Supporting Statement for
FERC-549C, Standards for Business Practices of Interstate Natural Gas Pipelines
As Proposed in Docket No. RM96-1-030
(Final Rule Issued March 24, 2010)

The Federal Energy Regulatory Commission (Commission) requests Office of Management and Budget (OMB) review and approval of **FERC-549C, Standards for Business Practices of Interstate Natural Gas Pipelines.** FERC-549C is an existing data requirement and in this Final Rule, the Commission is amending Part 284 of its regulations governing standards for conducting business practices with interstate pipelines. The Final Rule was issued on March 24, 2010, in Docket No. RM96-1-030. FERC-549C (OMB Control No. 1902-0174) is currently approved through August 31, 2012.

The subject data collections will be affected because the proposal as implemented, amends the Commission's regulations to prescribe standards for interstate natural gas pipeline business practices and electronic communications (found at 18 CFR § 284.12) and incorporate by reference standards adopted by the Wholesale Gas Quadrant of the North American Energy Standards Board (NAESB).

Specifically the adoption is for standards concerning (1) Index-Based Capacity Release and (2) Flexible Delivery and Receipt Points. The implementation of these standards is necessary to increase the efficiency of the natural gas pipeline grid. Requiring such information ensures both a common means of communication and common business practices in order to provide participants engaged in transactions with interstate pipelines the ability to have timely information and also ensure uniform business procedures across multiple pipelines. Compliance with these standards will require certain changes in interstate pipeline day-to-day business operations.

We estimate that the total one-time annual reporting burden related to the subject Final Rule will be 2,860 hours under FERC-549C. This is equal to an average of 22 hours per company as the Commission adopts the changes proposed in the subject final rule. Following issuance of the final rule and after the affected companies have revised their operations to reflect compliance to these standards as proposed, the burden under FERC-549C would be reduced by 2,860 hours.

All of the proposed changes in the subject Final Rule are provided for under sections 4, 5, 8, 10 and 16 of the Natural Gas Act (NGA) and Title III, section 311 of the Natural Gas Policy Act (NGPA).

Background

Before the industry restructuring was initiated by the Commission in Order No. 636, natural gas pipelines primarily provided a merchant service. A typical pipeline company purchased gas from producers or other suppliers, transported the gas from the supply area to storage fields or sales delivery points, and sold the gas on a “bundled” basis. Now, pipelines are primarily transporters of natural gas.

The physical operation of a pipeline for open-access transportation is much the same as for bundled service. However, in the Commission’s view, the change in the primary role of the pipeline from merchant to transporter requires there be standards/business practices to establish a more efficient and integrated pipeline grid. The subject Final Rule contains amendments to regulations that reflect the current restructured industry and will require certain standardized business practices to facilitate the efficient development of a national pipeline grid system.

The process of standardizing business practices in the natural gas industry began with a Commission initiative to standardize electronic communication of capacity release transactions.[1] The outgrowth of the initial Commission standardization efforts produced working groups composed of all segments of the gas industry and ultimately, the Gas Industry Standards Board (GISB), a consensus organization open to all members of the gas industry was created. GISB was succeeded by the North American Energy Standards Board (NAESB)).

NAESB is a voluntary non-profit organization comprised of members from all aspects of the greater gas industry. NAESB’s mission is to take the lead in developing and implementing standards across the industry to simplify and expand electronic communication, and to streamline business practices. The objective is to lead to a seamless North American marketplace for natural gas, as recognized by its customers, the business community, industry participants and regulatory bodies. NAESB Wholesale Gas Quadrant (WGQ) standards are a product of NAESB.

All of the standards have been adopted by the Commission in the realization that as the industry evolves and uses the standards, additional and amended NAESB WGQ standards will be necessary. Any industry participant seeking additional or amended standards (including principles, definitions, standards, data elements, process descriptions, technical implementation instructions) submits a request to the NAESB office, detailing the change, so that the appropriate process may take place to amend the standards.

[1] Standards for Electronic Bulletin Boards Required under Part 284 of the Commission’s Regulations, Order No. 563, 59 FR 516 (January 5, 1994).

A cold snap in January 2004 in New England highlighted the need for better coordination and communication between the gas and electric industries as coincident peaks occurred in both industries making the acquisition of gas and transportation by power plant operators more difficult. In response to this need, in early 2004, NAESB established a Gas-Electric Coordination Task Force to examine issues related to the interrelationship of the gas and electric industries and identify potential areas for improved coordination through standardization. NAESB developed a number of standards to enhance the coordination of scheduling and other business practices between the gas and electric industries.

Final Rule RM05-5-001, Order No. 698

On June 25, 2007 the Commission amended its open access regulations governing standards for business practices and electronic communications with interstate natural gas pipelines and public utilities. The Commission incorporated by reference certain standards promulgated by the Wholesale Gas Quadrant (WGQ) and the Wholesale Electric Quadrant (WEQ) of the North American Energy Standards Board (NAESB). In Order No. 698, the Commission sought to improve coordination between the gas and electric industries in order to improve communications about scheduling of gas-fired generators.

The coordination and communication required by these standards helps to improve the reliability of both the gas and electric industries by ensuring that all parties have information necessary for the scheduling and dispatch of natural gas-fired generation, and for the scheduling of the natural gas transportation necessary to supply fuel to these generators. The standards, for example, require gas-fired power plant operators and pipelines to establish procedures to communicate material changes in circumstances that may affect hourly flow rates. These standards ensure that pipelines have relevant planning information that will assist in maintaining the operational integrity and reliability of pipeline service, as well as providing gas-fired power plant operators with information as to whether hourly flow deviations can be honored.

The standards further improve communication by requiring electric transmission operators and power plant operators to sign up to receive from connecting pipelines operational flow orders and other critical notices. These standards ensure that operators of the electric grid can stay abreast of developments on gas pipelines that can affect the reliability of electric service. The standards require that, upon request, a gas-fired power plant operator must provide to the appropriate independent electric balancing authority or electric reliability coordinator pertinent information regarding its service levels for gas transportation (firm or interruptible) and for gas supply (firm, fixed or variable quantity, or interruptible). This information assists reliability coordinators in assessing the relative reliability of various gas-fired generators.

NOPR (Docket No. RM96-1-030)

In Order No. 698, the Commission provided clarification and guidance to NAESB regarding Commission policies in the following three areas: (1) uses of gas indices for pricing capacity release transactions; (2) flexibility in the use of receipt and delivery points; and (3) changes to the intraday nomination schedule to increase the number of scheduling opportunities for firm shippers.

On September 3, 2008, NAESB submitted a report to the Commission with respect to these three issues. NAESB's September 2008 report indicated that the WGQ has adopted business practice standards for (1) increasing the flexibility of gas receipt and delivery points and (2) index-based pricing for capacity releases. The standards that NAESB has approved for index pricing for capacity release and for greater flexibility in using receipt and delivery points should assist electric generators as well as other shippers in obtaining firm transportation capacity quickly and effecting changes in the way their gas is used.

Final Rule (Docket No. RM96-1-030)

On March 24, 2010 the Commission issued a final rule amending its regulations to establish standards for interstate natural gas pipeline business practices and electronic communications to incorporate by reference into its regulations the most recent version of the standards, Version 1.9. These standards were adopted by the Wholesale Gas Quadrant (WGQ) of the North American Energy Standards Board (NAESB) and are applicable to natural gas pipelines, with certain enumerated exceptions. This rule upgrades the Commission's current business practice and communication standards to include standards governing Index-Based Capacity Release and Flexible Delivery and Receipt Points and to reflect the Commission's findings in Order Nos. 698, 712, 717 and 682. This rule will increase the efficiency of the pipeline grid and make pipelines' electronic communications more secure.

A. Justification

1. CIRCUMSTANCES THAT MAKE THE COLLECTION OF INFORMATION NECESSARY

FERC-549C

Pursuant to sections 4, 5, and 16 of the Natural Gas Act (NGA), (15 U.S.C. 717c-717o, P.L. 75-688, 52 Stat. 822 and 830), and Title III of the Natural Gas Policy Act (NGPA) (15 U.S.C. 3301-3432, P.L. 95-621), a natural gas company must obtain Commission authorization for all rates and charges made, demanded, or received in connection with the transportation or sale of natural gas in interstate commerce. The Commission is authorized to investigate the rates charged by natural gas pipeline companies subject to its jurisdiction. If, after the investigation, the Commission is of the opinion that the rates are "unjust or unreasonably or unjustly discriminatory or unduly preferential," it is authorized to determine and prescribe just and reasonable rates. The NGA also provides the Commission with a means for considering the reasonableness of rates through settlement conferences or hearings.

Since 1996, in the Order No. 587 series,[2] the Commission has adopted regulations to standardize the business practices and communication methodologies of interstate pipelines in order to create a more integrated and efficient pipeline. In this series of orders, the Commission incorporated by reference consensus standards developed by the WGQ (formerly GISB), a private consensus standards developer. The WGQ is an accredited standards organization under the auspices of the American Standards Institute (ANSI).

FERC-549C was created in Order No. 587 (July 26, 1996, 61 FR 39053) because interstate pipelines were required to adopt certain standards for business practices that required changes in the day-to-day operations. In addition, these standards required pipelines to adopt certain mechanisms for electronic communication between the pipelines and those doing business with the pipelines.

In Order No. 698, the Commission explained that under its regulations, releasing shippers are permitted to use price indices or other formula rates on all pipelines, regardless of whether the pipeline had included a provision allowing the use of indices as part of its discounting provisions.[3] The

[2] Standards for Business Practice of Interstate Natural Gas Pipelines, Order No. 587, 61 FR 39,053 (July 26, 1996), FERC States and Regulations, Regulation Preambles July 1996-December 2000 ¶ 31,038 (July 17, 1996).

[3] An index-based release is a transaction in which the price for capacity is determined by differentials in the value of gas between the upstream and downstream market. As the Commission found in Order No. 637,

Commission asked NAESB to examine standards to help ensure that such releases can be processed quickly and efficiently.

The standards for index-based pricing provide that shippers wishing to release capacity may use a variety of specified indices and methods to evaluate bids. The standards provide that pipelines must support at least two non-public price index references that are representative of receipt and delivery points on its system,[4] and must support all price indices it references in its gas tariff, or general terms and conditions of service. Releasing shippers are permitted to use alternative indices if the releasing shipper provides licenses to the pipeline for the use of those indices. The standards provide that the releasing shipper is responsible for providing the pipeline, and the replacement shipper, with the method of calculating the reservation rate from the index. The pipeline is required to adhere to the standard capacity release timeline for processing releases if the releasing shipper has provided the pipeline with sufficient instructions to evaluate corresponding bids. However, if the offer includes unfamiliar or unclear terms and conditions, or an index not supported by the pipeline, the pipeline may process the release on a slower time frame.

The Commission's regulations require that pipelines permit shippers flexibility to change their receipt and delivery points on both a primary and secondary basis.[5] In its June 27, 2005 report to the Commission, NAESB requested clarification regarding its consideration of a possible standard that would permit shippers to shift gas deliveries from a primary to a secondary delivery point when a pipeline constraint occurs upstream of both points.[6] In Order No. 698, the Commission explained that, under its policies, pipelines must implement within-the-path scheduling under which a shipper seeking to use a secondary delivery point within its scheduling path has priority over another shipper seeking to use the same delivery point but that point is outside of its transportation path, and found that NAESB's proposal regarding scheduling through upstream constraint points appeared consistent with the Commission's regulations and policy.

In its September 3, 2008 filing, NAESB included a standard that would require pipelines to permit shippers to redirect scheduled quantities to other receipt points upstream of a constraint point or delivery points downstream of a

the implicit value of transportation is the most that any person who can purchase gas in the downstream market would pay if it purchased gas in the upstream market and had to transport it to the downstream market. Regulation of Short-Term Natural Gas Transportation Services, and Regulation of Interstate Natural Gas Transportation Services, Order No. 637, FERC Stats. & Regs. ¶ 31,091, at 31,271 (2000).

[4] The Commission understands that NAESB's use of the phrase non-public is to refer to commercial indices that charge subscription or license fees.

[5] 18 CFR 284.221(g) & (h).

[6] See Order No. 698, FERC Stats. & Regs. ¶ 31,251 at P 7-8.

constraint point without a requirement that the quantities be rescheduled through the point of constraint.

NAESB's September 2008 report also states that the WGQ has adopted business practice standards for (1) increasing the flexibility of gas receipt and delivery points and (2) index-based pricing for capacity releases. In addition, despite holding 12 meetings with respect to modifying the intra-day nomination schedule, NAESB reports that none of the proposed standards for revised intra-day nominations achieved a sufficient consensus for adoption.

On July 16, 2009, after a review of the new and revised standards referenced in NAESB's September 2008 Report, the Commission issued a notice of proposed rulemaking that proposed to amend the Commission's regulations at 18 CFR § 284.12 to incorporate by reference the consensus standards adopted by NAESB's WGQ that (1) permit the use of indices to price capacity release transactions and (2) afford greater flexibility on the receipt and delivery points for redirects of scheduled gas quantities.[7] The Commission also noted that the industry was unable to reach consensus on increasing opportunities for intra-day nominations. Seven entities filed comments in response to the July 2009 NOPR.[8]

On September 30, 2009, NAESB filed a report informing the Commission that it had adopted and ratified Version 1.9 of its business practice standards applicable to natural gas pipelines.[9] The Version 1.9 standards are the result of a continuing effort by NAESB's WGQ and the gas industry to add additional specificity and functionality to gas standards. For example, the Version 1.9 Business Practice Standards now include communication standards and protocols concerning the use of index-based pricing for capacity releases, which the Commission proposed to adopt in the July 2009 NOPR, and new standards adopted in response to Order Nos. 698, 712, 717 and 682. In addition, these new and modified standards now support the ability of pipelines to redirect gas around constraints, provide additional gas quality and transactional reporting, and add new information posting requirements for web sites and browsers.

On November 19, 2009, the Commission issued a notice of proposed rulemaking that proposed to amend the Commission's regulations at 18 CFR 284.12 to incorporate by reference the latest version (Version 1.9) of consensus

[7] Standards for Business Practices for Interstate Natural Gas Pipelines, Notice of Proposed Rulemaking, 74 FR 36633 (July 24, 2009), FERC Stats. & Regs. ¶ 32,645 (July 16, 2009) (July 2009 NOPR).
[8] The entities that filed comments and the abbreviations used in this Final Rule to identify these entities are listed in Appendix A.
[9] The business practice standards addressed in the July 2009 NOPR are included as part of the Version 1.9 Standards.

business practice standards adopted by NAESB's WGQ applicable to natural gas pipelines.[10] Three entities filed comments in response to the Nov. 2009 NOPR.[11]

After a review of the comments filed in response to the two NOPRs, the Commission is amending part 284 of its regulations to incorporate by reference Version 1.9 of the NAESB WGQ's consensus standards, with the two exceptions noted in the Nov. 2009 NOPR

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

The Commission's ongoing work with the WGQ is aimed at simplifying the process of transacting business across the interstate natural gas pipeline and transmission grids. If transactions are easier and less costly, customers should have greater flexibility. The proposed revisions to the standards and the data sets reflects an attempt to improve and restructure services and operations and further streamline the way pipelines receive and send important information.

The Commission is incorporating by reference the standards developed by NAESB with respect to index pricing and to flexible receipt and delivery points.[12] The Version 1.9 Standards include communication standards and protocols related to the business practice standards dealing with index-based capacity release, which the Commission proposed to adopt in the July 2009 NOPR, and new standards adopted in response to Order Nos. 698, 712, 717 and 682. These new and modified standards provide additional flexibility to shippers. The standards create a uniform method that will enable releasing and replacement shippers to use third-party rate indices to create rate formulas for capacity releases that will better reflect the value of capacity. These standards also reflect a reasonable compromise for dealing with copyright issues that arise in using copyrighted gas indices to set prices, ensuring that shippers have a reasonable choice of available indices to use while equitably spreading the costs entailed by the use of such indices among the pipelines and shippers. The standard for the use of flexible receipt and delivery points will enable all shippers to quickly and efficiently redirect gas when such gas may be needed by gas generators or other shippers. In addition, the standards will provide for more uniform reporting for gas quality and new information posting

[10] Standards for Business Practices for Interstate Natural Gas Pipelines, Notice of Proposed Rulemaking, 74 FR 62261 (Nov. 27, 2009), FERC Stats. & Regs. ¶ 32,649 (Nov. 19, 2009) (Nov. 2009 NOPR).
[11] See supra n.6.
[12] The WGQ adopted the following changes to its standards: for index-based pricing of capacity release transactions, it modified WGQ Standards 5.3.1, 5.3.3, and 5.3.26, added WGQ Definitions 5.2.4 and 5.2.5, and added WGQ Standards 5.3.61, 5.3.62, 5.3.62a, 5.3.63, 5.3.64, 5.3.65, 5.3.66, 5.3.67, 5.3.68, and 5.3.69; and for flexible points of receipt and delivery, it added WGQ Standard 1.3.80.

requirements for web sites and browsers. Adoption of the Version 1.9 Standards will continue the process of updating and improving NAESB's business practice standards for the wholesale gas market.

The data filed under FERC-549C is to ensure that pipelines have the appropriate information and can communicate this information. FERC-549C as noted above was created to implement standards that would have mechanisms in place for electronic communication as well as standards governing business practices in day-to-day operations. The information required under FERC549C is not filed with the Commission but instead posted on the pipelines' Web sites.

The Commission's Office of Energy Market Regulation and the Office of General Counsel will use the data in rate proceedings to review rate and tariff changes by natural gas pipelines for the transportation of gas, for general industry oversight, and to supplement the documentation used during the Commission's audit process.

Failure by the Commission to collect this information would mean that it is unable to monitor and evaluate transactions and operations of interstate pipelines and perform its regulatory function of the transmission and sale of natural gas for resale in interstate commerce and also reducing barriers to trade between markets and among regions.

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

There is an ongoing effort to determine the potential and value of improve of information technology to reduce burden. As noted above, the Commission does not receive any of the information under FERC-549C data requirements as information required to be obtained due to revised standards and data sets are posted on the pipelines' Internet sites. GISB and its successor NAESB developed standards for accomplishing electronic commerce over the Internet for Electronic Delivery Mechanisms including ANSI ASC X12 (EDI), flat files and Customer Activities Web site presentations (EBB). Technologies have been established to reliably and safely move data across the Internet.

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.

Commission 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 the duplication. To date, no duplication of the proposed data requirements has been found. The Commission's 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 THE COLLECTION OF INFORMATION INVOLVING SMALL ENTITIES

There are no small businesses that are impacted under the FERC-549C reporting/data requirements. The proposed business standards, practices and procedures will impact the day-to-day operations of major and a few non-major natural gas companies whose operational thresholds are above the small business standards. In this regard, the Commission notes that under the industry standards used for the Regulatory Flexibility Act (RFA), a natural gas pipeline company qualifies as a small "entity" if it had annual receipts of $7.0 million or less. Most companies regulated by the Commission do not fall within the RFA's definition of a small entity. Approximately 130 natural gas companies (including storage) would be subject to data collection FERC-549C (Standards) reporting requirements. Nearly all of these entities are large entities. For the year 2008 (the most recent year for which information is available), only five companies not affiliated with larger companies had annual revenues of less than $7.0 million, which is about three percent of the total universe of potential respondents. Moreover, these requirements are designed to benefit all customers, including small businesses. As noted above, adoption of consensus standards helps ensure the standards are reasonable by requiring that the standards development draws support from a broad spectrum of industry participants representing all segments of the industry.

6. CONSEQUENCES TO FEDERAL PROGRAM IF THE COLLECTION OF INFORMATION WERE CONDUCTED LESS FREQUENTLY

The proposed changes in business practices under section 284.12 of the Commission's regulations would require interstate pipelines to adopt certain standards promulgated by the Wholesale Gas Quadrant of NAESB. The Commission is seeking to standardize the business practices and communication protocols. However, it is not specifying the frequency with which the information should be communicated. The information is generated on an event basis only.

7. EXPLAIN ANY SPECIAL CIRCUMSTANCES RELATING TO THE INFORMATION COLLECTION

These program requirements meet all of OMB's section 1320.5 requirements. As noted above, the information collections under FERC-549C are not submitted to the Commission.

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 concerning the proposal. The rulemaking procedures also allow for public conferences to be held as required.

As noted above, the Commission is adopting the standards developed by NAESB, specifically the NAESB WGQ business practice standards providing for coordination and communication between natural gas pipelines. In this Final Rule, the Commission is incorporating by reference voluntary consensus standards developed by the WGQ.

In section 12(d) of the National Technology Transfer and Advancement Act of 1995 (NTT&AA)[13], Congress affirmatively requires federal agencies to use technical standards developed by voluntary consensus standards organizations, like NAESB, as means to carry out policy objectives or activities unless the use of such standards would be inconsistent with applicable law or otherwise impractical. NAESB approved the standards under its consensus procedures. (The Office of Management and Budget Circular A-119 (§11)(February 10, 1998) provides that federal agencies should publish a request for comment in a NOPR when the agency is seeking to reissue or revise a regulation proposing to adopt a voluntary consensus standard or a government-unique standard).

On September 3, 2008 as noted above, NAESB submitted a report to the Commission concerning the issues raised in Order NO. 698. NAESB reported its membership conducted thirteen subcommittee meetings, many of which were multi-day meetings, held in a one year period from June 2007 to July 2008. While

[13] Pub. L. No. 104-113, section 12(d), 110 Stat. 775 (1996), 15 U.S.C. 272 note (1997).

the standards discussed related only to gas issues, NAESB stated that all interested parties including the Wholesale Electric Quadrant membership were asked to participate and make their perspectives known. Two hundred participants, including many from the electric industry, participated in these meetings.

NAESB approved the new and modified standards and related definitions under its consensus procedures.[14] Adoption of consensus standards is appropriate because the consensus process helps to ensure the reasonableness of the standards by requiring that the standards draw support from a broad spectrum of all segments of the industry. Moreover, since the industry itself has to conduct business under these standards, the Commission's regulations should reflect those standards that have the widest possible support.

The comments on both NOPRs generally supported the adoption of the standards. (The Commission received seven comments in response to the most recent NOPR.)

Waivers of the Index-Based Capacity Release Pricing Standards

Carolina Gas Transmission Company (Carolina) does not object to incorporation of the capacity release index-based standards, but stated that "substantial costs and administrative burdens would be imposed on Carolina unnecessarily if it was required to fulfill all of the requirements of the standards adopted by NAESB to address index-based capacity releases."[15] Furthermore, Carolina stated that in almost three years of operation as an interstate pipeline, no shipper has requested index-based pricing for a capacity release on Carolina's system, and Carolina itself has not sold capacity on its system using index prices. In addition, Carolina stated that because of its small staff, the time and cost of implementing the standards would far exceed the estimates of the NOPR.[16]

Carolina concluded by stating that as long as a pipeline supports index based capacity releases in a manner adequate to its circumstances and the needs of its shippers, the Commission's policies would be fulfilled. Alternatively, the Commission, in its final rule, should indicate its willingness to grant waivers of the capacity release standards to pipelines operating under the circumstances and needs of its shippers.[17]

[14] This process first requires a super-majority vote of 17 out of 25 members of the WGQ's Executive Committee with support from at least two members from each of the five industry segments – Distributors, End Users, Pipelines, Producers, and Services (including marketers and computer service providers). For final approval, 67 percent of the WGQ's general membership voting must ratify the standards.
[15] Carolina Comments (Docket No. RM96-1-030) at 2.
[16] Id. at 3.
[17] Id. at 5.

American Gas Association (AGA) supports Carolina' argument on the availability of waivers, and argued that, to the extent the particular circumstances of an individual pipeline warrants additional time to implement these standards, the pipeline should seek a waiver of the regulations. In this regard, AGA believes the Commission should consider Carolina's concerns described in their comments regarding their specific circumstances in an individual proceeding on a request for waiver as opposed to revising the Final Rule to address potential implementation issues.[18]

Commission's Response

Determining whether a waiver or extension of time, or whether a non-standard process may be appropriate for an individual pipeline based on their particular circumstances cannot be determined generically in a final rule. Carolina needs to raise such issues in its compliance filing or in a request for waiver, so that its shippers will have an opportunity to intervene and raise any concerns with Carolina's proposals.

Issues on Which Consensus Could Not Be Reached

A. Intra-Day Nominations

In the July 2009 NOPR,[19] the Commission determined not to propose regulations to resolve a disputed issue relating to revising the schedule for intra-day nominations. The Commission's regulations provide that nominations by shippers with firm transportation service have priority over nominations by shippers with interruptible service.[20] In Order No. 587-G,[21] issued in 1998, the Commission, however, followed the Gas Industry Standards Board[22] consensus and permitted pipelines with three intra-day nomination opportunities to exempt the last intra-day opportunity from bumping. The Commission found that the consensus created a fair balance between firm shippers, who will have had two opportunities to reschedule their gas, and interruptible shippers and will provide some necessary stability in the nomination system, so that shippers can be confident by mid-afternoon that they will receive their scheduled flows.

The NAESB standards currently provide shippers four nomination opportunities: the Timely Nomination Period (11:30 am CCT[23] the day prior to gas

[18] AGA Reply Comments (Docket No. RM96-1-030) at 5.
[19] July 2009 NOPR at P 6, 19-20.
[20] 18 CFR 284.12 (b)(1)(i).
[21] Standards for Business Practices of Interstate Natural Gas Pipelines, Order No. 587-G, 63 FR 20072 (Apr. 23, 1998), FERC Stats. & Regs. ¶ 31,062, at 30,672 (1998).
[22] At that time, NAESB was the Gas Industry Standards Board and had not yet expanded to include the electric industry or the retail gas and electric segments.
[23] Central clock time.

flow), the Evening Nomination Cycle (6 pm CCT the day before gas flow); Intra-Day 1 (10 am CCT the day of gas flow); and Intra-Day 2 (5 pm CCT the day of gas flow). A firm nomination for the first three nomination cycles has priority over (can bump) an already scheduled interruptible (IT) nomination. But at the Intra-Day 2 cycle, a firm nomination will not bump already scheduled interruptible service.

Cycle	Nomination Time (CCT)	Nomination Effective	Bumping IT	Bumping Notice	Schedule Confirmed
Timely	11:30 am	Day-Ahead	Yes	4:30 pm	4:30 pm
Evening	6 pm	Day-Ahead	Yes	10 pm	10 pm
Intra-Day 1	10 am	Day of	Yes	2 pm	2 pm
Intra-Day 2	5 pm	Day of	No	NA	9 pm

A number of parties urged NAESB to consider revising these timelines to better coordinate scheduling for the gas and electric industries. The NAESB committee held 12 meetings and considered a wide variety of possible revisions to the nomination schedule adopted in 1998. These included complete revisions of the timeline, including changing the gas day; adding intra-day nomination opportunities within the existing framework; changing the Intra-Day 2 to a bump nomination while adding an additional no-bump nomination period, and merely changing the Intra-Day 2 cycle to a bumpable nomination. None of these proposals achieved a sufficient consensus at the subcommittee level.

In the July NOPR, the Commission did not propose to resolve the dispute, finding that "a simple, one-size fits-all solution does not exist that will solve the complex issue of coordinating between the electric and gas industries, [because] the diversity within the electric industry (e.g., differing timelines, system peaks times, generation mixes, and prevalence of firm gas service), in particular, does not suggest that revising gas scheduling procedures is the most effective means to improve coordination."[24] Based on the extensive NAESB record reviewed the Commission, it is not convinced that it has a sufficient basis for finding that any of the proposed revisions create a superior balance of interests compared with the original consensus.[25]

Natural Gas Supply Association (NGSA) supported the Commission's proposal to not impose a generic change to the intra-day nomination timeline of all pipelines.[26] New Jersey Natural Gas (NJN)/Public Service Enterprise Group (PSEG) also supported the Commission's decision to not adopt any changes to its

[24] July 16 NOPR at P 21 (citing NAESB September 3, 2008 filing at 26, Comments of Interested LDCs, http://naesb.org/pdf3/wgq_060308ldc.pdf).

[25] For example, we do not know the costs to the pipelines and practical implications to shippers or others of creating more numerous intra-day nomination opportunities or adding a late nomination period well after normal business hours.

[26] NGSA Comments (Docket No. RM96-1-030) at 3.

current regulations and policies regarding intra-day nominations. These commenters noted that the lack of consensus among NAESB participants only underscores the concerns the gas industry has with proposed changes to the current NAESB gas nomination timeline.[27]

By contrast, Tennessee Valley Administration (TVA) disagreed with the Commission's proposal to maintain the status quo regarding intra day nomination regulations. TVA stated that, due to an ever increasing amount of renewable resources and their intermittent nature, it is crucial for the electric and gas industry to coincide their scheduled loads in order to maintain both flexibility and reliability.[28] TVA urged the Commission to postpone this ruling until more information is gathered on this issue[29] and requested that a technical conference be convened to on this matter.[30]

Arizona Public Service Company (APS) also stated that maintaining the status quo is not an option, and that the NAESB gas nomination timeline must be modified. It further stated that the only proposal that currently accomplishes objectives such as pipeline infrastructure development, greater access to firm capacity, enhanced reliability, and reduced risk for shippers is the APS/TVA proposal. It stated that absent approval of the APS/TVA proposal, NAESB cannot make further progress without policy guidance from the Commission on the issues of: 1) whether the no bump rule, in its entirety, should be eliminated; and/or 2) if the no bump rule is maintained, what is the minimum amount of hours that interruptible service should be guaranteed to flow, and does the minimum amount of flow have to be as a result of the last cycle of the day.[31]

NGSA urged the Commission to deny the request of TVA and others to schedule a technical conference on the issue of intraday pipeline nomination schedules. In this regard, NGSA asserted that NAESB had an extensive and open process to consider the various proposed modifications to the timelines. In the end, no consensus approach was approved. However, despite the significant NAESB efforts, parties are now asking for a technical conference. In NGSA's view, such a conference would be unnecessary and redundant,[32] and the Commission should adhere to its proposal. NGSA concluded that no compelling reason has been shown why the Commission should not accept the comprehensive NAESB process.

Commission's Response

[27] NJN/PSEG Comments (Docket No. RM96-1-030) at 8-9.
[28] TVA Comments (Docket No. RM96-1-030) at 2.
[29] Id. at 1.
[30] TVA at 2.
[31] APS Comments (Docket No. RM96-1-030) at 7.
[32] NGSA Comments (Docket No. RM96-1-030) at 5.

The comments on this issue reveal the same kinds of disagreements that surfaced in the NAESB process, and the Commission still does not see that any nationwide scheduling solution is superior to the balance between firm and interruptible service created by the existing standards. Having a last No-bump nomination opportunity provides necessary stability to the nomination system by ensuring that interruptible shippers can be bumped only at the Intra-Day I nomination cycle during the business day and so will have an opportunity to reschedule their gas. Furthermore, some electric generators rely on interruptible transportation of natural gas to supply fuel; changing the intra-day nomination rules would not constitute an improvement in gas-electric coordination. Moreover, because these nationwide standards cover four time zones, and already extend to 10 pm East Coast time, we do not believe that extending the No-bump cycle even later in the night is a reasonable alternative. As the Commission stated in the NOPR, individual pipelines may be able to offer special services or increased nomination opportunities that will better fit the profile of gas fired generation. Given the extensive comments during the NAESB process and those filed here, the Commission sees little benefit from holding a technical conference on this issue.

B. Gas Quality Posting

NAESB modified Gas Quality Standards Nos. 4.3.90 and 4.3.92 and also added a new gas quality standard. However, NAESB reported that two proposed gas quality standards failed to pass as a result of a single segment failing to approve the standard. One of the blocked standards would have required a pipeline that currently does not post a Wobbe number[33] to post gas quality information on its web site and to calculate and post a Wobbe number when notified by a Service Requestor of its desire to begin discussing the interchangeability of gas supplies. The other blocked standard would have added to an existing requirement that pipelines propose an additional requirement that three months of historical gas quality data be downloadable based on a given date range. The Commission proposed to take no action on these blocked standards.

AGA noted that, in the Nov. 2009 NOPR, the Commission did not propose to require the incorporation of standards regarding the posting of gas quality information. AGA urged the Commission to reconsider, and argued that, when there is strong support within four industry segments for a proposed NAESB

[33] The Wobbe number or Wobbe index is named after Goffredo Wobbe, an Italian physicist who developed a formula to compare the characteristics of two gasses. The Wobbe index is a measure of the physical combustion characteristics of natural gas used in the natural gas industry to ensure that natural gas from different sources is compatible with gas-burning equipment in a particular service area. See Williams, Technical Background and Issues of Gas Interchangeability, 27 (AGA Staff Paper, 2006) (http://www.aga.org/NR/rdonlyres/C9D9FB1D-E244-4B9D-9C67-5FA74C24A8E0/0/0604GASINTERCHANGEABILITYSTAFFPAPER.pdf.).

standard, but a single segment blocks the initiative, such a proposal cannot be fairly characterized as lacking support.[34] AGA also argued that the Commission should take a closer look at the standards and make a determination on the merits as to whether the benefits achieved by the transparency of gas quality information and the efficiency associated with the standardized practices as to posting the information would outweigh the burden of the incorporation of such standards.[35]

AGA maintained that the standard requiring pipelines to calculate the Wobbe number is consistent with the Commission's reliance on the Natural Gas Council's White Paper on Natural Gas Interchangeability and Non-Combustion End Uses. AGA contends that the White Paper concluded that "the Wobbe Number provides the most efficient and robust single index and measure of gas interchangeability," and AGA argued shippers have a critical need for the Wobbe number. AGA also argued that the blocked posting standard would allow shippers to obtain information based on a given date range which will allow shippers to compare gas quality information over different periods of time.

AGA also recommended that the Commission consider the merits of posting historical gas quality information based on a given date range so that shippers could compare gas quality information over different periods rather than the NAESB standard which require information by location for a three month period.[36]

Commission Determination

In the past, the Commission has resolved disputes at NAESB, and adopted its own standards, when the Commission found that the standards are sufficiently important to warrant such intervention.[37] The Commission has examined the substance of these gas quality standards, as it noted in the NOPR, and the Commission has reached the conclusion that these particular standards do not warrant such intervention. AGA has not provided convincing reasons that these standards are as important to the operation of the pipeline grid as the standards on which the Commission intervened in the past or that the benefits of these standards outweigh the burdens.

The Commission does not currently require pipelines to use the Wobbe number in calculating gas quality. It is not clear, and AGA has not demonstrated, that a widespread need to compare gas quality across pipelines exists, that all

[34] AGA Comments (Docket No. RM96-1-036) at 6.
[35] Id. at 6-7.
[36] Id. at 8-9.
[37] See Order No. 587-G, 63 FR 20072 (Apr. 23, 1998), FERC Stats. & Regs. ¶ 31,062 (adopting Commission regulations regarding priority between firm and interruptible service, operational balancing agreements, and imbalance netting and tradng).

pipelines actually collect information that permit them to calculate a Wobbe number, that the best or only way to make such a comparison is using the Wobbe number, or that the few shippers with a need for such a comparison cannot reasonably make comparisons based on existing information. The Commission therefore sees insufficient justification for imposing a burden on pipelines to calculate a Wobbe number when the Wobbe number has no significance to their systems.

With respect to the blocked standard regarding downloading, the existing NAESB standards, 4.3.90, 4.3.91, and 4.3.92, already require pipelines to provide a downloadable file, with a standardized file format, of gas quality information for each identified location for a three month period. The Commission therefore sees no need for its intervention on the question of whether it is more efficient for the pipeline or the shipper to select the date range from the data provided. Moreover, because pipelines' gas quality requirements differ markedly, some issues regarding gas quality, including the use of the Wobbe number and individual posting requirements keyed to the specific gas quality conditions on a pipeline can be better addressed in individual Commission proceedings involving gas quality when relevant.

9. EXPLAIN ANY PAYMENT OR GIFTS TO RESPONDENTS

There are no payments or gifts to respondents in the proposed rule.

10. DESCRIBE ANY ASSURANCE OF CONFIDENTIALITY PROVIDED TO RESPONDENTS

The Commission generally does not consider the data posted concerning standardized business procedures to be confidential. Specific request for confidential treatment to the extent permitted by law will be entertained pursuant to 18 C.F.R. section 388.112.

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

There are no questions of a sensitive nature associated with the standardized business procedures proposed in the subject NOPR.

12. ESTIMATED BURDEN OF COLLECTION OF INFORMATION

The annual (one-time) burden estimate of 2,860 hours (an average of 22 hours per company) for information requirements/collections under FERC-549C, as proposed in the subject Final Rule, is based on the Commission's recent experience with establishing the standards in previous GISB/NAESB rulemaking dockets. Following one-time implementation of the proposed standards and practices, the burden under FERC-549C would be reduced by 2,860 hours. (The Commission did not receive any comments in response to its initial estimate in the NOPR.)

In the NOPR-

Data Collection	No. of Respondents	No. of Responses per Respondent	Hours Per Response	Total Number of Hours
FERC-549C	126	1	12	1,512

Total Annual Hours for Collection (Reporting and recordkeeping (if appropriate)) = 1,512.

DATA REQUIREMENT FERC-549C	**Current OMB Inventory***	**Proposed in NOPR 030**	**New OMB Inventory**
Estimated number of respondents	**126**	**126**	**126**
Estimated number of responses per respondent	**4.85**	**1**	**4.58**
Estimated number of responses per year	**611**	**126**	**611**
Estimated number of hours per response	**1,748.95**	**12**	**1,751.4206**
Total estimated burden (hours per year	**1,068,606**	**1,512**	**1,070,118**
Program Change in burden hours		**+1,512**	
Adjust. change in burden hours			

***OMB Inventory as of 8/3/09**

In the FINAL Rule-

Data Collection	No. of Respondents	No. of Responses per Respondent	Hours Per Response	Total Number of Hours

FERC-549C	130	1	22	2,860

Total Annual Hours for Collection (Reporting and recordkeeping (if appropriate)) = 2,860. There is an adjustment to the estimates present in the NOPR and a staff reassessment on the length of time to implement the standards. This reassessment is due for tasks involved in implementing and posting the information contained in the standard for flexible receipt and delivery points.

Data Requirement FERC-549C	**Current OMB Inventory**	**Proposed in NOPR-030**	**Proposed in Final Rule-030**	**New OMB Inventory**
Estimated No. Respondents	126	126	130	130
Estimated No. Responses per respondent	4.85	1	1	4.85
Estimated No. of Responses per year	611	126	130	630.4350
Estimated No. hours per response	1,748.95	12	22	1,700.739
Total estimated burden (hrs. per year)	1,068,606	1,512	2,860	1,071,466
Program Change in burden hours		+1,512	+2,772	+2,772
Adjustment change in burden hours		0	+88	+88

***OMB Inventory as of 1/25/10**

13. ESTIMATE OF THE TOTAL ANNUAL COST BURDEN TO RESPONDENTS

The estimated annualized one-time filing/startup cost to respondents related only to the data collection/requirements as proposed in the subject NOPR is as follows:

	FERC-549C
Annualized Capital/Startup Costs	$429,000
Annualized Costs (Operations & Maintenance)	$ 0
Total Annualized Costs	$429,000[38]

Implementation of the Final Rule as adopted without any further changes, the $429,000 will be added to $12,743,010, total costs for all respondents or $13,172,010.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

The estimated annualized cost to the Federal Government related only to the data collection/requirements as proposed in the subject NOPR are shown below:

Data Requirement Number	Analysis of Data (FTEs)[39]	Estimated Salary Per Year[40]	FERC Forms Clearance	Total Cost One year's Operation
FERC-549C	**.25**	**$137,874**	**$-0-**	**$34,469**

Total Costs =$34,469 (Final Rule). Total Costs including Final Rule for FERC-549C = $255,641.

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

This Final Rule, as implemented, will upgrade the Commission's current business practice and communication standards to provide for greater accessibility to fuel in times of scarcity and rules to allow for alternative indices to establish rates for capacity release to better reflect the value of that capacity. The

[38] The total annualized cost for the information collections is $ 429,000. This number is reached by multiplying the total hours to prepare a response (hours) by an hourly wage estimate of $150 (a composite estimate that includes legal, technical and support staff rates). $429,000= $150 x 2,860.

[39] An "FTE" is a "Full Time Equivalent" employee that works the equivalent of 2,080 hours per year.

[40] Salary" represents the allocated cost per gas program employee at the Commission based on its appropriated budget for fiscal year 2010. The $137,874 "salary" consists of $110,299.64 in salaries and $27,57.61 in benefits

implementation of these standards will permit greater flexibility by providing a reasonable choice of available indices to use while simultaneously providing a greater equalization of costs for their use. Incorporation of the standard for use of flexible receipt and delivery points allows for the efficient redirection of gas when it may be needed by gas-fired generators or other shippers thereby improving the reliability in both the electric and gas industries.

16. TIME SCHEDULE FOR PUBLICATION OF THE DATA

The time schedule for FERC-549C "Standards for Business Practices of Interstate Natural Gas Pipelines" is shown below.

Schedule for Data Collection and Analysis

Activity	Estimated Completion Time

In their comments on the July NOPR, AGA, NJN/PSEG and NGSA supported prompt implementation of the index based capacity release standard and the standards providing greater flexibility for using alternate receipt and delivery points so that shippers can benefit from the enhanced flexibility and improved efficiency that the standards provide.[41] Interstate Natural Gas Association of America (INGAA) urged the Commission to defer requiring implementation of the index based capacity release standards and receipt and delivery point standards until after the Commission completed its consideration of NAESB WGQ Standards Version 1.9, so that pipelines can implement these standards once.[42] El Paso urged the Commission to implement the index-based capacity release and flexible delivery and receipt point standards six months after the effective date of the Version 1.9 Standards.[43] TVA also argued that the Commission should postpone deciding on the proposals in the July 2009 NOPR due to the fact that NAESB will file the WGQ Version 1.9 Standards in the near future.

Commission's Response

The Commission has sought to balance the interests of the parties by acting quickly on the November NOPR and adopting Version 1.9 of the standards. This ensures that shippers can utilize the flexibility provided by the index based releases and the improved point right authority, but at the same time resolves the pipelines' concerns by minimizing their costs through a single implementation.

[41] AGA Comments (Docket No. RM96-1-030) at 2-3, Reply Comments at 1-7; NJN/PSEG Comments (Docket No. RM96-1-030) at n.2; NGSA Comments (Docket No. RM96-1-030) at 3.
[42] INGAA Comments (Docket No. RM96-1-030) at 1, Answer at 2-3.
[43] El Paso Comments (Docket No. RM96-1-036) at 1.

In addition, the Commission has noticed that pipelines propose to incorporate the NAESB standards in a variety of non-standard ways. For example, pipelines often file to renew requests for waivers or extensions of time with respect to particular standards without providing a citation to the order or notice in which the initial waiver or extension was granted. As a result, both Commission staff and the public have difficulty reviewing the compliance filings.

To ease the burden of compliance review, the Commission therefore will specify certain format requirements applicable to the compliance filings. Pipelines must include in their transmittal letter a table of all the NAESB standards incorporated by reference and a cross-reference to the tariff provision (whether revised or not) in which that standard is contained. For standards that are not incorporated by reference, the pipelines also should identify the tariff provision that complies with that standard.[44] Where applicable, pipelines shall also include a table of prior standards for which waivers or extensions of time were granted along with citations to the relevant orders or notices granting those waivers or extensions of time.

The Commission does not publish this information. As noted above, the information contained under FERC-549C but instead information to implement the standards is posted on the natural gas pipelines Internet sites.

17. DISPLAY OF EXPIRATION DATE

Not applicable. The data requirements under FERC-549C are based on regulations and not filed on formatted/printed forms. Therefore, the subject data requirements do not have an appropriate format to display an OMB expiration date.

18. EXCEPTIONS TO THE CERTIFICATION STATEMENT

There are exceptions to the Paperwork Reduction Act Submission Certification. The Commission does not use statistical methodology for either FERC-545 or FERC-549C. In addition and as in noted in item no. 17 above, FERC-549C have an appropriate format to display an OMB control no.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable to FERC-549C.

[44] We note that Standards 1.3.2 and 5.3.2 should be included in the pipelines' tariffs.