

**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-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.

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 Commission uses FERC Form No. 73 to ensure that the service life of the facilities being used for the new service is accounted for appropriately.

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 This Act repealed Department of Energy Act Sections 306 and 402 under which the Interstate Commerce Commission transferred to, and vested, in the Commission all functions and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).

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

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. 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.

²
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).

³
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).

⁴
⁴ See 18 C.F.R. Part 347.

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 that 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

Currently, FERC 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. 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, the Commission published a 60-day notice⁵ and a 30-day notice⁶ to the public regarding this information collection on 1/21/2014 and 4/10/2014 respectively. Within the public notices, the Commission noted that it would be requesting a three-year extension of the information collection requirements. The Commission received one response regarding this information collection.

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 their 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.

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

⁵ 79 FR 3362
⁶ 79 FR 19891

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

FERC Form No. 73, Oil Pipeline Service Life Data					
Respondent Type	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)
Oil Pipelines Undergoing Investigation or Review	3	1	3	40	120

The total estimated annual cost burden to respondents is \$8,400 [120 hours * \$70/hour = \$8,400⁷]

13. ESTIMATE OF TOTAL ANNUAL COST OF BURDEN TO RESPONDENTS

FERC estimates there are no non-labor related costs associated with this collection.

14. ESTIMATED ANNUALIZED COST TO FEDERAL GOVERNMENT

FERC relies on four 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 one FTE per year.

⁷ \$70/hour is the average FERC employee salary plus benefits. We assume that respondents to this collection are similarly situated in terms of salary and benefits.

The following table summarizes the Federal Government cost:

	Number of Employees (FTE)	Estimated Annual Federal Cost
Analysis and Processing of filings	1	\$146,591
PRA ⁸ Administrative Cost ⁹		\$5,092
FERC Total		\$151,683

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 FERC Form No. 73 in 2013. The burden is unchanged from the last time the collection was renewed.

16. TIME SCHEDULE FOR INFORMATION COLLECTION AND PUBLICATION

This is not a collection of information for which the Commission plans to publish results.

17. DISPLAY OF EXPIRATION DATE

The OMB control number and expiration date are displayed on the cover page (upper right-hand side) of the form instructions. The OMB control number and expiration date are also located on the 2nd page of the form instructions (middle of the page).

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.

⁸ Paperwork Reduction Act of 1995 (PRA)

⁹ The Commission bases the cost of Paperwork Reduction Act administration on staff time, and other costs related to compliance with the Paperwork Reduction Act of 1995.