

Supporting Statement for
FERC- 552, Annual Report of Natural Gas Transactions

The Federal Energy Regulatory Commission (Commission or FERC) requests that the Office of Management and Budget (OMB) review and approve **FERC-552, Annual Report of Natural Gas Transactions**, for a three year period. FERC- 552 (OMB Control No. 1902-0242) is an existing Commission data collection (filing requirements) as stated in 18 Code of Federal Regulation (CFR) 260.401.

Background

A. Justification

1. CIRCUMSTANCES THAT MAKE THE COLLECTION OF INFORMATION NECESSARY

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 commerce¹. The Commission is authorized to investigate the rates charged by natural gas pipeline companies subject to its jurisdiction. All rates and charges made, demanded, or received by any natural-gas company for or in connection with the transportation or sale of natural gas subject to the jurisdiction of the Commission, and all rules and regulations affecting or pertaining to such rates or charges, shall be just and reasonable². If, after the investigation, the Commission is of the opinion that the rates are unjust or unreasonable or unjustly discriminatory or unduly preferential, it is authorized to determine and prescribe just and reasonable rates. The Natural Gas Act (NGA) also provided the Commission with a means for considering the reasonableness of rates through settlement conferences or hearings.

With the passage of EPAct 2005, Congress affirmed a commitment to support competition in wholesale natural gas and electricity markets as part of national policy. EPAct 2005 is the fifth major federal law in the last 30 years to do so.³ As part of this

¹ Pursuant to sections 4, 5, and 16 of the NGA, (15 USC 717c - 717o, P.L. 75-688, 52 Stat. 822 and 830), and Title III of the NGPA, (15 USC 3301-3432, P.L. 95-621)

² 15 USC 717C(a) – Rates and Charges

³ See Energy Policy Act of 1992, Pub. L. No. 102-486, 106 Stat. 2776 (1992), codified as amended in various sections of 16 USC; Natural Gas Wellhead Decontrol Act of 1989, Pub. L. No. 101-60, 103 Stat. 157 (1989), codified in various sections of 15 USC; Public Utility Regulatory Policies Act of 1978, 16 USC 2601-2645 (2000); Natural Gas Policy Act of 1978, 15 USC. 3301-3442 (2000).

commitment to competition, in the transparency provisions, Congress charged the Commission with assuring the integrity of the wholesale markets and assuring fair competition by facilitating price transparency in those markets. It also significantly strengthened the Commission's regulatory measures in the transparency provisions, specifically the measures outlined in section 220 of the Federal Power Act (FPA) and section 23 of the NGA.

Additionally, Order No. 704, as clarified and modified by Order Nos. 704-A⁴ and 704-B⁵, required market participants with reportable physical natural gas purchases or sales equal to or greater than 2.2 trillion British Thermal Units (BTU)⁶ to report the following information on Form No. 552:

- (1) total volume of the respondent's reportable physical sales and purchases during the year,
- (2) quantities contracted at fixed prices for next day delivery,
- (3) quantities contracted at prices that refer to published daily gas price indices,
- (4) quantities contracted at fixed prices for next month delivery,
- (5) quantities contracted at prices that refer to published monthly gas price indices,
- (6) quantities contracted under trigger agreements, such as NYMEX Plus contracts, and
- (7) quantities contracted as physical basis transactions.⁷

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

Congress directed the Commission to facilitate price transparency in markets for the sale, purchase, or transportation of physical natural gas in interstate commerce^{8,9}. The natural gas transparency provision language also provides for the timely dissemination of information about the availability and prices of natural gas sold at wholesale and within interstate commerce.¹⁰ The Commission requires information regarding purchases of

⁴ *Transparency Provisions of Section 23 of the Natural Gas Act*, Order No. 704-A, FERC Stats. & Regs. ¶ 31,275, 73 Fed. Reg. 55726 (2008) (Order No. 704-A).

⁵ *Transparency Provisions of Section 23 of the Natural Gas Act*, Order No. 704-B, 125 FERC ¶ 61,302 (2008) (Order No. 704-B).

⁶ 2.2 trillion British Thermal Units ≈ 2.2 million dekatherms.

⁷ Respondents must also explain any difference between the total volumes of their reportable purchases and sales reported in response to item (1) above and the sum of the corresponding quantities reported in response to items (2) through (7).

⁸ 15 USC 717t, Section 23(a)(1)

⁹ 15 USC 717t-2(a)(1), Section 23(a)(1) of the NGA.

¹⁰ 15 USC 717t-2(a)(2), Section 23(a)(2) of the NGA.

natural gas to evaluate the reliability of information regarding sales of natural gas. Additionally, the Commission needs the information to obtain a useful gauge of price transparency within natural gas markets. The data provides public and market participants with a gauge of collective usage and resultant confidence concerning market indices. Additionally, it shows market participants volumetric contributions to the index formation which also provides insight into market confidence.

The FERC Form 552 provides greater transparency concerning the use of indices to price natural gas and how well index prices reflect market forces. Many market participants rely on indices to reference market prices without acquiring the risks of active trading. However, the Commission discovered that there was insufficient information available to the Commission and market participants in order to assess whether the gas indices are derived from a robust market of fixed-price transactions and, thus, accurately reflect market forces. For example, there was no way to determine the volumetric relationships between (a) the fixed-price, next day and next month delivery transactions that form gas price indices; and (b) transactions that use indices. The Office of Enforcement (OE) usually presents data to the Commission and the public which show the volumes that are used to form the daily and monthly indexes and also provide the number of companies voluntarily reporting to index publishers. OE then monitors changes in the number and types of companies that voluntarily report transactions and trends (e.g. increased index usage, changes within monthly/daily usage, relationship between natural gas prices to index use, relationship between fixed prices and the provision of next-month delivery). We also make the form 552 database available on the FERC website¹¹.

The annual filing of transaction information by market participants is necessary to provide information regarding the size of the physical natural gas market, the use of the natural gas spot markets and the use of fixed- and indexed- price transactions. Without the most basic information about these volumetric relationships, the Commission has been hampered in its oversight and its ability to assess the adequacy of price-forming transactions. Market participants are likewise unable to evaluate their use of indexed transactions. Typically, market participants rely on index-priced transactions as a way to reference market prices without taking on the risks of active trading. These market participants rely on index prices, often whether or not those prices are derived from a robust market of fixed-price transactions.

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

¹¹ <http://www.ferc.gov/docs-filing/forms/form-552/form-552.pdf>

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The Commission continually reevaluates the potential and value of improved information technology to reduce burden.

The FERC-552 must be filed electronically.

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.

The Commission published a notice within the Federal Register to help identify any duplication of the information in FERC-552. No comments were received. There are no other Federal agencies responsible for obtaining authorization for all rates and charges made, demanded, or received in connection with the transportation or sale of natural gas in interstate commerce¹². No similar information can be used or modified.

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

The Commission also uses eFiling for this collection as a means of reducing burden for respondents including small entities.

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

The Commission would not be able to facilitate price transparency in markets for the sale or transportation of physical natural gas in interstate commerce if the FERC-552 data were collected less frequently. The annual filing of transaction information by market participants is necessary to provide information regarding the size of the physical natural gas market, the use of the natural gas spot markets and the use of fixed and index price transactions.

7. EXPLAIN ANY SPECIAL CIRCUMSTANCES RELATING TO THE INFORMATION COLLECTION

The form meets all of OMB's section 1320.5 requirements.

¹² Pursuant to sections 4, 5, and 16 of the NGA, (15 USC 717c - 717o, P.L. 75-688, 52 Stat. 822 and 830), and Title III of the NGPA, (15 USC 3301-3432, P.L. 95-621

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

In accordance with OMB requirements¹³, the Commission published a 60-day notice¹⁴ and a 30-day notice¹⁵ to the public regarding this information collection on 4/15/2015 and 8/4/2015 respectively. Within the public notice, the Commission noted that it would be requesting a three-year extension of the public reporting burden with no change to the existing requirements concerning the collection of data. No comments were received.

9. EXPLAIN ANY PAYMENT OR GIFTS TO RESPONDENTS

There are no payments or gifts to FERC 552 respondents.

**10. DESCRIBE ANY ASSURANCE OF CONFIDENTIALITY PROVIDED TO
RESPONDENTS**

The Commission does not consider the information collected in FERC-552 filings to be confidential. However, the Commission will consider specific requests for confidential treatment to the extent permitted by law pursuant to 18 C.F.R. 388.112(a)(1). The Commission will review each request for confidential treatment on a case-by-case basis. The Commission received 0 requests for confidential treatment since the data are reported in aggregate and not specifically referring to trading locations.

**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 that are considered private in the FERC-552.

12. ESTIMATED BURDEN OF COLLECTION OF INFORMATION

The Commission estimates the Public Reporting Burden for this information collection as:

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¹³ 5 CFR 1320.8(d)

¹⁴ 80 FR 20217

¹⁵ 80 FR 46268

	Number of Respondents (1)	Number of Responses Per Respondent (2)	Total Number of Responses (1)x(2)=(3)	Average Burden & Cost per Response (4)	Total Annual Burden Hours & Total Annual Cost (3)x(4)=5
Wholesale natural gas market participants	666	1	666	10 \$719.00 ¹⁶	6,660 \$478,652.00

The total estimated annual cost burden to respondents is \$478,652 [6,660 hours ÷ 2,080¹⁷ hours/year = 3.201923 * \$149,489/year¹⁸ = \$478,652]

The estimated annual cost of filing the FERC-552 per response is \$719 [\$478,652 ÷ 666 responses = \$719/response]

13. ESTIMATE OF THE TOTAL ANNUAL COST BURDEN TO RESPONDENTS

There is no start-up or other non-labor costs.

All of the costs are associated with burden hours (labor) and described in Questions #12 and #15 in this supporting statement.

14. ESTIMATED ANNUALIZED COST TO FEDERAL GOVERNMENT

	Number of Employees (FTEs)	Estimated Annual Federal Cost
Analysis and Processing of filings ¹⁹	0.5	\$74,744.50
Data Clearance Cost	N/A ²⁰	\$5,193 ²¹

¹⁶ Rounded from \$718.69 to \$719.00

¹⁷ 2080 hours = 40 hours/week * 52 weeks (1 year)

¹⁸ Average annual salary per FERC employee in 2015. We are using FERC cost (salary and benefits) as it fairly reflects an estimate for the industry cost.

⁶ Number of respondents as of the 2013 Form 552 survey

¹⁹ Based upon 2015 FTE average salary (\$149,489)

²⁰ Not applicable

FERC Total	N/A	\$79,937.50
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The Commission bases its estimate of the “Analysis and Processing of filings” cost to the Federal Government on salaries and benefits for professional and clerical support. This estimated cost represents staff analysis, decision making, and review of any actual filings made in response to the information collection.

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

The Commission outlines the differences between the total requested annual time burden and the previously approved annual time burden below:

Fewer entities are required to report due to market factors.

FERC-552	Total Request	Previously Approved	Change due to Adjustment in Estimate	Change Due to Agency Discretion
Annual Number of Responses	666	691	-25	0
Annual Time Burden (Hr)	6,660	6,910	-250	0
Annual Cost Burden (\$)	0	0	0	0

16. TIME SCHEDULE FOR PUBLICATION OF DATA

There are no publications of the information.

17. DISPLAY OF EXPIRATION DATE

The expiration dates are displayed on [ferc.gov](http://www.ferc.gov) with links to the updated table from <http://www.ferc.gov/docs-filing/info-collections.asp> .

21 The PRA Administrative Cost is a Federal Cost associated with preparing, issuing, and submitting materials necessary to comply with the Paperwork Reduction Act (PRA) for rulemakings, orders, or any other vehicle used to create, modify, extend, or discontinue an information collection. This average annual cost includes requests for extensions, all associated rulemakings and other changes to the collection.

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18. EXCEPTIONS TO THE CERTIFICATION STATEMENT

There are no exceptions to this collection.