concerning accounts, records and memoranda as necessary or appropriate for purposes of administering the NGA. The Commission prescribes a system of accounts for jurisdictional companies and after notice and opportunity for hearing, determines the accounts in which particular outlays and receipts will be entered, charged, or credited. Through the FERC Form No. 2, the Commission collects the information necessary to carry out these responsibilities.

Section 8 of the NGA (15 U.S.C. 717g) gives the Commission the authority to issue regulations and rules requiring accounts records, and memoranda.

Section 10 of the NGA (15 U.S.C. 717i) gives the Commission authority through rules and regulations to require periodic and special reports. In addition, the Commission can prescribe the format and require specific answers.

The annual financial information filed with the Commission is a mandatory requirement submitted in a prescribed format which is filed electronically. The Commission implements these filing requirements in 18 CFR Parts 158, 201, 260.1 and 385.2011.

Part 260 of Title 18 of the Code of Federal Regulations requires:

I260.1 - FERC Form No. 2, Annual Report of Major Natural Gas Companies

Each natural gas company, as defined in the Natural Gas Act (15 U.S.C. 717, et. seq.) which is a major company (as defined in Part 201 of Subchapter F), must prepare and file with the Commission on or before April 18 following the close of such calendar year, the FERC Form No. 2.

Section 201 of Title 18 of the Code of Federal Regulations prescribes a system of accounts which is applicable to all natural gas companies subject to the Commission's jurisdiction.

RM03-8-000 Final Rule

In Order No. 646 (Docket No. RM 03-8-000 "Quarterly Financial Reporting and Revisions to the Annual Reports", issued February 11, 2004, the Commission amended its financial reporting regulations to establish new quarterly financial reporting for respondents that file FERC Annual Reports. In addition, the Commission updated its financial annual reporting requirements to add new schedules on ancillary services, electric transmission peak loads, and updated the statistical classifications reported on certain schedules. With respect to FERC Forms Nos. 2 and 2-A, the Commission also updated the corporate officer's certification for the FERC Annual Reports, modified filing dates, and allowed respondents to submit the CPA certification electronically, and eliminated the cash management notification requirement.

The purpose of the Final Rule was to improve the usefulness and transparency of financial information submitted to the Commission. The increased frequency of financial reporting with the establishment of quarterly reports helps the Commission identify and evaluate emerging trends, business conditions and financial issues affecting reporting entities. Additionally, the information contained in the quarterly financial reports identifies the economic effects of significant transactions and events, allow more timely evaluations of the adequacy of existing cost-based rates, and aid in the development of needed changes to existing regulatory initiatives. Finally, more frequent and transparent financial reporting helps the Commission achieve its goal of vigilant oversight over reporting entities.

2. HOW, BY WHOM, AND FOR WHAT PURPOSE THE INFORMATION IS TO BE USED AND THE CONSEQUENCES OF NOT COLLECTING THE INFORMATION

The Commission collects FERC Form No. 2 information as prescribed in 18 CFR 260. The form is filed annually on or before April 18. The respondents are "Major Natural Gas Companies" under Commission jurisdiction. A company is defined as a "Major Natural Gas Company" if its combined gas transported or stored exceeded 50 million decatherms (Dth) in each of the three previous calendar years. The form collects general corporate information: summary financial information, balance sheet and income statement supporting information, gas plant, operating expenses and statistical data. The information collected in the FERC Form No. 2 is used by FERC staff, state regulatory agencies and others in the continuous review of the financial condition of the regulated companies, in various rate proceedings and audit programs and in the assessment of annual charges which are necessary to recover the Commission's costs.¹

Without the FERC Form No. 2 data, the Commission would not have the requisite information available to conduct the necessary review as mandated under the NGA and in order for the Commission to perform its regulatory responsibilities in the setting of just and reasonable rates. The Commission could be held in violation of the NGA if the information was not collected.

FERC Form No. 2 data are available for dissemination through the Commission's Public Reference Room and via the Commission's web page at
<http://www.ferc.gov/docs-filing/eforms/form-2/data.asp>.

3. DESCRIBE ANY CONSIDERATION OF THE USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN AND TECHNICAL OR LEGAL OBSTACLES TO REDUCING BURDEN

The Commission has made available to all Form 2 respondents, a web-based, Windows 2000ME/NT/XP submission software necessary to file electronically through a doorway found on the FERC web site at <http://www.ferc.gov/docs-filing/eforms/form-2/view-inst.asp>. The Commission requires all FERC Form No. 2 respondents to use this software and doorway access for filings.

4. DESCRIBE EFFORTS TO IDENTIFY DUPLICATION AND SHOW

1 *2/ Mandated by Commission Order No. 472 in Docket No. RM87-3-000, "Annual Charges under the Omnibus Budget Reconciliation Act of 1986" (Budget Act). Annual charges are required by Section 3401 of the Budget Act.*

SPECIFICALLY WHY ANY SIMILAR INFORMATION ALREADY AVAILABLE CANNOT BE USED OR MODIFIED FOR USE FOR THE PURPOSE(S) DESCRIBED IN INSTRUCTION NO. 2

The Commission's filings and data requirements are periodically reviewed in conjunction with OMB clearance expiration dates. This includes a review of the Commission's regulations and data requirements to identify any duplication. To date, no duplication of the proposed data requirements has been found. The Commission staff is continuously reviewing its various filings in an effort to alleviate duplication. There are no similar sources of information available that can be used or modified for use for the purpose described in Item A(1.).

5. METHODS USED TO MINIMIZE BURDEN IN COLLECTION OF INFORMATION INVOLVING SMALL ENTITIES

There are no small entities or organizations required to file the FERC Form No. 2.

6. CONSEQUENCE TO FEDERAL PROGRAM IF COLLECTION WERE CONDUCTED LESS FREQUENTLY.

The Commission collects FERC Form No. 2 data annually. Annual reporting is consistent with the reporting to the companies' own management, the Internal Revenue Service, FERC's Annual Charges cycle, and other Federal and states agencies' requirements. Any other frequency of collection would be disruptive to these responsibilities.

7. EXPLAIN ANY SPECIAL CIRCUMSTANCES RELATING TO THE INFORMATION COLLECTION

There are no special circumstances requiring the collection to be conducted in a manner inconsistent with the guidelines of OMB's section 1320.5 requirements.

8. DESCRIBE EFFORTS TO CONSULT OUTSIDE THE AGENCY: SUMMARIZE PUBLIC COMMENTS AND THE AGENCY'S RESPONSE TO THESE COMMENTS

The notice of the information collection and request for comments was published in the Federal Register on January 8, 2007. The Commission received comments from only one commenter, the Bureau of Economic Analysis (BEA), U.S. Department of Commerce. BEA fully endorsed the continued use of the information contained in the FERC Form No. 2, stating that:

"Data collected on the FERC Form Nos. 2 and 2A are indispensable to the Current Industry Analysis Division's (CIAD) estimates of gross output, intermediate input, and value added in the U.S. economy for the Pipeline Transportation industry (NAICS 486). CIAD's primary output indicator for NAICS 486 is from the September issue of the Oil & Gas Journal, which focuses on pipeline transportation. The Journal's principle sources include FERC Forms Nos. 2 and 2A, which collect financial and operational information from gas pipeline companies subject to the jurisdiction of the Commission. The Regional Economic Analysis Division (READ) uses FERC Form Nos. 2 and 2A data indirectly through their use of CIAD Pipeline Transportation data in their production of gross domestic product by state figures for NAICS 486."

The Commission appreciates BEA's continued support of its information collections.

9. EXPLAIN ANY PAYMENT OR GIFTS TO RESPONDENTS

There are no payments or gifts made to the respondents.

10. DESCRIBE ANY ASSURANCE OF CONFIDENTIALITY PROVIDED TO RESPONDENTS

The Commission designed the FERC Form No. 2 in a manner such that all information reported would be subject to public access and review and therefore, generally not confidential. Specific requests for confidential treatment to the extent permitted by law will be entertained pursuant to 18 C.F.R. §388.112.

The financial information reported in FERC Form Nos. 1, 2, 2-A, and 3-Q has long been considered by the Commission as public information. Commission precedent and policy supports the Commission's obligation to provide information to the public. In fact, all reports required to be submitted by Commission rule and necessary for the Commission's jurisdictional activities are considered public information. The financial forms provide data that enables the Commission to as noted above in item no. 2 above, develop and monitor cost-based rates, analyze costs of different services, and evaluate the reasonableness of rates subject to the Commission's jurisdiction. The information contained in the forms is essential to the Commission's oversight responsibilities and also is relied upon by electric utility, interstate natural gas pipeline customers, state commissions, and trade associations to develop and monitor rates. The Commission's ability to protect customers from unreasonable rates and undue discrimination depends also on the customer's capacity to determine when rates may be excessive and bring a

complaint under section 206 of the Federal Power Act (FPA) or section 5 of the Natural Gas Act (NGA).

The cover page of each of the financial forms specifies that the Commission does not consider the reports to be of a confidential nature.

In Docket No. AD07-10-000, issued February 15, 2007, the Commission informed filers of FERC Form Nos. 1, 2, 2-A and 3-Q, that the Commission-provided electronic software used by filers of these FERC financial forms will no longer provide an option to mark data as “privileged.” Companies may continue to seek privileged treatment of documents by claiming that some or all of the information contained in a particular document is exempt from the mandatory disclosure requirements of the Freedom of Information Act, by following the appropriate procedures provided in the Commission’s regulations.

The ability to mark data as privileged was initially offered on the forms as a convenience to electronic filers, but it was not intended to offer *carte blanche* discretion to withhold data from the public domain. Denying public access to FERC Form Nos. 1, 2, 2-A and 3-Q data would deny the customers the information they need to evaluate whether their rates are excessive or whether they are the victims of undue discrimination.

This order eliminates the option for filers to arbitrarily mark as “privileged” data submitted in the forms rather than requesting and supporting a claim that a document be treated as privileged pursuant to the requirements of section 388.112 of the Commission’s regulations.

11. PROVIDE ADDITIONAL JUSTIFICATION FOR ANY QUESTIONS OF A SENSITIVE NATURE THAT ARE CONSIDERED PRIVATE

There are no questions of a sensitive nature associated with the data requirements.

12. ESTIMATED BURDEN OF COLLECTION OF INFORMATION

FERC FORM No. 2 RESPONDENTS' PREPARATION BURDEN			
	Number of Respondents²	Burden of Hours per Respondent	Total Burden Hours
22/ to	71		

22/ The number of respondents has increased from 57 in 2001 to 71 in 2007.

Current Inventory	57	1,570	89,490
Proposed Estimate	71	1,570	111,470
Difference	14	0	21,980

13. ESTIMATE OF THE TOTAL ANNUAL COST BURDEN TO RESPONDENTS

The estimated annualized filing cost to Form 2 respondents related is as follows:

FERC FORM No. 2 RESPONDENTS' ANNUALIZED COST			
FORM	Number of Respondents	Estimated Cost Per Respondent³	Total Estimated Cost for all Respondents
FERC Form No. 2	71	\$92,190	\$6, 545, 486

Estimated cost burden to respondents is \$6,545,486. (111,470 hours/2080 hours per year times \$122,137 per year average per employee = \$ 6,545,486). The cost per respondent is \$92,190.

14. ESTIMATED ANNUALIZED COST TO FEDERAL GOVERNMENT

FERC FORM No. 2 FEDERAL GOVERNMENT'S ANNUALIZED COSTS	
Handling and Storage	\$ 10,000.00*
FERC Form No. 2 Changes and Software Enhancements and Maintenance	\$ 15,000.00*
FERC Form No. 2 Clearance	\$ 6,039.00*
Cost of FTE's to administer FERC Form No. 2	\$ 45,000.00*
Total Costs	\$ 76,039.00*

3 / The Cost per Respondent" estimate is based on the estimated annual allocated cost per Commission employee for Fiscal year 2007. The \$122,137 "cost" consists of approximately \$98,876 in salaries and benefits and \$23,261 in overhead.

The estimated annualized cost to the Federal government is \$76,039. This increase in costs is due to inflation, the inclusion of costs of FTE's to administer FERC Form No. 2 (\$45,000) in this year's estimate and to enhancements for the FERC Form No. 2 submission software. The above 2007 estimate is based on salaries for professional and clerical support, as well as direct and indirect overhead costs.

15. REASONS FOR CHANGES IN BURDEN INCLUDING THE NEED FOR ANY INCREASE

Since the last request for renewal and certification of FERC Form No. 2 in 2001, the number of respondents has increased from 57 to 71. This increase is a result of new companies being added to the list of respondents having to file FERC Form No. 2. The additional companies are either the result of totally new companies to the industry or restructuring of energy industry that has created additional companies.

16. TIME SCHEDULE FOR THE PUBLICATION OF DATA

The Commission has never published any data from the FERC Form No. 2. The publication of energy data became the responsibility of the Energy Information Administration (EIA) when the Commission succeeded the Federal Power Commission per the Department of Energy Organization Act in October 1977. The primary purpose of the information collected on the FERC Form No. 2 is to support the Commission's regulatory activities. FERC Form No. 2 submissions are made available through the Commission's Public Reference Room and its Internet site.

17. DISPLAY OF EXPIRATION DATE

The OMB expiration date is displayed in the upper right-hand corner of the FERC Form No. 2 cover page as it appears on the first screen .

18. EXCEPTIONS TO THE CERTIFICATION STATEMENT

There is an exception to the Paperwork Reduction Act Submission Certification. Because the data collected for this reporting requirement is not used for statistical purposes, the Commission does not use as stated in item 19(j) "effective and efficient statistical survey methodology." The information collected is case specific to each respondent.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

This is not a collection of information employing statistical methods.