

Supporting Statement for
FERC Form No. 6, Annual Report of Oil Pipeline Companies

The Federal Energy Regulatory Commission (Commission or FERC) requests Office of Management and Budget (OMB) review and approval of **FERC Form No. 6, Annual Report of Oil Pipeline Companies**, an existing data requirement. FERC Form No. 6 (OMB Control No. 1902-0022) is currently approved by OMB through June 30, 2007. Request is made for a three-year extension (through 6/30/10).

We estimate that the annual reporting burden related to the FERC Form No. 6 will be 28,830 hours. This is an adjustment to the 29,574 hours currently reported on OMB's inventory. The adjustment of 774 hours is due to a decrease in the number of companies filing the FERC Form No. 6. Oil pipeline carriers exempt from filing FERC Form 6 electronically file depending on the following thresholds of operating revenue the following documents: (A) whose annual jurisdictional operating revenues have been more than \$350,000 but less than \$500,000 for each of the three previous calendar years must prepare and file page 301, "Operating Revenue Accounts (Account 600), and page 700, "Annual cost of Service Based Analysis Schedule," of FERC Form 6. When submitting pages 301 and 700, each exempt oil pipeline carrier also has to include page 1 of the FERC Form No. 6, the Identification and Attestation schedules. (B) Oil pipeline carriers exempt from filing FERC Form No. 6 and pages 301 and whose annual jurisdictional operating revenues were \$350,000 or less for each of the three previous calendar years have to prepare and file page 700, "Annual Cost of Service Based Analysis Schedule," of FERC Form No. 6. When submitting page 700, each exempt oil pipeline carrier has to include page 1 of FERC Form No.6, the Identification and Attestation schedule.

A. Justification

1. CIRCUMSTANCES THAT MAKE THE COLLECTION OF INFORMATION NECESSARY

Under the Interstate Commerce Act (ICA), (49 U.S.C. §§ 1, 20, 54 Stat. 916), the Commission is authorized and empowered to make investigations and to collect and record data to the extent the Commission may consider to be necessary or useful for the purpose of carrying out the provisions of the Interstate Commerce Act (ICA). The information collected under the requirements of FERC Form No. 6 is used by the Commission to carry out its responsibilities in implementing the statutory provisions of the ICA including the authority to prescribe rules and regulations concerning accounts, records and memoranda as necessary or appropriate. The Commission may prescribe a system of accounts for jurisdictional companies and, after notice and opportunity for hearing may determine the accounts in which particular outlays and receipts will be entered, charged or credited.

Financial accounting and reporting provides needed information concerning a company's past performance and its future prospects. Without reliable financial statements prepared in accordance with the Commission's Uniform System of Accounts and related regulations, the Commission would be unable to accurately determine the costs that relate to a particular time period, service or line of business. Additionally, it would be difficult to determine whether a given entity has previously been given the opportunity to recover its costs through rates, or to compare how the financial performance and results of the operations of one regulated entity relates to another.

In 1977, the responsibility to regulate oil pipeline companies was transferred to the Commission from the Interstate Commerce Commission (ICC).¹ The ICC developed the Form P to collect information on an annual basis under the ICA. A comprehensive review of the reporting requirements for oil pipeline companies was performed on September 21, 1982, when the Commission issued Order No. 260 revising the former ICC Form P and redesignating it as FERC Form No. 6, "Annual Report of Oil Pipeline Companies."

In 1994, the Commission addressed additional revisions to the Form No.6 in Order Nos. 571 and 571-A, including a new page 700. The information included in the Form No. 6 was determined at that time to be the minimum necessary for Shippers to assess filed rate changes under Order No. 561.

Final Rule (Docket No. RM99-10-000)

On December 13, 2000, the Commission issued a Final Rule in Docket No. RM99-10-000, Order No.620, "**Revisions to and Electronic Filing of the FERC Form No. 6 and Related Uniform System of Accounts.**" The Final rule revised Form No. 6 and the Commission's regulations in 18 CFR Part 357. These revisions amended the annual

filing requirements and raise the minimal filing threshold for the FERC Form No. 6. The Commission also revised the FERC Form No. 6 instructions and schedules to clarify definitions and general instructions, eliminated duplicate reporting requirements, removed and consolidated schedules, updated and revised current schedules. As a result, three tiers, or thresholds based on the last three years of reported operating revenues (as

1?/ Section 402(b) of the Department of Energy Organization Act (DOE Act), 42 U.S.C. 7172 provides that; "[t]here are hereby transferred to, and vested in, the Commission all functions and authority of the Interstate Commerce Commission or any officer or component of such Commission where the regulatory function establishes rates or charges for the transportation of oil by pipeline or established the valuation of any such pipeline."

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noted above) were created for filing the FERC Form No. 6.

(A) \$500,000 and above-must file the full FERC Form No. 6;

(B) \$350,000 to \$499,999 – must file only the ID page, Page 301 and page 701;

(C) Below \$349,999 – must file only the ID page and Page 700.

Final Rule (Docket No. RM03-8-000

On February 11, 2004, the Commission issued a Final Rule in Docket No. RM03-8-000 (Order No. 646, **“Quarterly Financial Reporting and Revisions to the Annual Reports.”** 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 Form No. 6, the Form 6-Q was created to facilitate quarterly filing.

The Final Rule’s purpose 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 assists the Commission to identify and evaluate emerging trends, business conditions and financial issues affecting reporting entities.

Commission’s Regulations

Currently, Section 357.2 of Title 18 of the Code of Federal Regulations requires:

¶357.2-FERC Form No. 6, Annual Report of Oil Pipeline Companies

Each Pipeline Carrier subject to the provisions of Section 20 of the Interstate Commerce Act must file with the Commission copies of FERC Form No. 6 "Annual Report of Oil Pipeline Companies" pursuant to the General Instructions set out in that form. This report must be filed on or before March 31 of each year for the previous calendar year, beginning with the year ending December 31, 1982.

Section 352 of Title of the Code of Federal Regulations prescribes a system of account which is applicable to all oil pipeline companies subject to the Commission's jurisdiction.

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

INFORMATION

The information filed with the Commission is used in the following manner:

- Carry out the Commission's regulatory responsibilities and authority. The Commission must ensure just and reasonable rates for transportation of crude oil and petroleum products by pipelines in interstate commerce. The Commission's Office of Enforcement uses the FERC Form No. 6 data collected to assist in the implementation of its financial audits and programs, in the continuous review of the financial condition of regulated companies and in the assessment of energy markets. The Office of Energy Markets and Reliability (OEMR) uses the data collected for its various rate proceedings and economic analyses. The Office of Administrative Litigation (OAL) uses the data collected for background research for use in litigation. The Office of General Counsel uses the data in its programs relating to the administration of the ICA.
- The majority of state regulatory commissions use the FERC Form No. 6 and the FERC Uniform System of Accounts to satisfy their reporting requirements for those companies under their jurisdiction.
- Data on certain schedules of the Form No. 6 is used to compute annual charges which are then assessed against oil pipeline companies to recover the Commission's annual costs as mandated by Commission Order No. 472. The annual charges are required by Section 3401 of the Omnibus Budget Reconciliation Act of 1986.

The oil pipeline industry continues to face significant changes in the areas such as locations of supply and delivery, as traditional supply sources are replaced by new origin markets. These changes require both construction of new facilities and more innovative use of existing plants to respond to the market's needs. In trying to meet the changes of the companies it regulates, the Commission promotes where possible market competition as a substitute for command and control regulation.

The Commission continues to review and modernize its oil regulations with a view toward reducing the burden it places on industry. The ICA mandates the collection of information needed by the Commission to perform its regulatory responsibilities in the setting of just and reasonable rates. The Commission could be held in violation of the ICA if the information was not collected.

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

OR LEGAL OBSTACLES TO REDUCING BURDEN

There is an ongoing effort to determine the potential and value of improved information technology to reduce the burden. Every pipeline carrier subject to the provisions of Section 20 of the ICA must electronically file with the Commission through Commission-provided software. The Commission has made available to all FERC Form No. 6 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-6/elec-subm-soft.asp>. The Commission requires all FERC Form No. 6 respondents to use this software and doorway access for filings.

The Commission believes that electronic submission of FERC Form No. 6 filings yields significant benefits, including more timely analysis and publication of data, increased data analysis capability, reduced cost of data entry and retrieval, simplifying the form design, and overall reduction of the reporting burden.

4. **DESCRIBE EFFORTS TO IDENTIFY DUPLICATION AND SHOW SPECIFICALLY WHY ANY SIMILAR INFORMATION ALREADY AVAILABLE CANNOT BE USED OR MODIFIED FOR USE FOR THE PURPOSE(S) DESCRIBED IN INSTRUCTION NO. 2**

Filing requirements are periodically reviewed as OMB review dates arise or as the Commission may deem necessary in carrying out its regulatory responsibilities under the Act in an effort to alleviate duplication. All Commission information collections are subject to analysis by Commission staff and are examined for redundancy. There is no other source for this information. To date, no duplication of the proposed data requirements has been found. 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**

By raising the minimal filing threshold for the FERC Form No. 6, the Commission reduced the reporting burden on relatively small companies. Additionally, through the filing thresholds, the Commission raised the operating revenues reporting threshold from \$350,000 to \$500,000 (see discussion above). The Commission concluded that exempting a certain percentage of oil companies from filing the full FERC Form No. 6 in its entirety will not compromise its ability to gather meaningful data upon which to base its regulation of the oil pipeline industry. These reporting requirements should impose the least possible burden on these companies.

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

The Commission is authorized by statute to collect this information on an annual basis. If the collection were conducted less frequently, the Commission would be unable to perform its mandated review responsibilities with respect to the assessment of the financial conditions of oil pipeline companies. The continued use of the FERC Form No. 6 ensures that the Commission has the financial, operational, and ratemaking information needed to carry out its regulatory responsibilities to monitor the oil pipeline industry.

7. **EXPLAIN ANY SPECIAL CIRCUMSTANCES RELATING TO THE INFORMATION COLLECTION**

The Commission's rate review responsibilities require the data to be collected annually for consistency purposes. 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. The USofA and the FERC Form No. 6 are an integral part of the Commission's industry regulation.

In addition, the proposed requirements meet all of OMB's section 1320.5 requirements with the exceptions noted below.

a) Retention Period:

In RM99-8-000² the Commission revised its recordkeeping requirements for

public utilities and licensees, natural gas and oil pipeline companies. The records program for oil pipelines is controlled by Part 356 of Title 18 CFR. Oil pipeline companies were formerly required to retain Form 6 filings for ten years. This requirement has been revised and the retention period was reduced to 5 years.

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

The Commission's procedures require that the rulemaking notice be published in the Federal Register, thereby allowing all pipeline companies, state commissions, federal agencies, and other interested parties an opportunity to submit comments, or suggestions

22/ RM99-8-000, Order No. 617, issued July 27, 2000, (1902-0098).

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concerning the proposal. The rulemaking procedures also allow for public conferences to be held as required. On December 15, 2006 a notice of the proposed information collection and request for comments was published in the Federal Register.

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. 6, stating that:

“Data from the FERC Form No. 6 is used by BEA’s Annual Industry Accounts (AIA) for estimating gross output, intermediate input, and value added in the U.S. economy at the industry level for GDP. In the AIA pipeline transportation industry, the primary output indicator is from the September issue of the Oil and Gas Journal which focuses on pipeline economics. One of their primary sources is the FERC Form No. 6 which collects financial and operational information from oil pipeline companies subject to the jurisdiction of the Commission. Without FERC Form No. 6 information for use in the Oil and Gas Journal, it is likely the data provided to BEA by the Journal would be significantly impaired or simply become unavailable. This would require BEA to rely on data of lesser quality. Therefore, BEA supports continuation of the FERC Form 6 data collection program.”

The Commission is appreciative of BEA’s continued support for the Commission’s information collection programs.

9. EXPLAIN ANY PAYMENT OR GIFTS TO RESPONDENTS

There are no payments or gifts to respondents.

10. DESCRIBE ANY ASSURANCE OF CONFIDENTIALITY PROVIDED TO RESPONDENTS

The Commission designed FERC Form No. 6 in a manner such that all information reported is 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.

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

There are no items of confidentiality or questions of a sensitive nature associated with the data requirements proposed on the FERC Form No. 6.

12. ESTIMATED BURDEN OF COLLECTION OF INFORMATION

The annual burden estimate of 28,830 hours for information requirements/collections under FERC Form No. 6, as proposed, is based on the Commission's recent experience with filings of the complete Form 6, and pages 1, 301 and 700. A detailed summary of FERC Form No. 6 burden estimates is shown below:

DATA REQUIREMENT (FERC Form No. 6)	CURRENT OMB INVENTORY	NEW OMB INVENTORY
Estimated		
number of respondents:		159
Estimated number of responses per respondent:	1	155
Estimated number of responses per year	: 159	155
Estimated number of hours per response	: 186	186.0
Total estimated burden (hours per year)	:29,574	28,830
Program change in industry burden hours	:	0
Adjustment change in industry burden hours	:	-774

13. ESTIMATE OF THE TOTAL ANNUAL COST BURDEN TO RESPONDENTS

The estimated annualized filing cost to respondents related only to the data collection/requirements is as follows:

Data Requirement Number	Total Hours Respondent Burden	Employee Hours	Estimated Salary ³⁴ Per Year	=	Total Cost
FERC-Form No. 6	28,830	2080	\$122,137		\$1,692,889

3 The "Salary" per employee with the oil pipeline industry is assumed to be the same as per oil program employee at the Commission based on its appropriated budget for fiscal year 2007.

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 The cost per respondent is \$10,922 (rounded off)

14. ESTIMATED ANNUALIZED COST TO FEDERAL GOVERNMENT

The estimated annualized cost to the Federal government related only to the data collections/requirements are shown below:

Requirement One Year's	Data of Data	Analysis Estimated Total Cost Salary ⁴ ₅
	Number	(FTEs) ⁶ ₅ ⁷
	x <u>per Year</u>	=
	<u>Operation</u>	
	FERC Form No. 6	2.5
	\$122,137	\$ 305,343
FERC Form No. 6 Clearance Totals		<u>\$ 6,039</u> \$ 311,382

The estimated annualized total cost to the Federal Government for all data requirements/collections (including data collection/requirements as proposed in the FERC Form 6 is \$311,582.

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

The reason for the change in the reporting burden to be reported to OMB is a decrease in the number of companies that file the Form No. 6. This decrease is due to consolidation within the industry.

16. TIME SCHEDULE FOR THE PUBLICATION OF DATA

- 5 4/ "Salary" represents the allocated cost per oil program employee at the Commission based on its appropriated budget for fiscal year 2007. The \$122,137 "salary" consists of \$98,876 in salaries and \$23,260.83 in benefits and overhead.
- 6 5 An "FTE" is a "Full Time Equivalent" employee that works the equivalent of 2,080 hours per year.

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The results of this information collection are not published. The time schedule for Form No. 6 is as follows:

Each pipeline company, subject to the provisions of Section 20 of the ICA and having jurisdictional operating revenues exceeding \$500,000 in each of the three immediately preceding calendar years must submit this report form on or before April 18 of the year following the year covered by this report.

17. DISPLAY OF EXPIRATION DATE

The data requirements for FERC Form No. 6 are based on regulations and filed on a formatted form. Thus, the subject data requirements do have an appropriate format to display an OMB expiration date and are posted on the form.

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.