

Supporting Statement  
**FERC-542, Gas Pipeline Rates: Rate Tracking**

The Federal Energy Regulatory Commission (Commission or FERC) requests that the Office of Management and Budget (OMB) review and approve FERC-542, Gas Pipeline Rates: Rate Tracking for a three year period. FERC-542 is an existing collection in 18CFR 154.401-403; there are no changes to the reporting requirements.

The existing FERC-542 contains the following information collection requirements: (1) Research, development, and deployment (RD&D) expenditures [18CFR154.401]; (2) annual charge adjustments (ACA) [18CFR154.402]; and (3) periodic rate adjustments [18CFR154.403].

The general requirements for tariff filings that are specified in the following regulations apply to all FERC-542 filings: 18CFR 154.4, 18 CFR154.7, 18CFR154.107, and 18CFR154.201.

**1. CIRCUMSTANCES THAT MAKE THE COLLECTION OF INFORMATION NECESSARY**

The Natural Gas Act (NGA)<sup>1</sup> requires FERC to regulate the transmission and sale of natural gas for resale in interstate commerce and to ensure the rates jurisdictional natural gas pipelines charge are just and reasonable. It provides FERC with authority to implement NGA mandates through its rules and regulations. FERC allows jurisdictional pipelines to flow through to their customers such costs as fuel or electric power costs necessary to operate compressor stations as well as the costs of storage services; research, development, and demonstration (RD&D) expenditures and FERC annual charge adjustment assessments. To ensure these charges result in just and reasonable rates, FERC requires jurisdictional pipelines to file detailed and summary information on these flowed costs in the FERC-542. Analyses of FERC-542 data helps the Commission evaluate the charges to ensure compliance with NGA rate requirements.

The Commission is required to “assess and collect fees and annual charges in any fiscal year in amounts equal to all of the costs incurred by the Commission in that fiscal year.”<sup>2</sup> To accomplish this, the Commission created the annual charges program, which is designed to recover the costs of administering the natural gas, oil, and electric programs by calculating the costs of each program, net of filing fees, and properly allocating them among the three programs.<sup>3</sup>

Pipelines are entitled to recover these annual charges from their customers, and they have two options for doing so. First, upon Commission approval, a pipeline may adjust its rates annually to recover the annual charges through an ACA clause.<sup>4</sup> Second, a pipeline may seek to recover

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1 15 U.S.C. §717c, 717d and 717o (2010).

2 See *Omnibus Budget Reconciliation Act*, Pub. L. No. 99-509, Title III, Subtitle E, § 3401, 1986 U.S. Code Cong. & Ad. News (100 Stat.) 1874, 1890-91 (codified at 42 U.S.C. 7178 (2012)).

3 *Annual Charges Under the Omnibus Budget Reconciliation Act of 1986*, Order No. 472, FERC Stats & Regs. ¶ 30,746, clarified by, Order No. 472-A, FERC Stats. & Regs. ¶ 30,750, order on reh’g, Order No. 472-B, FERC Stats. & Regs. ¶ 30,767 (1987), order on reh’g, Order No. 472-C, 42 FERC ¶ 61,013 (1988).

4 18 C.F.R. 154.402 (2012).

its annual charges through its general transportation rates.<sup>5</sup> In order to take advantage of the ACA clause, a pipeline has to file a revision to their tariff.

Order No. 472 recognized that although the Commission generally disfavors the use of tracking mechanisms, it is appropriate that pipelines be permitted to pass through these annual charges directly to customers.<sup>6</sup> Accordingly, the Commission provided pipelines an option of passing along the annual charges to customers through a surcharge to their transportation rates reflected in the ACA clause.<sup>7</sup> The Commission codified the requirements for pipelines that choose to utilize an ACA clause in 18 CFR 154.402.<sup>8</sup>

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

FERC uses FERC-542 filings to verify that costs which are passed through to pipeline customers as rate adjustments meet Commission policy and authorizations. Failure to collect this information would prevent the Commission from meeting its statutory mandate to monitor and evaluate pipeline rates.

**ACA Clause.** Pipelines that seek to recover annual charges through an ACA clause must file a tariff record containing:

- (1) A statement that the company is collecting an ACA per unit charge, as approved by the Commission, applicable to all the pipeline's sales and transportation rate schedules,
- (2) The per unit charge of the ACA,
- (3) The proposed effective date of the tariff change (30 days after the filing of the tariff sheet or section, unless a shorter period is specifically requested in a waiver petition and approved), and
- (4) A statement that the pipeline will not recover any annual charges recorded in FERC Account 928 in a proceeding under subpart D of [part 154 of the Commission's regulations].<sup>9</sup>

Each year the Commission sets the ACA unit charge for the natural gas program in July.<sup>10</sup> Pipelines that wish to begin collecting the ACA unit charge on the first day of the fiscal year are required to file revised tariff records reflecting changes in the ACA unit charge by September 1 of each year, to be effective October 1 of that year.<sup>11</sup> As long as the pipeline has paid its annual charge to the Commission, the Commission will accept the tariff records, and they will go into

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<sup>5</sup> Order No. 472, FERC Stats. & Regs. ¶ 30,746 at 30,629.

<sup>6</sup> *Id.*

<sup>7</sup> *Id.*

<sup>8</sup> 18 C.F.R. 154.402 (2012).

<sup>9</sup> *Id.* at 154.402(b).

<sup>10</sup> The Commission publishes this change via a notice entitled, "FY [Year] Gas Annual Charges Correction for Annual Charges Unit Charge," which is available on the Commission's website, located at <http://www.ferc.gov>.

<sup>11</sup> *See id.* at 382.102(i) (defining "fiscal year" as the twelve-month period that begins on the first day of October and ends on the last day of September); *see also id.* at 154.402(b)(3) (requiring the proposed effective date of the tariff change revising the ACA unit charge to be 30 days after the date the change is filed, unless a shorter period is specifically requested in a waiver petition and approved).

effect on October 1. To the extent that the ACA unit charge remains the same from one year to the next, existing pipelines that already reflect that ACA unit charge in their tariffs need not make a filing for that year. This annual process is designed to ensure that pipelines collect charges for the entire fiscal year, as defined in Part 382 of the Commission's regulations.

**Final Rule in Docket RM12-14 (issued 3/21/2013), affecting ACA.** In a Final Rule in Docket RM12-14 (issued 3/21/2013), the Commission eliminated an annual filing and approved the requirement to have pipelines utilize an ACA clause to incorporate the Commission-authorized ACA unit rate by reference to that rate as published on the Commission's website. Accordingly, pipelines that wished to continue utilizing an ACA clause were required to make a one-time tariff revision that incorporated the ACA unit charge published on the Commission's website into the pipeline's tariff as the ACA unit charge for the relevant fiscal year.<sup>12</sup> Those one-time filings have been completed and are a part of any current tariff.

In establishing this change, the Commission was aware that in addition to the basic statutory requirement that all rates and charges be on file with the Commission,<sup>13</sup> the filing requirements associated with the annual revisions to the ACA unit charge served important practical functions. The Commission established the requirement that pipelines utilize an ACA clause to incorporate by reference into their tariffs the ACA unit charge specified in the annual notice issued by the Commission entitled "FY [Year] Gas Annual Charges Correction for Annual Charges Unit Charge." This ACA unit charge shall be effective on the first day of October following issuance of this notice and shall extend to the last day of September the following year (i.e., the duration of the fiscal year). However, the ACA unit charge shall only be incorporated by reference into the pipeline's tariff, and thereby assessed to shippers, if the pipeline has paid its annual assessment, as reflected on a new notice, entitled "Payment Status of Pipeline Billings – FY [Year]," that the Commission will issue each year. This notice will identify the pipelines that have been assessed annual charges for a fiscal year and indicate whether they have paid their bills and are, therefore, authorized to recover the ACA unit charge from shippers. The Commission will issue the "Payment Status of Pipeline Billings – FY [Year]" notice on the last business day of the fiscal year, and provide updates as necessary.

All of the documents can be found on the Annual Charges page of the Natural Gas section of the Commission's website, located at <http://www.ferc.gov>.

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

The filings can be made electronically through eTariff. (More information on eTariff is available at <http://www.ferc.gov/docs-filing/etariff.asp>.)

### **4. DESCRIBE EFFORTS TO IDENTIFY DUPLICATION AND SHOW SPECIFICALLY WHY ANY SIMILAR INFORMATION ALREADY AVAILABLE**

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<sup>12</sup> See *id.* at 382.102(i) (defining "fiscal year" as the twelve-month period that begins on the first day of October and ends on the last day of September).

<sup>13</sup> 15 U.S.C. 717c (2006).

**CANNOT BE USED OR MODIFIED FOR USE FOR THE PURPOSE(S)  
DESCRIBED IN INSTRUCTION NO. 2**

The data are used for regulatory purposes and are not available elsewhere.

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

FERC-542 is a filing requirement pertaining to regulated pipeline filing obligations for the support of rate changes associated with the transportation, storage, and sale of natural gas. The requirement applies to both large and small respondent companies. To minimize the burden imposed on those small companies who file, FERC requires only data that specifically and sufficiently describe the components of the charges making up the changed rate. The data required imposes the least possible burden for companies while collecting the information necessary for FERC to evaluate related rate changes.

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

The FERC-542 information is collected on a periodic basis on single cost or revenue. This information collection, on average, amounts to three or four filings per year, per pipeline. If the collection were conducted less frequently, the Commission would not be able to monitor and properly evaluate pipeline rates and adjustments as they occur in the course of the year.

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

There are no special circumstances.

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

The Commission solicited public comment in a 60-day Notice (issued 12/14/2015) and related Errata Notice (issued 2/3/2016) in Docket No. IC16-4.<sup>14</sup> No comments were received.

The 30-day Notice will also be published in the Federal Register.

**9. EXPLAIN ANY PAYMENT OR GIFTS TO RESPONDENTS**

The Commission makes no payments or gifts to respondents.

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

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<sup>14</sup> 80FR 79322, 12/21/2015. The Notice is also available in FERC's eLibrary at <http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=14070183>. The Errata Notice is posted at <http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=14137028> and published at 81FR6844 (2/9/2016).

Generally, the Commission does not consider this information to be confidential. An entity seeking confidential treatment of the information may do so in accordance with the Commission's regulations at 18 CFR 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**

The Commission estimates the annual public reporting burden (rounded) and cost<sup>15</sup> for the information collection as:

	Number of Respondents (1)	Annual Number of Responses per Respondent (2)	Total Number of Responses (1)*(2)=(3)	Average Burden & Cost Per Response <small>Error: Reference source not found</small> (4)	Total Annual Burden Hours & Total Annual Cost (3)*(4)=(5)	Cost per Respondent (\$) (5)÷(1)
Requirements in 18CFR 154.401, 154.402, and 154.403	87	2.13 <sup>16</sup>	185	2 hrs.; \$144	370 hrs.; \$26,640	\$306

**13. ESTIMATE OF THE TOTAL ANNUAL COST BURDEN TO RESPONDENTS**

Commission staff conducted analyses of past filings and has concluded that there are no capital costs associated with this rulemaking. Additionally, there is no operation, maintenance, or purchase of services cost associated with either collection.

Total Capital and Start-up cost: \$0

Total Operation, Maintenance, and Purchase of Services: \$0

**14. ESTIMATED ANNUALIZED COST TO FEDERAL GOVERNMENT**

	Number of FTEs (Full-Time Equivalents)	Estimated Annual Federal Cost (\$)
Analysis and Processing of	3	\$448,467

<sup>15</sup> FERC staff estimates that industry is similarly situated in terms of the hourly cost for salary plus benefits. Therefore, we are using the FERC FY 2015 hourly cost (salary plus benefits) of \$72/hour.

<sup>16</sup> This is an arithmetic calculation based on the actual number of filings received (185) divided by the number of unique respondents (87).

filings <sup>17</sup>		
PRA <sup>18</sup> Administrative Cost <sup>19</sup>		\$5,193
<b>FERC Total</b>		<b>\$453,660</b>

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 submitted in response to the information collection.

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

FERC estimates that about 95% (or 19,026 hours) of the burden is reduced (program decrease) due to:

- completion of the one-time filings required by Docket RM12-14<sup>20</sup> and
- the decreased number of ACA filings required by the regulations put in place with Docket No. RM12-14. Pipelines now reference the annual charge posted on ferc.gov in their tariff and have no need to make a separate filing to pass through the annual charge.

The remainder of the reduction (-23 responses and -1,001 burden hrs.) is due to: industry fluctuations (e.g., companies merging and splitting, and companies entering or exiting the market), and FERC staff’s more detailed estimates (based on actual filings received as well as estimated future receipts) for the components of the FERC-542 (e.g., RD&D, ACA, periodic rate adjustments, etc.).

The following table shows the estimated burden changes.

<b>FERC-542</b>	<b>Total Request</b>	<b>Previously Approved</b>	<b>Change due to Adjustment in Estimate</b>	<b>Change Due to Agency Discretion<sup>21</sup></b>
Annual Number of Responses	185	653	-23	-445
Annual Time Burden (Hrs.)	370	20,397	-1,001	-19,026
Annual Cost Burden (\$)	0	0	0	0

17 The federal cost of analysis and processing of filings is based upon FERC’s 2015 FTE average salary plus benefits of \$149,489 (or \$72 per hour).

18 Paperwork Reduction Act of 1995 (PRA)

19 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.

20 Order 776 in Docket No. RM12-14 was issued 3/21/2013; the related one-time filings were counted in ROCIS and reginfo.gov over Years 1-3 and are now complete.

21 The program reductions are due to the completion of the one-time filings associated with the “One-Time Burden from RM12-14 (3 year span)”.

**16. TIME SCHEDULE FOR PUBLICATION OF DATA**

There are no plans to publish the data; the data are used for regulatory purposes

**17. DISPLAY OF EXPIRATION DATE**

The clearance information and expiration dates are posted at  
<http://www.ferc.gov/docs-filing/info-collections.asp>.

**18. EXCEPTIONS TO THE CERTIFICATION STATEMENT**

There are no exceptions.