

Supporting Statement for
FERC-545, Gas Pipeline Rates: Rate Change (Non-formal)
FERC-549C, Standards for Business Practices of Interstate Natural Gas Pipelines
As Proposed in Docket No. RM96-1-037
(Notice of Proposed Rulemaking Issued February 16, 2012)

The Federal Energy Regulatory Commission (Commission) requests Office of Management and Budget (OMB) review and approval of **FERC-545, Gas Pipeline Rates: Rate Change (Non-formal) and FERC-549C, Standards for Business Practices of Interstate Natural Gas Pipelines.**¹ Both FERC-545 and FERC-549C are existing data requirements and in this Notice of Proposed Rulemaking (NOPR), the Commission proposes to amend Part 284 of its regulations governing standards for conducting business practices with interstate pipelines. The NOPR was issued on February 16, 2012, in Docket No. RM96-1-037.

The subject data collections will be affected because the proposal, if implemented, would upgrade the Commission's current business practice and communications standards to the latest version 2.0 as approved by the North American Energy Standards Board (NAESB) Wholesale Gas Quadrant (WGQ). On March 4, 2011, NAESB filed a report informing the Commission that it had adopted and ratified Version 2.0 of its business practice standards applicable to natural gas pipelines. The Version 2.0 standards revised the Version 1.9 Standards to include: (1) standards to support gas-electric interdependency; (2) standards created for Capacity Release redesign due to the elimination of Electronic Data Interchange (EDI) for Capacity Release Upload information; (3) standards to support the Electronic Delivery Mechanism (EDM); (4) standards to support the Customer Security Administration (CSA) Process; (5) standards for pipeline postings of information regarding waste heat; and (6) minor technical maintenance revisions designed to more efficiently process wholesale natural gas transactions.

We estimate that the total one-time annual reporting burden related to the subject NOPR will be 5,152 hours (1,610 hours under FERC-545 and 3,542 hours under FERC-549C). This is equal to an additional, one-time average burden of 22 hours per company under FERC-549C and 10 hours per company under FERC-545, if the Commission adopts the changes proposed in the subject NOPR in a final rule. After issuance of the final rule and the affected companies have conformed their operations to reflect compliance with these standards as proposed, the total burden under FERC-549C would be reduced by 3,542 hours and for FERC-545 by 1,610 hours.

¹ The FERC-545 has an expiration date of August 31, 2012. In order to maintain clearance of the FERC-545 requirements the Commission intends to begin the process to renew the FERC-545 concurrent with this rulemaking proceeding.

All of the proposed changes in the subject NOPR 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 NOPR contains proposed amendments to regulations that reflect the current restructured industry and would 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.² 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 the retail and wholesale natural gas and electric industries. NAESB’s mission is to take the lead in developing standards across these industries to simplify and expand electronic communication, and to streamline business practices. Core to its 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 this effort.

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,

² Standards for Electronic Bulletin Boards Required under Part 284 of the Commission’s Regulations, Order No. 563, 59 FR 516 (January 5, 1994).

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.

On March 16, 1996, GISB filed 140 standards covering 5 major business areas. The GISB Executive Committee, through its consensus voting procedures, approved these standards. In addition, on April 12, 1996, GISB filed data elements describing the specific information that would be used by industry to conduct the top 10 high priority business transactions.

Since 1996, in the Order No. 587 series,³ 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, a private consensus standards developer. The WGQ is an accredited standards organization under the auspices of the American Standards Institute (ANSI).

A. Justification

1. CIRCUMSTANCES THAT MAKE THE COLLECTION OF INFORMATION NECESSARY

FERC-549C

The business practice standards under FERC-549C are required to carry out the Commission's policies in accordance with the general authority in Sections 4, 5, 7, 8, 10, 14, 16, and 20 of the Natural Gas Act (NGA) (15 U.S.C. 717c-717o), and sections 311, 501, and 504 of the Natural Gas Policy Act of 1978 (NGPA) (15 U.S.C. 3301-3432).

The Commission adopted these business practice standards in order to update and standardize the natural gas industry's business practices and procedures as well as to improve the efficiency of the gas market and the means by which the gas industry conducts business across the interstate pipeline grid.

FERC-545

The data filed under FERC-545 applies to the general rate change applications filed by natural gas companies under section 4(e) of the NGA to reflect changes in rates based generally upon the pipeline company's overall costs for all rates, and charges made, demanded, or received in connection with the transportation of natural gas. Setting just and reasonable rates require a balancing of equities between the interests of the pipeline and its ratepayers. The Commission sets rates for interstate pipeline services in a number

³ 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).

of proceedings. For example, when a pipeline files to increase its rates, it makes a filing with the Commission under section 4 of the NGA. These types of filings are referred to as general section 4 rate cases. In the proceedings, the Commission reviews all of a pipeline's rates and services. A pipeline can file a general section 4 rate case anytime it wishes, provided the pipeline did not agree otherwise in a settlement. A pipeline must demonstrate that the new rates it proposes to charge are just and reasonable. When a rate increase filing is made pursuant to section 4, the application is typically suspended and set for hearing by a Commission Order. Once the application is set for hearing, it is processed by Commission staff. The issues in the application can be settled if parties can reach a consensus. However, if the issues cannot be resolved, they will proceed to hearing before an Administrative Law Judge. (ALJ) Whether the case is settled or proceeds to hearing, the Commission will eventually need to act upon settlement, or upon the record in the hearing.

In this rulemaking, the Commission proposes to require jurisdictional entities to file tariff records that reflect the adoption of version 2.0 of the standards.

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

Adoption of the Version 2.0 standards will continue the process of updating and improving NAESB's business practice standards for the wholesale gas market. The implementation of the Version 2.0 standards will provide additional transparency to natural gas pipelines' informational posting web sites and improve communication standards, including gas-electric communication. This will promote improved communications between natural gas pipelines and their existing and potential customers, including electric generation customers.

The data filed under FERC-545 is filed with the Commission and is used to document that pipelines have in fact adopted the standards and implemented changes to their business practices. Not requiring the revised tariff sheets would make it difficult for the Commission to verify compliance.

The Commission's Office of Energy Market Regulation, the Office of General Counsel, and the Office of Enforcement 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.

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

The information resulting from the FERC-549C data requirements will not be filed at FERC. Instead it will be posted on the pipelines' Internet sites. The Internet and current software allow easy access and use of data on the pipelines' Internet sites.

The FERC-545 will be filed in accordance with the Commission's requirements for electronic tariff filings. In Order No. 714⁴, the Commission adopted regulations requiring that tariff and tariff-related filings be made electronically. The Commission provided that the conversion from paper to electronic tariff filings in the eTariff system would begin in April 2010 with pipelines and utilities filing baseline tariffs according to a six-month, staggered filing schedule. Since it completed the transition into eTariff, the Commission has been receiving, analyzing and acting on all tariff filings by using more information technology than before. The greater use of information technology has eliminated the use of courier services and paper to submit tariff information the Commission requires. The Commission has made available the eTariff viewer on the World Wide Web to help the public with its research of tariffs and rates filed with the Commission. The eTariff viewer allows people to view tariffs previously available only in paper. Information in tariff filings is electronically available and searchable through the Commission's eLibrary. The eLibrary contains all documents submitted to and issued by the Commission since 1981. The FERC-545 tariff changes will be available for review in both eTariff and eLibrary.

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. 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 significantly impacted under the FERC-545 and 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

⁴ RM01-5-000 (Issued July 8, 2004, 69 FR 43929).

gas companies. 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 less than \$7 million. The regulations proposed in the NOPR impose requirements only on interstate pipelines, the majority of which do not fit the definition of a “small entity.” Most companies regulated by the Commission do not fall within the RFA’s definition of a small entity. Approximately 161 entities would be potential respondents subject to data collection FERC-545 reporting requirements and also be subject to data collection FERC 549C reporting requirements. Nearly all of these entities are large entities. For the year 2010 (the most recent year for which information is available), only seven companies not affiliated with larger companies had annual revenues of less than \$7 million. This is about four percent of the total universe of potential respondents. Moreover, these requirements are designed to benefit all customers, including small businesses.

The Commission estimates that the one-time implementation cost of these standards is \$303,968, or \$1,888 per company.⁵ The Commission does not consider the estimated \$1,888 impact per entity to be significant. Moreover, as described above, these standards were developed and adopted by consensus. This helps ensure the reasonableness of the standards by requiring that the standards draw support from a broad spectrum of industry participants representing all segments of the industry. Because of that representation and the fact that industry conducts business under these standards, the Commission’s regulations should reflect those standards that have the widest possible support.

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

The proposed program does not meet all of OMB’s section 1320.5 requirements. Some of the information generated may be generated and reported to third parties on a more than quarterly basis. The Commission has determined that this information is necessary for efficient and effective coordination and communication in the industry.

⁵ This number is derived by dividing the total cost figure by the number of respondents. $\$303,968/161 = \$1,888$.

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.

The Commission issued a notice of proposed rulemaking on February 16, 2012 that solicits public comment.

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 A SENSITIVE 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 3,542 hours (an average of 22 hours per company) for information requirements/collections under FERC-549C, as proposed in the subject NOPR, 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 3,542 hours.

The annual (one-time) burden estimate of 1,610 hours (an average of 10 hours per company) for information requirements/collections under FERC-545, as proposed in the subject NOPR, is based on the Commission's recent experience with establishing the standards in previous NAESB rulemaking dockets. Following the one-time

implementation of the proposed standards and practices, the burden under FERC-545 would be reduced by 1,610 hours.

It should be noted that both FERC-545 and FERC-549C also reflect adjustments to their reporting burdens to reflect the latest number of natural gas pipelines (including storage operators) who are now subject to the Commission’s jurisdiction and therefore the standards. A detailed summary of FERC-545 and FERC-549C burden estimates is shown below:

Burden Proposed in NOPR in RM96-1-037					
Data Collection	Number of Respondents (A)	Number of Responses Per Respondent (B)	Total Number of Responses (A)x(B)=(C)	Average Burden Hours per Response (D)	Estimated Total Annual Burden (C)x(D)
FERC-545	161	1	161	10	1,610
FERC-549C	161	1	161	22	3,542
TOTAL	N/A	N/A	N/A	N/A	5,152

FERC-549C

The following tables show how the currently approved inventory for FERC-549C will be affected, in aggregate, by the new reporting/recordkeeping requirements proposed in this NOPR and by the adjustment in the number of entities subject to this collection. The format, labels, and definitions of the table follow the ROCIS system’s “ICR Summary of Burden” for the meta-data.

FERC-549C	Requested	Program Change Due to Agency Discretion	Change Due to Adjustment in Agency Estimate	Previously Approved

Annual Number of Responses	322	+161	-469	630
Annual Time Burden (Hr)	1,146,221	+3,542	+220,019	922,660
Annual Cost Burden (\$)	0	-	-	0

The major adjustment listed in the above table (220,019 hours) is not associated with the changes being made in the NOPR discussed in this proceeding. It is due to the estimate that there are 31 more natural gas respondents than previously estimated. The decrease in number of responses is due to correcting the manner in which this collection had been submitted previously. Previously, the Commission had estimated approximately 5 responses per respondent per year. Because the ongoing burden is associated with business practice standards and not with discrete reporting requirements, the Commission is using one response per year per respondent (161 total respondents). The 161 new responses are because of the one-time burden to implement the new version of the business practice standards.⁶

FERC-545

The following tables show how the currently approved inventory for FERC-545 will be affected, in aggregate, by the new reporting/recordkeeping requirements proposed in this NOPR and by the adjustment in the number of entities subject to this collection. The format, labels, and definitions of the table follow the ROCIS system’s “ICR Summary of Burden” for the meta-data.

FERC-545	Requested	Program Change Due to Agency Discretion	Change Due to Adjustment in Agency Estimate	Previously Approved
Annual Number	322	+161	-7	168

⁶ The Commission began adopting business practice standards for the natural gas industry in 1996. With one exception, the Commission estimated that each new or revised set of standards imposed only a one-time burden on respondents. In each supporting statement submitted to OMB to approve the new or revised standards the Commission stated that it would remove the one-time burden hours from the FERC-549C inventory following implementation of the particular standards. In several instances, the Commission did seek and obtain approval from OMB for removing the burden hours after implementation was completed. However, in other cases, the burden hours were not removed and have continued in the FERC-549C. Thus, much of the burden in the ROCIS inventory for the FERC-549C should be removed. Separate from this proceeding, the Commission plans to submit a package to OMB to have one-time burden estimates from past submissions removed.

of Responses				
Annual Time Burden (Hr)	164,484	+1,610	-7,081	169,955
Annual Cost Burden (\$)	0	-	-	0

The adjustment listed in the above table (-7,801 hours) is not associated with the changes being made in the NOPR discussed in this proceeding. The adjustment is due to a decrease of seven entities in the respondent universe.⁷ The 161 new responses are because of the one-time burden to file the revised tariff sheets to reflect the new version of the business practice standards.

13. ESTIMATE OF THE TOTAL ANNUAL COST BURDEN TO RESPONDENTS

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

	FERC-545	FERC-549C
Total Annualized Costs (one-time cost related to burden hours)	\$94,990	\$208,987

Total Cost for all Respondents = \$303,968

The Commission estimates an hourly figure of \$59 to compute the industry cost. This figure is derived from a composite estimate that includes legal, technical and support staff wages and benefits obtained from the Bureau of Labor Statistic data at http://bls.gov/oes/current/naics3_221000.htm and <http://www.bls.gov/news.release/ecec.nr0.htm>). The Total Cost for all Respondents calculates as follows: \$59/hr x 5,152 hrs = \$303,968.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

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

⁷ Similar to the FERC-549C, the FERC-545 has many hours in the inventory that were associated with one-time burden efforts that have already been completed. Separate from the is proceeding the Commission plans to pursue renewal of the FERC-545 and in that process, remove the one-time burden hours that should no longer be in the inventory.

Data Requirement Number	Analysis of Data (FTEs)⁸	Estimated Salary Per Year⁹	FERC Forms Clearance	Total Cost One year's Operation
FERC-545	.25	\$143,540	\$1,588	\$37,473
FERC-549C	.75	\$143,540	\$1,588	\$109,243

Total Costs = \$146,716 [\$37,473 + \$109,243].

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

The proposals in the NOPR would, if implemented, upgrade the Commission’s current business practices and communication standards by specifically: (1) adding and revising standards allowing the elimination of EDI requirements for Capacity Release Upload information; (2) creating and modifying existing information posting requirements for websites and browsers; (3) requiring pipelines to provide security information; (4) providing for the posting of information on waste heat recovery feasibility on the Internet; (5) modifying pipeline notice content and creating new pipeline notice types; and (6) creating standards to ensure NAESB data format is consistent with other data reporting via the Internet by using CSV.

The implementation of these data requirements will provide additional transparency to informational posting web sites and will improve communication standards, including gas-electric communications. The implementation of these standards and regulations will promote the additional efficiency and reliability of the gas industries’ operations thereby helping the Commission to carry out its responsibilities under the Natural Gas Act of promoting the efficiency and reliability of the gas industries' operations. In addition, the Commission's Office of Enforcement will use the data for general industry oversight.

In addition to the program changes in the burden due to the NOPR, the Commission is making adjustments for changes in the number of respondents.

16. TIME SCHEDULE FOR PUBLICATION OF THE DATA

The information collections in the FERC-545 and FERC-549C affected by this rulemaking are not published.

17. DISPLAY OF EXPIRATION DATE

⁸ An “FTE” is a “Full Time Equivalent” employee that works the equivalent of 2,080 hours per year.
⁹ Salary” represents the allocated cost per gas program employee at the Commission based on its appropriated budget for fiscal year 2012. The \$143,540 “salary” consists of salary and benefits

The proposed FERC-545 and FERC-549C requirements will be part of the Commission's regulations and the required information will not be filed and posted on formatted/printed forms. This prevents the display of 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 information filed under FERC-545 and FERC-549C. In addition and as in noted in Item Number 17 above, neither FERC-545 nor FERC-549C have a format that allows the display of an OMB control number.