

**SUPPORTING STATEMENT FOR
FERC Form No. 73, Oil Pipeline Service Life Data**

The Federal Energy Regulatory Commission (FERC or Commission) requests that the Office of Management and Budget (OMB) review and extend its approval of FERC Form No. 73, "Oil Pipeline Service Life Data", for a three year period.

The estimated reporting burden per response for FERC Form No. 73 (OMB Control No. 1902-0019) has not changed; however, the estimated cost per industry employee to comply with the reporting requirements has increased resulting in a higher total annualized cost than previously reported.

A. Justification

1. CIRCUMSTANCES THAT MAKE THE COLLECTION OF INFORMATION NECESSARY

Oil pipelines are common carriers. As such, they must provide transportation service to anyone who requests. Congress gave the Commission jurisdiction over oil pipeline rates, charges and valuations in Pub. L. 103-272, Sec. 60502 (1994).¹ FERC regulations for oil pipeline rate methodologies and procedures are in Part 342 of Chapter 18 of the Code of Federal Regulations (18 C.F.R.).

Section 342.2 of the Commission's regulations specifies that pipelines establish initial rates for new service in one of two ways. The first way is by filing cost, revenue, and throughput data supporting the rate. The second way is to provide a sworn affidavit that the rate is agreed to by at least one non-affiliated shipper intending to use the service. Importantly, if a protest to the initial rate is filed, the carrier must file cost, revenue, and throughput data so FERC can determine whether the rate is just and reasonable. If the initial rates for new service are for a pipeline which has other pipeline assets, the FERC uses Form No. 73 to ensure

¹ To Revise, Codify and Enact Without Substantive Change Certain General and Permanent Laws, Related to Transportation, as Subtitles II, III, and V-X of Title 49, U.S.C., "Transportation", and to Make Other Technical Improvements in the Code, 49 U.S.C. Sec. 60502 (July 5, 1994). This Act repealed Department of Energy Act Sections 306 and 402 under which the Interstate Commerce Commission transferred to, and vested, in the Commission all functions and authority over rates or charges for the transportation of oil by pipeline including the establishment of valuations of any such pipeline, Pub. L. 95-91 (Aug. 4, 1977).

that the service life of the facilities being used for the new service is accounted for appropriately.

The Commission's regulations governing FERC Form No. 73 "Oil Pipeline Service Life Data" are contained in 18 C.F.R. § 357.3 (Attachment A).

In [Order No. 561](#),² the Commission determined that pipeline depreciation studies would be performed by oil pipeline companies. Prior to the order, the Commission had been performing depreciation studies to establish revised depreciation rates for oil pipelines. The Commission determined that this task unnecessarily burdened Commission's resources. The Commission's regulations pertaining to depreciation accounting, are in 18 C.F.R. Part 352, General Instruction 1-8 (b)(2), and those for depreciation studies are in 18 C.F.R. Part 347, Oil Pipeline Depreciation Studies.

In Order No. 571,³ the Commission modified the process by which oil pipeline companies are assigned depreciation rates. In that order, the Commission made it the responsibility of the oil pipeline companies to request new or modified depreciation rates when needed. The order also promulgated the regulations under which the submittals would be made and detailed the information needed to process such requests made by the companies.⁴

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

The information collected is used by the Commission to establish oil pipeline depreciation rates based on the physical properties of a pipeline's equipment.

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² [Revisions to Oil Pipeline Regulations Pursuant to the Energy Policy Act of 1992](#), (Oct. 22, 1993), FERC Stats & Regs ¶ 30,985 (1991-1996), [order on reh'g](#); Order No. 561-A, (July 28, 1994), FERC Stats & Regs ¶31,000 (1991-1996).

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³ [Cost-of-Service Reporting and Filing Requirements for Oil Pipelines](#), FERC Stats. & Regs. ¶31,006 (1994); [order on reh'g](#), RM94-2-00; Order No. 571-A, RM94-2-001, [Order on reh'g and clarification](#), (Dec. 28, 1994), FERC Stats. & Regs. ¶31,012 (1994).

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⁴ See 18 C.F.R. Part 347 (Attachment B).

Depreciation rates are a factor in a pipeline's transportation cost of service. As such, companies are required to submit FERC Form No. 73 when requesting Commission approval of: (1) the establishment of depreciation rates for new pipeline equipment or (2) revision of previously approved depreciation rates, when the depreciation is based on the physical properties of the pipeline company's assets. The Commission may also request an oil pipeline company to submit a FERC Form No. 73 filing during a depreciation rate investigation.

If the data contained on FERC Form No. 73 were not compiled and submitted to FERC for review, there would be no basis for establishing or revising the depreciation rate factor in a pipeline's cost-of-service calculation. FERC would not be able to evaluate the data pipelines provide related to the service life of facilities being used to charge a rate and the revenue effects of depreciating the costs of those facilities.

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

In May 2005, FERC issued Order No. 656 and amended FERC Form No. 73 instructions to allow for filing on a diskette in a spreadsheet file format. Order No. 656 also eliminated the filing requirement for utility codes which were no longer used by the Commission, and updated the filing instructions to delete references to outdated filing formats.⁵ Currently, Form No. 73 can be filed electronically via the Commission's eFiling system. FERC will continue to evaluate filings to identify ways to reduce the burden on filings it receives.

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 for the FERC Form No. 73 are reviewed every three years as the Commission's authorization from OMB to collect the data nears expiration. There are no similar sources of information available that can be used or modified for the purpose of oil pipeline depreciation studies.

⁵ Revision of FERC Form No. 73 Oil Pipeline Data Filing Instructions. Order No. 656, 70 FR 34343, (June 14, 2005), FERC Stats and Regs. Preambles ¶ 31,183(2005).

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

This data collection imposes the least possible burden on small entities while collecting the information necessary for the Commission to carry out its responsibilities under Section 357.3 of the Commission's regulations.

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

Service life data on an oil pipeline is reported to the Commission by the companies, as necessary, concurrently with a filing made pursuant to 18 C.F.R. Part 347 and as directed, during a depreciation rate investigation. Companies are required to submit FERC Form No. 73 when requesting Commission approval of depreciation rates for new pipeline equipment or revisions to previously approved depreciation rates. If the data contained on FERC Form No. 73 were not compiled and submitted to FERC for review, there would be no basis for evaluating, establishing or revising the depreciation rate factor in a pipeline's cost-of-service calculation.

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

The collection presents no special circumstances requiring it be conducted in a manner inconsistent with OMB guidelines in 5 C.F.R. 1320.5.

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

In accordance with OMB requirements in 5 C.F.R. 1320.8(d), the information collection under FERC Form No. 73 was noticed in the Federal Register on March 4, 2011. The Commission received one comment from the Bureau of Economic Analysis (BEA). In that comment, BEA strongly supported the continued collection of data through the FERC Form No. 73. Their support stems from reliance on this data collection for key components of its economic statistics. Specifically, BEA uses the information on the service lives for petroleum pipeline companies to validate the lives in BEA's depreciation rates for petroleum pipelines. Moreover, these rates help BEA derive economic depreciation or

consumption of fixed capital as part of the National Income and Product Accounts work BEA does.

In response, the FERC intends to work with BEA should there be a need to make any changes to this data collection.

In conjunction with the submission of this supporting statement to OMB, another public notice was published in the Federal Register (76 FR 28760, 5/18/2011) allowing the public an additional 30 days to comment.

9. EXPLAIN ANY PAYMENT OR GIFTS TO RESPONDENTS

No payments or gifts have been made to respondents.

10. DESCRIBE ANY ASSURANCE OF CONFIDENTIALITY PROVIDED TO RESPONDENTS

The information submitted to the Commission is public information and therefore is not considered confidential. Specific requests 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 A SENSITIVE NATURE

There are no questions of a sensitive nature that are considered private.

12. ESTIMATED BURDEN OF THE COLLECTION OF INFORMATION

The table below shows how many FERC Form No. 73 filings occurred between 2008 and 2010.

**Number of FERC Form No. 73 Filings
2008 - 2010**

2008	2009	2010
5	2	1

The estimated burden of this information collection is based on the Commission's previous experience with oil pipeline depreciation studies. No changes have been made to the reporting requirements.

Estimated Burden of FERC Form No. 73

Number of Respondents Annually (Average) (1)	Number of Responses per Respondent (2)	Average Burden Hours Per Response (3)	Total Annual Burden Hours (1)x(2)x(3)
3	1	40	120

13. ESTIMATE OF TOTAL ANNUAL COST OF BURDEN TO RESPONDENTS

FERC Form No. 73 is an existing data collection and the annualized on-going operation and maintenance costs to respondents for the reporting requirements are as follows:

Total Annual Burden Hours (1)	Number of Hours per Staff/Year (2)	Cost per Staff Employee⁶ (3)	Total Annualized Cost [(1)/(2)]x(3)
120	2080	\$142,372	\$8,213

The total estimated annual cost to respondents is \$8,213. The total cost per respondent is \$2,738. There are no start-up costs because FERC Form No. 73 is an existing information collection.

The respondent burden includes the total time, effort, or financial resources expended by the respondent to assemble and disseminate the information. The cost estimate is based on salaries for professional and support staff, as well as direct and indirect overhead costs. Direct costs include all costs directly attributable to providing this information, such as administrative costs and the cost of information technology.

14. ESTIMATED ANNUALIZED COST TO FEDERAL GOVERNMENT

The estimated annualized cost to the Federal Government for FERC Form No. 73 is shown below:

⁶ The Cost per Staff Employee estimate is based on the estimated annual allocated cost per Commission employee for Fiscal Year 2011. The estimated \$142,372 “cost” consists of salaries, benefits overhead.

	<u>Operation</u>	<u>Total Cost</u>
a)	Data clearance (FERC FY 2011)	\$ 1,575
b)	Analysis of data (1.0 FTE x \$142,372)	\$ 142,372
	Total cost in one year of operation	\$ 143,947

FERC relies on 4 staff members devoting approximately .25 of their annual work time to compile and use FERC Form No. 73 data into Commission oil pipeline rates work. Two of those employees are technical advisory staff; the other two are in administrative litigation. The combined effort totals the work hours of 1 FTE per year.

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

The estimate for the burden is based on recent Commission experience and the actual number of filings made under FERC Form No. 73 between 2008 and 2010. The burden has increased 50% (an increase 40 hours annually due to the addition of one respondent per year) from FERC's previous OMB renewal because the number of filings from new pipelines has increased. Exploration and development of oil reserves from tar sands and shale have increased the number of new pipelines being built. Also, the cost per staff employee has increased resulting in a higher total annualized cost than previously reported.

16. **TIME SCHEDULE FOR INFORMATION COLLECTION AND PUBLICATION**

This is not a collection of information for which results are planned to be published.

17. **DISPLAY OF EXPIRATION DATE**

The OMB control number and expiration date are displayed on the cover page of the form instructions.

18. **EXCEPTIONS TO THE CERTIFICATION STATEMENT**

The data collected for this reporting requirement is not used for statistical purposes. Therefore, the Commission does not use as stated in Item No. (i) of the certification statement, “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.

ATTACHMENT A

**PART 357—ANNUAL SPECIAL OR PERIODIC REPORTS: CARRIERS
SUBJECT TO PART I OF THE INTERSTATE COMMERCE ACT**

§ 357.3 FERC Form No. 73, Oil Pipeline Data for Depreciation Analysis.

(a) Who must file. Any oil pipeline company requesting new or changed depreciation rates pursuant to Part 347 of this title if the proposed depreciation rates are based on the remaining physical life of the properties or if directed by the Commission to file service life data during an investigation of its book depreciation rates.

(b) When to submit. Service life data is reported to the Commission by an oil pipeline company, as necessary, concurrently with a filing made pursuant to Part 347 of this title or as directed during a depreciation rate investigation.

(c) What to submit. The format and data which must be submitted are prescribed in FERC Form No. 73, Oil Pipeline Data for Depreciation Analysis, available for review at

FERC Form 73 (Docket No. IC11-73-000)
0019

OMB Control No. 1902-

the Commission's Public Reference Section, Room 2A, 888 First Street, NE, Washington,
DC 20426.

[Order 606, 64 FR 44405, (Aug. 16, 1999)]

ATTACHMENT B

PART 347—OIL PIPELINE DEPRECIATION STUDIES

Section Contents

[§ 347.1 Material to support request for newly established or changed property account depreciation studies.](#)

Authority: 42 U.S.C. 7101–7352; 49 U.S.C. 60502; 49 App. U.S.C. 1–85.

§ 347.1 Material to support request for newly established or changed property account depreciation studies.

(a) Means of filing. Filing of a request for new or changed property account depreciation rates must be made with the Secretary of the Commission. Filings made by mail must be addressed to the Federal Energy Regulatory Commission with the envelope clearly marked as containing “Oil Pipeline Depreciation Rates.”

(b) Number of copies. Carriers must file three paper copies of each request with attendant information identified in paragraphs (c) through (e) of this section.

(c) Transmittal letter. Letters of transmittal must give a general description of the change in depreciation rates being proposed in the filing. Letters of transmittal must also certify that the letter of transmittal (not including the information to be provided, as identified in paragraphs (d) and (e) of this section) has been sent to each shipper and to each subscriber. If there are no subscribers, letters of transmittal must so state. Carriers requesting acknowledgement of the receipt of a filing by mail must submit a duplicate copy of the letter of transmittal marked “Receipt requested.” The request must include a postage paid, self-addressed return envelope.

(d) Effectiveness of property account depreciation rates. (1) The proposed depreciation rates being established in the first instance must be used until they are either accepted or modified by the Commission. Rates in effect at the time of the proposed revision must continue to be used until the proposed revised rates are approved or modified by the Commission.

(2) When filing for approval of either new or changed property account depreciation rates, a carrier must provide information in sufficient detail to fully explain and justify its proposed rates.

(e) Information to be provided. The information in paragraphs (e)(1) through (5) of this section must be provided as justification for depreciation changes. Modifications,

additions, and deletions to these data elements should be made to reflect the individual circumstances of the carrier's properties and operations. Any information in paragraphs (e)(1) through (5) of this section, the release of which would violate section 15(13) of the Interstate Commerce Act, must be provided in a format that will protect individual shippers.

(1) A brief summary relating to the general principles on which the proposed depreciation rates are based (e.g., why the economic life of the pipeline section is less than the physical life).

(2) An explanation of the organization, ownership, and operation of the pipeline.

(3) A table of the proposed depreciation rates by account.

(4) An explanation of the average remaining life on a physical basis and on an economic basis.

(5) The following specific background data must be submitted at the time of and concurrently with any request for the establishment of, or modification to, depreciation rates for carriers. If the information listed is not applicable, it may be omitted from the filing:

(i) Up-to-date engineering maps of the pipeline including the location of all gathering facilities, trunkline facilities, terminals, interconnections with other pipeline systems, and interconnections with refineries/plants. Maps must indicate the direction of flow.

(ii) A brief description of the carrier's operations and an estimate of any major near-term additions or retirements including the estimated costs, location, reason, and probable year of transaction.

(iii) The present depreciation rates being used by account.

(iv) For the most current year available and for the two prior years, a breakdown of the throughput (by type of product, if applicable) received with source (e.g. name of well, pipeline company) at each receipt point and throughput delivered at each delivery point.

(v) The daily average capacity (in barrels per day) and the actual average capacity (in barrels per day) for the most current year, by line section.

(vi) A list of shipments and their associated receipt points, delivery points, and volumes (in barrels) by type of product (where applicable) for the most current year.

(vii) For each primary carrier account, the latest month's book balances for gross plant and for accumulated reserve for depreciation.

(viii) An estimate of the remaining life of the system (both gathering and trunk lines) including the basis for the estimate.

(ix) For crude oil, a list of the fields or areas from which crude oil is obtained.

(x) If the proposed depreciation rate adjustment is based on the remaining physical life of the properties, a complete, or updated, if applicable, Service Life Data Form (FERC Form No. 73) through the most current year.

(xi) Estimated salvage value of properties by account.

[59 FR 59147, Nov. 16, 1994, as amended at 60 FR 358, Jan. 4, 1995]