Supporting Statement for

FERC-545 (Gas Pipeline Rates: Rate Change Non-Formal) and FERC-549C (Standards for Business Practices of Interstate Natural Gas Pipelines), as revised by Final Rule in Docket No. RM14-2-000

The Federal Energy Regulatory Commission (Commission or FERC) requests that the Office of Management and Budget (OMB) review and approve changes to FERC-545 (Gas Pipeline Rates: Rate Change Non-Formal) and FERC-549C (Standards for Business Practices of Interstate Natural Gas Pipelines) as stated in the Final Rule in Docket No. RM14-2 (Order No. 809). [1]

Please note that this Final Rule in RM14-2 affects two separate OMB Control Numbers:

1. FERC-545 (Gas Pipeline Rates: Rate Change Non-Formal), OMB Control No. 1902-0154; and
2. FERC-549C (Standards for Business Practices of Interstate Natural Gas Pipelines), OMB Control No. 1902-0174.

The Commission is submitting this consolidated supporting statement to OMB with one ICR for each of the 2 separate OMB Control Numbers. The FERC-545 accounts for the required tariff revision each interstate pipeline company will file with the Commission. The FERC-549C is affected because the Final Rule upgrades the Commission's current business practice and communications standards to the latest Version 2.0 approved by the North American Energy Standards Board (NAESB) Wholesale Gas Quadrant (WGQ).

In this Final Rule, FERC is revising Part 284 of the Commission's regulations to:

1. Incorporate by reference NAESB's proposal to move the start of the first day-ahead gas nomination opportunity (Timely Nomination Cycle) from 11:30 a.m. to 1:00 p.m. Central Clock Time (CCT);
2. Incorporate by reference NAESB's proposal to move the start of the Intraday 2 Nomination Cycle from 5:00 p.m. to 7:00 p.m. CCT;
3. Incorporate by reference NAESB's proposal to add an additional Intraday Nomination Cycle at 2:30 p.m. CCT; and
4. Require interstate pipelines to file tariff changes with the Commission allowing multiple shippers associated with a designated agent or asset manager to be jointly and severally liable under a single firm transportation service agreement within 60 days of receiving a

[1] Order 809 is posted at http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=13842743, with the sample tariff record at http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=13843648. Commissioner LaFleur's statement is available at http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=13842833, with the news release at http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=13842786. These items are also included in reginfo.gov and ROCIS under Supplementary Documents.

request from a shipper for a multi-party service agreement.

The Commission is amending its regulations at Part 284 to incorporate by reference NAESB's Version 2.0 Standards, as revised by WGQ Annual Plan Item 11c (September 22, 2014, with Minor Correction MC14018 applied October 10, 2014). The Commission's existing regulations incorporate by reference the interstate natural gas pipeline scheduling business practice standards of NAESB's Wholesale Gas Quadrant (WGQ).[2] NAESB is a consensus standards organization composed of representatives of all segments of the natural gas industry and the electric power industry. Since 1996, these standards have established nationwide timelines that the industry and the Commission have determined are necessary to establish a more efficient and integrated pipeline grid.

Additionally, the Commission is adopting section 284.12(b)(1)(iii) as proposed in the Notice of Proposed Rulemaking (NOPR or Proposed Rule)[3], with a modification. Instead of requiring all interstate pipelines at this time to modify their tariffs to offer multi-party firm transportation contracts, the Commission will only require pipelines to offer such an option if requested to do so by a shipper. Specifically, section 284.12(b)(1)(iii) as adopted in this Final Rule, requires that within 60 days after a shipper request, a pipeline must file to make appropriate tariff changes to allow multiple shippers associated with a designated agent or asset manager to be jointly and severally liable under a single firm transportation service agreement, subject to reasonable terms and conditions.

All of the changes in the 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).

This Final Rule will upgrade the Commission's current business practice and communication standards and supports the availability of multi-party firm contracts for interested shippers.

<u>Background</u>

Since early 2012, the Commission has held technical conferences and requested comment on various aspects of gas-electric interdependence and coordination to identify areas for improved coordination.[4] The issues include:

Issue 1. The different operating times of the interstate natural gas pipeline and electric utility industries (including ISOs and RTOs);

Issue 2. The lack of coordination between the day-ahead process for nominating interstate

[2] *See* 18 CFR 284.12(a) and (b) (2013).

[3] *Coordination of the Scheduling Processes of Interstate Natural Gas Pipelines and Public Utilities*, 79 FR 18223 (April 1, 2014), FERC Stats. & Regs ¶ 32,700 (2014) (cross-referenced at 146 FERC ¶ 61,201 (2014)) (NOPR).

[4] *See Coordination Between Natural Gas and Electricity Markets*, Docket No. AD12-12-000 (Feb. 15, 2012), *available at* http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=12893828.

natural gas pipeline transportation services and the day-ahead process for scheduling electric generators, particularly those of the ISOs and RTOs; and

Issue 3. The lack of intraday nomination opportunities on interstate natural gas pipelines, which limits the ability of shippers such as gas-fired electric generators to revise their nominations during the operating day.

The technical conferences and staff investigations confirmed that misalignments between the natural gas and electric industries are impeding efforts to improve coordination without Commission policy guidance. In consideration of these issues, in spring 2014 the Commission instituted proceedings under Section 206 of the Federal Power Act (FPA)[5] to ensure ISOs and RTOs scheduling practices match revisions to the natural gas industry schedule and issued a NOPR in Docket No. RM14-2-000 to address divergent interstate natural gas pipeline and electric utility scheduling practices.[6]

A. Justification

1. CIRCUMSTANCES THAT MAKE THE COLLECTION OF INFORMATION NECESSARY

Docket RM14-2. In this Final Rule in RM14-2,[7] the Commission is revising Part 284 of the Commission's regulations relating to the scheduling of transportation service on interstate natural gas pipelines to better coordinate the scheduling practices of the natural gas and electric industries, and support availability of multi-party firm transportation contracts to provide additional scheduling flexibility to all shippers on interstate natural gas pipelines.

Recent developments in the wholesale natural gas and electricity industries—particularly the organized electricity markets—signal that changes to the gas nomination schedule may be needed. Reliance on natural gas as a fuel for electric generation has steadily increased in recent years.[8] This trend is expected to continue, resulting in greater interdependence between the

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[5] *California Independent System Operator Corp., et al,* Order Initiating Investigation into ISO/RTO Scheduling Practices and Establishing Paper Hearing Procedures, 146 FERC ¶ 61,202 (2014) (Section 206 Order).

[6] *Coordination of the Scheduling Processes of Interstate Natural Gas Pipelines and Public Utilities*, 79 FR 18223 (April 1, 2014), FERC Stats. & Regs ¶ 32,700 (2014) (cross-referenced at 146 FERC ¶ 61,201 (2014)) (NOPR).

[7] The reforms proposed in this Final Rule (and two separate contemporaneous orders) follow from the comments solicited by the NOPR in April 2014 under Docket No. RM14-2-000, and build upon the comments made during Commission staff technical conferences and in comments filed in Docket No. AD12-12-000. Additional information on Docket AD12-12 is available in FERC's eLibrary.

[8] *See, e.g.*, U.S. Energy Information Administration, *Annual Energy Outlook 2014 with projections to 2040* (April 2014) (Natural gas-fired generation is projected to overtake coal-fired generation for U.S. electricity generation by 2040. Natural gas' share of U.S. electricity generation is projected to increase from 30 percent in 2012 to 35 percent in 2040.); ICF Assessment of New England's Natural Gas

natural gas and electric industries. Several events over the last few years, such as the Southwest Cold Weather Event,[9] and the extreme and sustained cold weather events in the eastern U.S. in January 2014,[10] show the crucial interrelationship between natural gas pipelines and electric transmission operators and underscore the need for improvements in the coordination of wholesale natural gas and electric markets.

Incorporating by reference NAESB's modified nomination timeline, which moves the start of the Timely Nomination Cycle from 11:30 a.m. to 1:00 p.m. CCT and adds an additional intraday nomination opportunity, provides electric generators more time to acquire natural gas pipeline transportation, in order to reduce economic and resource supply constraints. It provides additional flexibility to all shippers, allows sufficient time for processing, avoids overlapping nomination cycles, and allows for the accomplishment of most scheduling work during regular business hours, or reasonably close thereto. Broad industry consensus across the natural gas and electric industries during the NAESB deliberations supports the incorporation of the modified nomination timeline. The implementation of these standards and regulations will promote additional efficiency and reliability of the gas industry's operations. Additionally, wider availability of multi-party firm transportation contracts provides shippers greater flexibility, including gas-fired generators, and facilitates the efficient use of pipeline capacity.

The Final Rule ensures that pipelines are responsive to shipper requests when, and if, a shipper is interested in pursuing a multi-party transportation contract. The Final Rule does not require pipelines to implement tariff provisions offering a multi-party transportation contract option when there is no shipper interest.

Since early 2012, the Commission has held technical conferences and requested comment on various aspects of gas-electric interdependence and coordination to identify areas for improved coordination.[11] On November 15, 2012, the Commission issued a report describing the need for

Pipeline Capacity to Satisfy Short and Near-Term Electric Generation Needs: Phase II Final Report (November 20, 2014); North American Electric Reliability Corporation, *2014 Long-Term Reliability Assessment* (November 2014) at 13.

[9] *See* FERC/NERC, *Report on Outages and Curtailments During the Southwest Cold Weather Event of February 1-5, 2011* (2011), *available at* http://www.ferc.gov/legal/staff-reports/08-16-11-report.pdf.

[10] The widespread and record low temperatures during January 2014 resulted in coincident record peak demand for natural gas throughout the Midwest, Northeast, Mid-Atlantic, and Southeast regions leading to constrained pipeline capacity and high natural gas prices. In addition, in February 2014, arctic temperatures limited the availability of natural gas to supply New Mexico and Southern California leading CAISO to issue a system alert and a request for consumers to reduce power demand around the system. CAISO invoked increasingly stringent measures throughout the day to move generation off natural gas, reduce demand, and maintain sufficient supply to meet firm load. *See* FERC Staff Presentation "Recent Weather Impacts on the Bulk Power System" January 16, 2014, http://www.ferc.gov/CalendarFiles/20140116102908-A-4-Presentation.pdf.

[11] *See Coordination Between Natural Gas and Electricity Markets*, Docket No. AD12-12-000 (Feb. 15, 2012), *available at* http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=12893828.

greater alignment of natural gas and electric scheduling practices.[12] In April 2013, an additional technical conference was held where participants identified three key issues.[13]

On March 20, 2014, the Commission instituted proceedings under Section 206 of the Federal Power Act (FPA)[14] to ensure ISOs and RTOs scheduling practices match revisions to the natural gas industry schedule incorporated by reference in this Final Rule. The Section 206 Order provides ninety days after publication in the Federal Register of this Final Rule for each ISO and RTO to propose tariff revisions in the day-ahead market aligned with the changes adopted herein or to show cause why its existing scheduling practices need not be changed. Subsequently, in April 2014, the Commission issued the NOPR in Docket No. RM14-2-000 to address divergent interstate natural gas pipeline and electric utility scheduling practices, and improve the flexibility and efficient use of pipeline capacity by natural gas-fired generators and other shippers.[15]

General Background on the Collections (including items not affected by the Final Rule in Docket RM14-2).

FERC-545. FERC-545 is required to implement sections 4, 5, and 16 of the Natural Gas Act (NGA), (15 USC 717c 717o, PL 75 688, 52 Stat. 822 and 830). NGA Sections 4, 5, and 6 authorize the Commission to inquire into rate structures and methodologies and to set rates at a just and reasonable level. Specifically, 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.

Under the NGA, a natural gas company's rates must be just and reasonable and not unduly discriminatory or preferential. The Commission may act under different sections of the NGA to effect a change in a natural gas company's rates. When the Commission reviews rate increases that a natural gas company has proposed, it is subject to the requirement of section 4(e) of the NGA. Under section 4(e), the natural gas company bears the burden of proving that its proposed rates are just and reasonable. On the other hand, when the Commission seeks to impose its own rate determination, it must do so in compliance with section 5(a) of the NGA. Under section 5,

[12] *Staff Report on Gas-Electric Coordination Technical Conferences*, Docket No. AD12-12-000 (Nov. 15, 2012) (November Staff Report), *available at* http://elibrary.ferc.gov/idmws/File_List.asp.
[13] *Coordination between Natural Gas and Electricity Markets*, Docket No. AD12-12-000 (Mar. 5, 2013) (Notice of Technical Conference), *available at* http://elibrary.ferc.gov/idmws/File_list.asp?document_id=14095482.
[14] *California Independent System Operator Corp., et al*, Order Initiating Investigation into ISO/RTO Scheduling Practices and Establishing Paper Hearing Procedures, 146 FERC ¶ 61,202 (2014) (Section 206 Order).
[15] *Coordination of the Scheduling Processes of Interstate Natural Gas Pipelines and Public Utilities*, 79 FR 18223 (April 1, 2014), FERC Stats. & Regs ¶ 32,700 (2014) (cross-referenced at 146 FERC ¶ 61,201 (2014)) (NOPR).

the Commission must first establish that its alternative rate proposal is both just and reasonable.

Section 16 of the NGA states that the Commission "shall have the power to perform any and all acts, and to prescribe, issue, make, amend, and rescind such orders, rules, and regulations as it may find necessary or appropriate to carry out provisions of [the NGA]." In other words, section 16 of the NGA grants the Commission the power to define accounting, technical and trade terms, prescribe forms, statements, declarations or reports and to prescribe rules and regulations.

Pipelines adjust their tariffs to meet market and customer needs. Commission review of these proposed changes is required to ensure rates remain just and reasonable and that services are not provided in an unduly or preferential manner. The Commission's regulation in 18 C.F.R. Part 154 specifies what changes are allowed and the procedures for requesting Commission approval.

The Commission sets rates for interstate pipeline services in a number 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.

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-717w), 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.

In various orders since 1996[16], FERC has adopted regulations to standardize the business practices and communication methodologies of interstate natural gas pipelines in order to create a more integrated and efficient pipeline industry. In general, when and if NAESB-proposed standards (e.g., consensus standards developed by the Wholesale Gas Quadrant (WGQ), an accredited standards organization under the auspices of the American National Standards Institute (ANSI)) are approved by FERC, the Commission incorporates them by reference into its approval. The process of standardizing business practices in the natural gas industry began

[16] 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.

with a Commission initiative to standardize electronic communication of capacity release transactions. 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[17] 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 WGQ standards are a product of this effort. Industry participants seeking additional or amended standards (including principles, definitions, standards, data elements, process descriptions, technical implementation instructions) submit a request to the NAESB office, detailing the change, so that the appropriate process may take place to amend the standards.

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

FERC-545. The Final Rule in RM14-2 requires interstate gas pipelines to make a one-time tariff filing to reflect the changes, such as additional intraday nomination cycle.

The following information is the subject of the FERC-545: (1) tariff filings and any related compliance filings; (2) rate case filings and any related compliance filings; (3) informational reports; (4) negotiated rates; (5) non-conforming agreement filings; and (6) NAESB Activity (tariff portion only). In summary, the Commission uses the FERC-545 information to (1) ensure there are adequate customer protections under section 4 of the NGA; (2) review rates and terms and conditions of service changes by natural gas companies for the transportation and storage of natural gas; (3) provide general industry oversight; and (4) supplement documentation during FERC's audits process.

The Commission reviews the FERC-545 materials to determine whether proposed transportation and sales rates and terms and conditions of service are just and reasonable. The Commission uses the FERC-545 information to monitor rates and terms and conditions of service related to jurisdictional transportation, natural gas storage, and unbundled sales activities of jurisdictional companies. In addition to fulfilling the Commission's obligations under the NGA, the FERC-

[17] Additional information is available on NAESB's website at http://www.naesb.org/ . NAESB described its standards development process as of 1/29/2013 in "Submittal of Modifications to the NAESB Public Key Infrastructure Standards and Other Standards to support the Public Key Infrastructure (Docket Nos. RM05-5-000 and RM05-5-022)," Appendix E, posted on ferc.gov at http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=13165589 .

545 enables the Commission to monitor the activities and evaluate transactions of the natural gas industry to ensure competitiveness and improved efficiency of the industry's operations.

FERC-549C. The Commission requires the FERC-549C because the Final Rule in Docket RM14-2 proposes to amend the Commission's current business practice and industry standards to the latest version 2.0 approved by the NAESB WGQ. In this Final Rule, the Commission is incorporating by reference NAESB standards that:

1. Move the start of the first day-ahead gas nomination opportunity (Timely Nomination Cycle) from 11:30 a.m. to 1:00 p.m. CCT;
2. Move the start of the Intraday 2 Nomination Cycle from 5:00 p.m. to 7:00 p.m. CCT; and
3. Add an additional Intraday Nomination Cycle at 2:30 p.m. CCT.

Additionally, the Commission is adopting section 284.12(b)(1)(iii) as proposed in the Notice of Proposed Rulemaking (NOPR or Proposed Rule)[18], with the modification that the Commission will only require pipelines to offer such an option if requested to do so by a shipper. This change:

1. Allows multiple shippers to share pipeline capacity under a single firm transportation service agreement.

Adoption and implementation of these changes in 18CFR284.12, relating to the scheduling of transportation service on interstate natural gas pipelines, will serve to better coordinate the scheduling practices of the natural gas and electricity industries, and provide additional scheduling flexibility to all shippers on interstate natural gas pipelines.

FERC-545 and -549C. Failure to collect this information would prohibit the Commission from monitoring and properly evaluating pipeline transactions and meeting statutory obligations under both the NGPA and the NGA.

Additionally, the incorporation by reference of consensus standards helps ensure the reasonableness of these standards in this Final Rule by demonstrating a broad support from industry participants representing all segments of the industry. Natural gas pipelines will need to file new tariffs with the Commission only if a) they do not currently offer multi-party transportation contracts and b) shippers request that the pipeline offer such contracts.

[18] *Coordination of the Scheduling Processes of Interstate Natural Gas Pipelines and Public Utilities*, 79 FR 18223 (April 1, 2014), FERC Stats. & Regs ¶ 32,700 (2014) (cross-referenced at 146 FERC ¶ 61,201 (2014)) (NOPR).

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

FERC-545. In previous rulemakings,[19] the Commission implemented the capability and requirement for electronic filing of all tariff submissions. FERC also improved the security of submitting those electronic filings and the pipelines' on-line process of appointing and modifying agents with the authority to make a filing on the pipeline's behalf (providing filing companies with greater control over the agents eligible to make specific types of filings on their behalf).

FERC-549C. 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, provided to third parties or retained. The Internet and current software allow easy access and use of data on the pipelines' Internet sites and for transmittal of information.

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

FERC-545 and FERC-549C. 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 duplication. No duplication of the information collection requirements has been found.

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

The Small Business Administration's (SBA) Office of Size Standards develops the numerical definition of a small business as matched to North American Industry Classification System Codes (NAICS). The SBA (in 13 CFR 121.101) has established a size standard for pipelines transporting natural gas, stating that a firm is a small entity if its annual receipts (including those of its affiliates) are $27.5 million or less.[20]

FERC-545. The FERC-545 is a filing requirement related to pipeline rate filing obligations for the transportation and storage of natural gas. The filing collects data from both large and small respondent companies. The data required impose the least possible burden for companies, while

[19] More information is available on FERC's eTariff page at http://www.ferc.gov/docs-filing/etariff.asp .

[20] U.S. Small Business Administration, Table of Small Business Size Standards for Pipeline Transportation of Natural Gas, NAICS Code 486210, available at https://www.sba.gov/sites/default/files/files/Size_Standards_Table.pdf, Subsector 486. Matched to North American Industry Classification System Codes, Natural Gas Pipeline Transportation, NAICS Code 486210, page 27, July 14, 2014, available at https://www.sba.gov/sites/default/files/files/Size_Standards_Table.pdf, Subsector 486.

collecting the information required for processing the filings. Use of the Internet to file documents electronically is the primary method the Commission uses to minimize the FERC-545 burden.

The one-time compliance filings mandated in the Final Rule must be filed electronically.

FERC-549C. The FERC-549C information collection will impact the proposed business standards, practices and procedures for the day-to-day operations of major and a few non-major natural gas companies. The business practice standards are designed to benefit all customers, including small businesses. The Commission allows for extensions of time and for waivers of the business practice standards. Such extensions or waivers are based upon a pipeline's individual circumstances, including the size of the pipeline. For smaller pipelines, the Commission has granted waivers of some of the standards when such pipelines have shown that complying with such standards would prove unduly burdensome.

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

FERC-545 is a one-time compliance filing, and FERC-549C is a one-time implementation plus ongoing operations. Failure to collect the information would prohibit FERC from properly monitoring and evaluating pipeline transactions and meeting statutory obligations under NGPA and NGA.

7. EXPLAIN ANY SPECIAL CIRCUMSTANCES RELATING TO THE INFORMATION COLLECTION

The FERC-545 and FERC-549C present no special circumstances.

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

As described above, the Commission has engaged in an extensive dialogue with industry on gas-electric coordination issues. These efforts were first formalized on February 15, 2012, when the Commission issued a notice in Docket No. AD12-12-000 requesting comment on various aspects of gas-electric interdependence and coordination in response to questions posed by members of the Commission. In order to better understand the interface between the electric and natural gas pipeline industries and identify areas for improved coordination, the questions covered a variety of topics including market structures and rules, scheduling, communications, infrastructure and reliability. In response to the notice, the Commission received comments from 79 entities that raised concerns, including the need for alignment of natural gas and electric scheduling.

During August 2012, the Commission convened five regional technical conferences on Coordination between Natural Gas and Electricity Markets[21] for the purpose of exploring these issues and obtaining further information from the electric and natural gas industries regarding coordination between the industries. Representatives from a cross-section of both industries attended the regional conferences, with total attendance exceeding 1,200 registrants. As noted above, the November Staff Report following these conferences stated that, among other topics, participants highlighted the need for alignment of natural gas and electric scheduling. Generators participating in the ISO and RTO markets stated that managing fuel procurement risk can be a challenge because the natural gas and electric operating days are not aligned. Many participants voiced concerns related to whether establishing a standard energy day for both industries is warranted, whether and how utilities can most effectively match their scheduling times with the nationwide natural gas scheduling timeline, whether additional nomination opportunities for natural gas can be provided and, if so, under what conditions. Participants also pointed out that changes to natural gas scheduling practices can have national implications given the operational structure of the pipeline system and that whether changes to the scheduling practices of the natural gas or electric industries are necessary to better align these two markets has been a matter of debate among the industries for a number of years.

On November 15, 2012, the Commission issued an order directing further technical conferences and reports.[22] In this order, the Commission recognized that questions raised at the conferences, related to scheduling and other issues, were of sufficient importance that they warranted a separate technical conference to focus on the details relating to scheduling. Therefore, the Commission directed, among other things, that Commission staff convene a technical

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[21] The original notice of the conferences is in Docket AD12-12 posted in FERC's eLibrary at http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=13023450 . Subsequent notices, agendas, etc. are availablae in FERC's eLibrary by doing a Docket Search on AD12-12.

[22] The Order Directing Further Conferences and Reports is posted at http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=13109633 . It states in part "the Commission convened five regional conferences throughout the month of August 2012 for the purpose of obtaining information regarding coordination between natural gas and electric markets. The conferences were structured around three sets of issues: scheduling and market structures/rules; communications, coordination, and information-sharing; and reliability concerns. A cross-section of industry representatives participated and/or attended the regional conferences, with total attendance exceeding 1,200 registrants.

Conference participants described significant industry efforts underway to address gas-electric coordination issues, most of which focus on region-specific issues through table-top exercises, planning studies, and reforms to specific electric market rules. The participants also identified general concerns that came up in all regions: the respective ability of each industry to share information in furtherance of enhancing gas-electric coordination consistent with the Commission's regulations on Standards of Conduct and statutory restrictions on undue discrimination and preference; and, scheduling discontinuities between the gas and electric industries, including the impact of the Commission's "no bump" and pipeline capacity release rules. Industry representatives at multiple conferences suggested that generic guidance or action on these issues could facilitate greater harmonization of the gas and electric industries.

The Commission appreciates the responses to the questions posed in this docket, the thoughtful participation in the August 2012 conferences, and the subsequent input of many from the gas and electric industries. Based on the totality of this information and the reality that changes to market structures and development of infrastructure do not happen over night, the Commission believes the most prudent course of action at this time is to more fully explore the two primary issues identified above through additional, targeted technical conferences. In addition, the Commission directs each regional transmission organization (RTO) and independent system operator (ISO) to appear before the Commission on May 16, 2013, and October 17, 2013, to share their experiences from the winter and spring, and summer and fall, respectively."

conference to identify areas in which additional Commission guidance or potential regulatory changes could be considered.

Pursuant to the November 15 Order, the Commission held a technical conference on April 25, 2013 (April 2013 technical conference) regarding natural gas and electric scheduling practices, and issues related to whether and how natural gas and electric industry schedules could be harmonized in order to achieve the most efficient scheduling systems for both industries. More than 300 persons, representing a cross-section of industry, participated in the April 2013 technical conference, and discussed four major topic areas: natural gas and electric operating day, natural gas nomination cycles, the No-Bump Rule, and electric scheduling and market rules.

The participants in these conferences identified a number of specific areas in which the differences between the nationwide natural gas schedules and the regional electric schedules can affect the ability to provide reliable service and may create inefficiencies in scheduling that result in less cost effective use of resources. The major areas identified by the participants were: 1) the discontinuity between the operating days of electric utilities (including ISOs and RTOs) and the standardized operating day of interstate natural gas pipelines; 2) the lack of coordination between the day-ahead process for nominating interstate natural gas pipeline transportation services and the day-ahead process for scheduling electric generators, particularly those of the ISOs and RTOs; and 3) the lack of intra-day nomination opportunities on interstate natural gas pipelines, which may limit the ability of gas-fired electric generators, as well as other shippers, to revise their nominations during the operating day.

In March 2014, the Commission issued a Notice of Proposed Rulemaking in Docket No. RM14-12-000 soliciting comments on various changes to gas-electric coordination and their impact on both industries for the information collections proposed in the NOPR for FERC–545 (Gas Pipeline Rates: Rate Change (Non-Formal)) and FERC–549C (Standards for Business Practices of Interstate Natural Gas Pipelines).

In response to the NOPR in this docket, the Commission received 75 comments from all sectors of both industries, including interstate natural gas pipelines, electric utilities, generation owners, local distribution companies, natural gas producers, regional transmission organizations and independent system operators, state regulators, and other parties.

The Commission provided the natural gas and electric industries, through NAESB, with a period of 180 days after publication of the NOPR in the Federal Register to reach consensus on the proposals or revision to proposals 1 through 3 above. The Commission also provided 240 days after publication in the Federal Register (or by November 28, 2014) to offer comments on all four proprosals. On same the day the NOPR was issued, the Commission issued two other orders designed to ensure reliable operation of both the interstate natural gas pipeline and electricity systems. In one order, the Commission instituted proceedings under section 206 of the Federal Power Act (FPA)[23] to ensure that each ISO's and RTO's scheduling practices, particularly its day-ahead scheduling practices, correlate with any revisions to the natural gas scheduling practices ultimately adopted by the Commission in the instant proceeding.[24]

In the Section 206 Order, the Commission required each ISO and RTO within ninety days of the publication of a Final Rule in Docket No. RM14-2-000 [this final rule and docket] to (1) make a filing that proposes tariff changes to adjust the time at which the results of its day-ahead energy market and reliability unit commitment process (or equivalent) are posted to a time that is sufficiently in advance of the Timely and Evening Nomination Cycles, respectively, to allow gas-fired generators to procure natural gas supply and pipeline transportation capacity to serve their obligations, or (2) show cause why such changes are not necessary. In the second order, the Commission instituted proceedings, under section 5 of the Natural Gas Act (NGA)[25] to examine whether interstate natural gas pipelines are providing notice of offers to purchase released pipeline capacity in accordance with section 284.8(d) of the Commission's regulations.[26]

Commenters expressed a variety of concerns to the NOPR in RM14-2, but most of these concerns were directed at the NOPR proposal to modify the start of the Gas Day, from 9:00 a.m. CCT currently to 4:00 a.m. CCT. In response, in the Final Rule, the Commission declined to adopt the NOPR proposal to move the start of the Gas Day.

Some commenters to the NOPR expressed concern that the NOPR burden estimate does not provide a full-cost accounting to industry participants outside the Commission's regulatory authority (interstate pipelines), such as producers, LDCs, gas marketers, and manufacturers. In all, nineteen commenters addressed the one-time and on-going implementation costs of the NOPR Gas Day and NAESB scheduling timeline proposals. However, most of these addressed the Gas Day proposal, which the Commission declines to adopt in the Final Rule.

Of the five comments addressing the one-time and on-going implementation costs in the NOPR's burden estimate of the NAESB nomination scheduling and timeline proposals, commenters caution that unbalanced changes to the nomination cycle and scheduling timelines may create higher on-going staffing costs to cover extended shifts and additional work-loads to accommodate additional nomination opportunities and extended work-hours. Additionally, two of these five commenters noted that changes to the nomination schedule may entail one-time costs for the reconfiguration of SCADA systems. In response, the Commission is incorporating by reference NAESB's proposal for 3 intraday nomination cycles, one fewer than proposed in the NOPR, and with modified start and end times, which maintains regular business hours for

[23] 16 U.S.C. § 824e (2012).
[24] Section 206 Order, 146 FERC ¶ 61,202.
[25] 15 U.S.C. § 717d.
[26] *Posting of Offers to Purchase Capacity*, 146 FERC ¶ 61,203 (2014). *See also* 18 CFR 284.8(d)(2013).

most of the country, and avoids many of the on-going costs created by overlapping nomination cycles and extended work-shift hours.

Finally, although many commenters addressed the NOPR proposal on multi-party contracts, none referenced costs or the burden estimate on this issue. Nonetheless, the Commission is adopting the section 284.12(b)(1)(v) NOPR proposal with the modification that pipelines are only required to file an appropriate tariff change with the Commission within 60 days of a shipper request for such service. This will create system flexibility and marketplace responsiveness to multi-party transportation contracts without burdening pipelines with a requirement to change tariff provisions when shippers have not expressed interest in the service.

Commenters addressing costs did not cite specific examples of quantifiable errors in the NOPR burden estimate or offer an alternative. Regarding the necessity of the information, one commenter recommended that the Commission either collect the information proposed in the NOPR from existing sources, or incorporate the new data requests into existing Commission reporting requirements. The Commission reviewed potential outside sources, but cannot obtain the information described in the NOPR from another source.

In response to the comments received, the Commission revised its proposals in the Final Rule with respect to the proposals in the NOPR.

- Firstly, the Commission declines to adopt the NOPR proposal to move the start of the Gas Day to 4:00 a.m. CCT from 9:00 a.m. CCT.
- Secondly, the Commission incorporates by reference NAESB's proposal to move the start of the Timely Nomination Cycle to 1:00 p.m. CCT, with scheduled quantities available at the start of the next Gas Day.
- Thirdly, the Commission incorporates by reference NAESB's proposal of 3 intraday nomination cycles, with one less cycle and modified start and end times relative to the NOPR proposal.
- Fourthly, the Commission adopts section 284.12(b)(1)(v) as proposed in the NOPR to require a pipeline to file tariff changes with the Commission multi-party transportation contracts, with the modification that pipelines are only required to file an appropriate tariff change with the Commission within 60 days of a shipper request for such service.

9. EXPLAIN ANY PAYMENT OR GIFTS TO RESPONDENTS

FERC-545 and FERC-549C. There are no payments or gifts to respondents.

10.DESCRIBE ANY ASSURANCE OF CONFIDENTIALITY PROVIDED TO RESPONDENTS

FERC-545 and FERC-549C. The data are public. In general, for all submittals to the Commission, filers may submit specific requests for confidential treatment to the extent permitted by law; details are available in 18 C.F.R. Section 388.112.

11. PROVIDE ADDITIONAL JUSTIFICATION FOR ANY QUESTIONS OF A SENSITIVE NATURE, SUCH AS SEXUAL BEHAVIOR AND ATTITUDES, RELIGIOUS BELIEFS, AND OTHER MATTERS THAT ARE COMMONLY CONSIDERED PRIVATE.

There are no questions of a sensitive nature in the reporting requirements.

12. ESTIMATED BURDEN OF COLLECTION OF INFORMATION

Changes due to the Final Rule in RM14-2. This ICR and supporting statement explain the estimated changes to burden and cost due to the Final Rule in RM14-2.

Final Rule in RM14-2					
	Number of Respondents[27] (1)	**Number of Responses per Respondent (2)**	**Average Burden Hours Per Response (3)**	**Total Annual Burden Hours (1)x(2)x(3)**	**Total Annual Cost ($)[28]**
FERC-545 (OMB Control No. 1902-0154)[29]					
Tariff Filing for new and revised Nomination Cycles (one-time)[30]	165	1	10	1,650	$116,457[31]

[27] An estimated 165 natural gas pipelines (Part 284 program) are affected by this Final Rule. Although some natural gas pipeline companies may utilize business practices that satisfy parts of the proposals in this Final Rule (e.g., provide additional nomination opportunities), the full cost of industry compliance is estimated for the total number of approximately 165 potential respondents.

[28] The hourly wage figures are published by the Bureau of Labor Statistics, U.S. Department of Labor, National Occupational Employment and Wage Estimates, United States, Occupation Profiles, May 2013, at http://www.bls.gov/oes/home.htm, and the benefits are calculated using BLS information, at http://www.bls.gov/news.release/ecec.nr0.htm. Each response to the regulation in Column 1 corresponds to a unique respondent.

[29] The average hourly burden cost (salary plus benefits) related to tariff filings is $70.58. This represents the average wage (salary and benefits) of the following occupational categories: “Lawyers” ($128.94 per hour, top 10 percent of wage earners), “Computer Systems Analyst” ($58.77 per hour, average composite hourly wage), and “Office and Administrative” ($24.04 per hour, average composite hourly wage). Wage data is available from the Bureau of Labor Statistics at http://www.bls.gov/oes/home.htm; background on the estimate of the benefits component is at http://www.bls.gov/news.release/ecec.nr0.htm.

[30] Some of the estimated 165 natural gas pipeline companies (Part 284 program) may already utilize business practices that satisfy the NAESB proposal elements of this Rulemaking (e.g., provide additional nomination opportunities). In these instances the full cost of industry compliance is estimated for the total number of potential respondents.

[31] The average (mean) hourly cost of tariff filings and implementation for interstate natural gas pipelines is $70.58. This represents the composite wage (salary and benefits) of the following occupational categories: “Lawyers” ($128.94 per hour, top 10 percent of wage earners), “Computer Systems Analyst” ($58.77 per hour, average composite hourly wage), and “Office and Administrative” ($24.04 per hour, average composite hourly wage). Wage data is available from the Bureau of Labor Statistics at http://www.bls.gov/oes/home.htm; estimate of the benefits component at http://www.bls.gov/news.release/ecec.nr0.htm.

Tariff Filing for Multi-Party Service Agreements (one-time)[32]	8	1	10	80	$5,646
FERC-549C (OMB Control No. 1902-0174)					
Implementation of business standards, including process, procedures, and IT support (one-time)[33]	165	1	240	39,600	$2,524,500
Annual operations, including 1 additional intraday nomination (ongoing) [34]	165	1	182.5	30,113	$1,535,738
Total one-time (for FERC-545 and FERC-549C)				39,680	$2,646,603
Total ongoing (for FERC-549C)				30,113	$1,535,738

FERC-545. For this submittal for the FERC-545, we are averaging the one-time implementation burden over Years 1-3.

Using that approach for FERC-545, each of Years 1-3 would impose: 576.66 hrs.

[32] A majority of the 165 potential respondents operate under tariffs filed with the Commission that include provisions for multi-party service agreements. The Commission expects that approximately 8 of the 165 potential respondents (five percent), following an expression of shipper interest, will file tariffs each year with the Commission that support multi-party service agreements.

[33] The average hourly cost is $63.75. This represents the average wage (salary and benefits) of the following occupational categories: “Lawyers” ($128.94 per hour, top 10 percent of wage earners), “Computer Systems Analyst” ($58.77 per hour, average composite hourly wage), “Gas Plant Operator” ($43.24 per hour, average composite hourly wage), and “Office and Administrative” ($24.04 per hour, average composite hourly wage).

[34] For ongoing operations, we estimate 0.5 hours per calendar day per respondent (or 182.5 hours annually per respondent). For this clearance package, we are counting that FERC-549C ongoing component as 1 response [albeit daily] for each of the 165 respondents.
The average hourly cost is $51. This represents the average wage (salary and benefits) of the following occupational categories: “Computer Systems Analyst” ($58.77 per hour), and “Gas Plant Operator” ($43.24 per hour).

[(1,650+80)/3]; and $40,701 [($116,457+$5,646) /3).

Then after Year 3, the FERC-545 burden associated with the averaged implementation burden would be removed from the inventory.

FERC-549C. For this submittal for the FERC-549C, we are averaging the one-time implementation burden (39,600 hrs.) and cost ($2,524,500) over Years 1-3.

Using that approach for FERC-549C, each of Years 1-3 would impose: (39,600/3) +30,113 = 43,313 hrs.; ($2,524,500/3) + $1,535,738=$2,377,238.

Then after Year 3, the FERC-549C burden associated with the averaged implementation burden would be removed from the inventory.

See #15, below, for an explanation of the estimated changes to burden as implemented in the Final Rule in RM14-2 and for the proposed new inventory figures.

13.ESTIMATE OF TOTAL ANNUAL COST OF BURDEN TO RESPONDENTS

FERC-545 and FERC-549C. There are no capital or start-up costs for the requirements in the Final Rule in RM14-2 that are not associated with the burden hours. All of the costs are related to burden hours and are detailed in #12 and #15.

14.ESTIMATED ANNUALIZED COST TO FEDERAL GOVERNMENT

FERC-545 and FERC-549C. The following federal costs relate only to the new requirements proposed by the Final Rule.

	Number of Hours or FTE's	**Estimated Annual Federal Cost ($)**[35]
PRA[36] Administration Cost [37]	-	$ 5,193.
Data Processing and Analysis, Sub-Total[38]	1.00	$149,489.

[35] Based on FERC's Fiscal Year 2015 average cost per FTE (salary plus benefits) of $149,489 per year (or 2,080 work hours), rounded to $72.00 per hour.

[36] Paperwork Reduction Act of 1995 (PRA)

[37] The PRA Administration Cost is $ 5,193, and includes preparing supporting statements, notices, and other activities associated with Paperwork Reduction Act compliance.

[38] The estimate of federal FTE's and the indicated split between FERC-545 and FERC549C is based on staff's experience and the fact that the FERC-545 filings are one-time, with the FERC-549C requirements both one-time and on-going.

FERC-545	*0.25*	*$37,372*
FERC-549C	*0.75*	*$112,117*
FERC Total	-	$154,682

The estimates for the federal cost (including existing inventory, proposed changes due to this Final Rule in RM14-2, and updated total) follow (with the rationale for the split discussed in footnote 29).

Data Collection	Federal Cost Change, due to Final Rule (RM14-2)[39]	Total Federal Cost, after implementation of Final Rule in RM14-2
FERC-545	$38,670	$2,915,180
FERC-549C	$116,012	$225,255
TOTAL	$154,682	$3,140,435

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

FERC-545 and FERC-549C. The current OMB-approved annual estimates in ROCIS and reginfo.gov follow.

Data Collection	Annual Number of Responses	Annual Total Burden Hours	Cost Burden ($)
FERC -545[40]	2,305	281,720	0
FERC-549C	161	14,490	0

The burden for FERC-545 increased from 2,305 to 2,478 responses and from 281,720 to 282,296.66 burden hours. This net increase is a change due to agency discretion. FERC-549C increased from 161 to 491 responses and from 14,490 to 57,803 burden hours. This net increase is a change due to agency discretion.

[39] This cost includes the Data Processing and Analysis cost. In addition, it includes a portion of the PRA Admin. cost weighted as follows:

- for FERC-545, 0.25 * $5,193 =$1,298
- for FERC-549C, 0.75 * $5,193=$3,895

[40] FERC-545 includes items such as: Standard Rate Case Issues (e.g., Compliance, Cost of Service, Settlement); Reports (e.g., Annual, Reconciliation); Negotiated Rates; Non-Conforming Agreements; and Tariffs

The Final Rule in RM14-2 and this supporting statement.

FERC-545. The Final Rule in RM14-2 requires interstate gas pipelines to make a one-time tariff filing to reflect the changes, such as additional intraday nomination cycle. [This triggers the additional 173 (165+8) one-time filings and corresponding 1,730 (1,650+80) additional burden hours, burden detailed in #12, above.]

FERC-549C. In the Final Rule in RM14-2, the Commission is incorporating by reference NAESB standards that:

1. Move the start of the first day-ahead gas nomination opportunity (Timely Nomination Cycle) from 11:30 a.m. to 1:00 p.m. CCT;
2. Move the start of the Intraday 2 Nomination Cycle from 5:00 p.m. to 7:00 p.m. CCT; and
3. Add an additional Intraday Nomination Cycle at 2:30 p.m. CCT [which adds the additional daily requirements].

Additionally, the Commission is adopting section 284.12(b)(1)(iii) as proposed in the Notice of Proposed Rulemaking (NOPR or Proposed Rule)[41], with the modification that the Commission will only require pipelines to offer such an option if requested to do so by a shipper. This change allows multiple shippers to share pipeline capacity under a single firm transportation service agreement.

[For FERC-549C, this triggers the additional: (a)165 one-time responses (and related 39,600 hours) and (b) the 165 ongoing responses (and related 30,113 burden hours), detailed in #12, above.]

Summary table of changes to burden hours, with current approved inventory, as listed in ROCIS and reginfo.gov are :

	Total Request	Previously Approved	Change due to Adjustment in Estimate	Change Due to Agency Discretion
FERC-545				
Annual Number of Responses	2,478	2,305	0	+173

[41] *Coordination of the Scheduling Processes of Interstate Natural Gas Pipelines and Public Utilities*, 79 FR 18223 (April 1, 2014), FERC Stats. & Regs ¶ 32,700 (2014) (cross-referenced at 146 FERC ¶ 61,201 (2014)) (NOPR).

Annual Time Burden (Hr.)	282,297 [rounded]	281,720	0	+576.66[42]
Annual Cost Burden ($)	$0	$0	$0	$0
FERC-549C				
Annual Number of Responses[43]	491	161	0	+330
Annual Time Burden (Hr.)[44]	57,803	14,490	0	+43,313
Annual Cost Burden ($)	$0	$0	$0	$0

16. TIME SCHEDULE FOR PUBLICATION OF DATA

FERC-545 and FERC-549C. There are no publications of the information.

17. DISPLAY OF EXPIRATION DATE

FERC-545 and FERC-549C. The expiration dates are displayed on ferc.gov with links to the updated table from http://www.ferc.gov/docs-filing/info-collections.asp .

18. EXCEPTIONS TO THE CERTIFICATION STATEMENT

There are no exceptions in this collection.

[42] This FERC-545 burden increase is one-time and only in Year 1. For this submittal, it is being averaged over Years 1-3; FERC will request that it be removed from the inventory of FERC-545 after Year 3.

[43] Each of the 165 respondents has one-time burden, and each has ongoing burden. As a result, the reginfo.gov and ROCIS number of responses shows 330 additional responses (+165one-time, plus 165 ongoing), giving a total new number of responses of 491.

[44] Averaging the one-time burden and cost over Years 1-3 for the purposes of this PRA-related supporting statement (for the total number of entities)