

Supporting Statement for  
**FERC-501-G, Rate Changes Relating to Federal Corporate Income Tax Rate for Interstate  
Natural Gas Pipelines,**  
Implemented In Final Rule In Docket No. RM18-11-000

The Federal Energy Regulatory Commission (Commission or FERC) requests Office of Management and Budget (OMB) review and approval of FERC-501-G, Rate Changes Relating to Federal Corporate Income Tax Rate for Interstate Natural Gas Pipelines (OMB Control No. 1902-0302), for a one-time reporting requirement. FERC-501-G is a one-time, new data collection with reporting requirements in Code of Federal Regulations (CFR) Title 18, Parts 154, 260, and 284. The FERC-501-G is contained in the Final Rule in Docket No. RM18-11-000<sup>1</sup>.

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

The Tax Cuts and Jobs Act of 2017<sup>2</sup> reduced tax levels applicable to corporate and individual income, effective January 1, 2018. Pipelines subject to cost of service regulation pursuant to Section 4 of the Natural Gas Act (NGA)<sup>3</sup> and Section 311 of the Natural Gas Policy Act (NGPA)<sup>4</sup> are permitted to include projected income taxes as part of the cost of service, and are permitted the opportunity to recover those costs through their rates. Pipelines are not required to

<sup>1</sup> The following items for the Final Rule are available on [ferc.gov](http://ferc.gov):

- Final Rule (without attachments) at:  
<https://elibrary.ferc.gov/idmws/common/OpenNat.asp?fileID=14975386>
- FERC Form No. 501-G (an attachment) at  
<https://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=14975390>
- Instruction Guide (an attachment) at  
<https://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=14976467>
- Commissioner Chatterjee's statement at <https://www.ferc.gov/media/statements-speeches/chatterjee/2018/07-19-18-chatterjee-A-3.asp>
- Staff presentation at <https://www.ferc.gov/media/headlines/2018/2018-3/07-19-18.pdf> .

The following items for the Notice of Proposed Rulemaking (NOPR) are available on FERC.gov:

- NOPR at <https://elibrary.ferc.gov/idmws/common/OpenNat.asp?fileID=14842252>,
- Instruction Guide at <https://elibrary.ferc.gov/idmws/common/OpenNat.asp?fileID=14842254>,
- Proposed FERC Form No. 501-G at  
<https://elibrary.ferc.gov/idmws/common/OpenNat.asp?fileID=14842253>
- News Release at <https://www.ferc.gov/media/news-releases/2018/2018-1/03-15-18-E-1.asp>
- Staff Presentation at <https://www.ferc.gov/industries/gas/E-1-presentation.pdf>
- Fact Sheet at <https://www.ferc.gov/media/news-releases/2018/2018-1/03-15-18-E-1-fact-sheet.pdf>.

<sup>2</sup> Tax Cuts and Jobs Act, Pub. L. No. 115-97, 131 Stat. 2054 (2017).

<sup>3</sup> 15 USC 717c.

<sup>4</sup> 15 USC 3372.

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reduce their rates to reflect reduced income taxes unless and until the Commission finds that a particular pipeline is over-recovering. FERC-501-G is required to implement the statutory provisions governed by Section 4 of the NGA and Section 311 of the NGPA that the pipelines' currently effective rates remain just and reasonable (NGA) or fair and equitable (NGPA).

Contemporaneous with the proposed rule, the Commission responded to a remand from the D.C. Circuit. In *United Airlines*,<sup>5</sup> the D.C. Circuit held that the Commission failed to demonstrate that allowing SFPP, L.P., a master limited partnership (MLP) owned pipeline, to recover both an income tax allowance and the discounted cash flow methodology rate of return does not result in a double recovery of investors' tax costs. In response to that remand order, the Commission issued a Revised Policy Statement<sup>6</sup> and Opinion No. 511-C,<sup>7</sup> wherein the Commission found that permitting an income tax allowance for pass-through entities may no longer be appropriate. FERC Form No. 501-G proposed to collect information as to whether the pipeline was a pass-through entity.

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

The data collections under FERC-501-G are different for NGA natural gas companies and NGPA pipelines due to the different statutory authorities. There are three components: a) a financial report FERC Form No. 501-G<sup>8</sup> applicable to NGA pipelines; b) a new abbreviated tariff filing option for NGA pipelines pursuant to 18 C.F.R. 154.404; and c) a requirement for a tariff filing for certain NGPA pipelines pursuant to a new 18 C.F.R. 284.123(i).

### **a) FERC Form No. 501-G**

FERC Form No. 501-G will collect income and balance sheet statement financial data from all NGA pipelines that have stated cost based rates on file with the Commission. NGA pipelines whose rates are being examined in a general rate case under section 4 of the NGA or in an investigation under section 5 of the NGA need not file FERC Form No. 501-G.

The Commission will use the data of the Report to examine the costs underlying existing NGA natural gas companies' cost-based rates for the transportation in interstate commerce to determine whether the Tax Cuts and Jobs Act of 2017, Revised Policy Statement and Opinion No. 511-C reduction in income tax should be reflected in their rates. The Report data will be available to the public and subject to notice and comment.

Failure to collect this information would hamper the Commission's ability to properly evaluate whether pipeline rates should be reduced to reflect the Tax Cuts and Jobs Act of 2017, Revised Policy Statement, and Opinion No. 511-C. While the Tax Cuts and Jobs Act of 2017 applies to all natural gas pipelines, and the Revised Policy Statement and Opinion No. 511-C may apply to

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<sup>5</sup> *United Airlines, Inc. v. FERC*, 827 F.3d 122 (D.C. Cir. 2016).

<sup>6</sup> *Inquiry Regarding the Commission's Policy for Recovery of Income Tax Costs*, Revised Policy Statement, 162 FERC ¶ 61,227 (2018).

<sup>7</sup> *SFPP, L.P.*, Opinion No. 511-C, 162 FERC ¶ 61,228 (2018).

<sup>8</sup> Hereinafter, this will be referred to as "Report" or "FERC Form No. 501-G."

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pass-through entities, whether the change in federal tax law and income tax allowance reduces an individual pipeline's NGA revenue requirement requires a pipeline-by-pipeline analysis. FERC Form No. 501-G is designed to examine a natural gas pipeline's cost of service focused just on the impact of the Tax Cuts and Jobs Act of 2017, Revised Policy Statement and Opinion No. 511-C. This contrasts with the normal evaluations that examine all items of a pipeline's cost of service. Such an approach is very labor intensive for the pipeline, the public, and the Commission, and requires considerable time, sometimes years, to resolve. As the Tax Cuts and Jobs Act of 2017 impacts all natural gas pipelines, the normal approach in evaluating pipeline rates is impractical. FERC Form No. 501-G is designed to compress the financial data collection and analytical time line. Further, the Tax Cuts and Jobs Act of 2017 became effective January 1, 2018. The NGA only permits rate changes (including rate reductions) to be effective prospectively. Excess revenues collected since January 1, 2018 through the effectiveness of reduced rates are not refundable to the customers. Therefore, any delay in effecting rate reductions means customers will be paying rates that higher than are cost justified.

b) New 18 C.F.R. 154.404

The NGA does not give the Commission the authority to order NGA pipelines to file a rate reduction without first engaging in a multi-step review process. However, if a pipeline wished to voluntarily file for a rate reduction to reflect the Tax Cuts and Jobs Act of 2017, the Commission's current rate filing requirements generally do not provide for a pipeline to propose a change in rates for a single cost item. The current rate filing requirements require rate change filings to provide extensive financial data, all of which may be challenged by the public or the Commission. As the Tax Cuts and Jobs Act of 2017 became effective January 1, 2018, and the NGA only permits rate changes (including rate reductions) to be effective prospectively, FERC-501-G provides natural gas companies an option to voluntarily reduce their rates by the amount shown in Report through a limited NGA section 4 filing. This tariff filing is enumerated at 18 C.F.R. 154.404. Under this tariff filing provision, the data normally required for a rate change filing is reduced to only the completed FERC Form No. 501-G (discussed above). The public availability of the filed data and the opportunity provided for comments is designed to limit the issues that may be raised by the parties and expedite rate reductions to the benefit of the natural gas pipeline companies' customers.

Failure to permit the rate reduction type of filing at 18 C.F.R. 154.404 would require NGA pipelines to use tariff filing forms that require extensive financial data beyond that necessary to support a rate reduction solely attributable to the Tax Cuts and Jobs Act of 2017. These additional financial data can result in extensive and extended proceedings on issues of fact not related to the Tax Cuts and Jobs Act of 2017. If this were to happen, as noted discussion above, rate reductions would be delayed with no recourse for those customers paying rates that are higher than are cost justified.

The new 18 C.F.R. 154.404 permits, but does not require, pass-through pipelines to also reduce their rate by removing their income tax allowance pursuant to Revised Policy Statement and Opinion No. 511-C.

c) New 18 C.F.R. 284.123(i)

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The Commission is modifying 18 C.F.R. 284.123 of its regulations to require all NGPA section 311 and NGA “Hinshaw”<sup>9</sup> pipelines (collectively referred to as “NGPA pipelines”) to file a new rate election for interstate service if their rates for intrastate service are reduced at the state level to reflect the Tax Cuts and Jobs Act of 2017. The Commission’s existing regulations provide multiple methods by which NGPA pipelines can establish their rates. Under section 284.123(b) (1), NGPA pipelines may elect to use state-derived rates. Under this existing regulation, any rate reductions reflecting the Tax Cuts and Jobs Act of 2017 required at the state level would result in a rate reduction filing with the Commission within 30 days of the change. Thus no additional data collection is necessary for NGPA pipelines with rates established pursuant to this existing regulation. However, if the NGPA pipeline elected to use Commission-established cost-based rates pursuant to section 284.123(b)(2), there is no requirement for the pipeline to file a rate reduction applicable to interstate shippers to reflect a rate reduction in federal income tax level required by the state for intrastate shippers. 18 C.F.R. 284.123(i) requires NGPA pipelines with rates established pursuant to the Commission-established cost-based rates to file a rate reduction if the state requires it at the intrastate level. This Final Rule gives the same rate reduction benefit to any interstate shippers on those pipelines as the intrastate shippers receive, thereby ensuring that the two groups of shippers are treated similarly.

Failure to require the rate reductions required by the states of NGPA pipelines would result in intrastate shippers receiving a rate reduction that the interstate shippers would not, and those customers paying rates that are higher than are cost justified.

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

FERC-501-G is a one-time data collection. The FERC Form No. 501-G is in spreadsheet format. This spreadsheet performs calculations that will assist the respondents, public and the Commission analyze the financial data as to the impact of the Tax Cuts and Jobs Act of 2017 on the respondents’ cost of service. The Commission also anticipates that respondents will use their existing tariff filing software to file all components of the FERC-501-G with the Commission electronically through established procedures.

**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.**

For NGA pipelines, FERC Form No. 501-G will largely require the use of financial information on file with the Commission in the respondent’s FERC Forms 2 or 2-A (Major and Non-Major Natural Gas Pipeline Annual Report, respectively). Some of the requested financial data is filed by the respondents with the Securities and Exchange Commission (SEC) in its Form 10-K.

<sup>9</sup> Section 1(c) of the NGA, 15 U.S.C. 717(c), exempts from the Commission’s NGA jurisdiction those pipelines which transport gas in interstate commerce if: (1) they receive natural gas at or within the boundary of a state, (2) all the gas is consumed within that state, and (3) the pipeline is regulated by a state Commission. This is known as the Hinshaw exemption.

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Finally, in order to calculate the impact of the Tax Cuts and Jobs Act of 2017 on Accumulated Deferred Income Taxes and pass-through master limited partnerships, the only source for this information are the respondents. The Commission's approach to use existing data is deliberate. The objective of the one-time FERC Form No. 501-G is to provide an analysis of specific financial data in FERC Forms 2 or 2-A and the SEC Form 10-K such that the impact of the Tax Cuts and Jobs Act of 2017, Revised Policy Statement and Opinion No. 511-C on rates can be evaluated by the Commission and all stakeholders. All of the financial data requested are attested to by the respondents. Thus, the focus of the pipelines, the public, and the Commission can be on the analysis of the data, as opposed to the origins or validity of the data. FERC-501-G's rate reduction filing option at 18 C.F.R. 154.404 does not require any information other than the populated FERC Form No. 501-G, thereby leveraging the information already collected to serve a tariff filing purpose.

NGPA pipelines are not required to act outside of their ordinary review process unless their state requires the pipelines to reduce their rates for their intrastate shippers. The Commission does not collect relevant NGPA pipeline financial information nor monitor state actions. Therefore only the NGPA pipelines have this information.

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

This filing collects data from both large and small respondent companies. The Commission is minimizing the burden in the data collection by not requiring companies with market based or formula rates to file. However, most companies that fulfill the FERC-501G filing requirement do not fall within the Regulatory Flexibility Act's definition of small entities. As noted in the response to Question 12, approximately 129 interstate natural gas pipelines, both large and small, are respondents subject to the requirements adopted by this rule. In addition, the Commission estimates that another 59 NGPA natural gas pipelines may be required to file restated rates pursuant to proposed section 284.123(i). However, the actual number of NGPA section 311 and Hinshaw pipelines that will be required to file is a function of actions taken at the state level. The Commission estimates that only 15 of the 59 NGPA natural gas pipelines will file a rate case pursuant to proposed section 284.123(i).

Most of the natural gas pipelines regulated by the Commission do not fall within the RFA's definition of a small entity,<sup>10</sup> which is currently defined for natural gas pipelines as a company that, in combination with its affiliates, has total annual receipts of \$27.5 million or less.<sup>11</sup> For the year 2016 (the most recent year for which information is available), only five of the 129 interstate natural gas pipeline respondents had annual revenues in combination with its affiliates of \$27.5 million or less and therefore could be considered a small entity under the RFA. This represents 3.9 percent of the total universe of potential NGA respondents that may have a significant burden imposed on them. For NGPA section 311 and Hinshaw pipelines, three of the

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<sup>10</sup> See 5 U.S.C. 601(3) (citing section 3 of the Small Business Act, 15 U.S.C. 623). Section 3 of the SBA defines a "small business concern" as a business which is independently owned and operated and which is not dominant in its field of operation.

<sup>11</sup> 13 CFR 121.201 (Subsector 486—Pipeline Transportation; North American Industry Classification System code 486210; Pipeline Transportation of Natural Gas) (2017). "Annual Receipts" are total income plus cost of goods sold.

59 potential respondents could be considered a small entity, or 5.1 percent. However, it is not possible to predict whether any of these small companies may be required to make a rate filing. In view of these considerations, the Commission certifies that this proposed rule's amendments to the regulations will not have a significant impact on a substantial number of small entities.

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

The FERC-501-G is a one-time filing obligation instigated by the Tax Cuts and Jobs Act of 2017. If the Commission does not require this filing, NGA and NGPA pipelines may collect a tax expense from their customers for which the pipelines are no longer liable under the Tax Cuts and Jobs Act of 2017. Market forces would not be able to correct this over-charging of customers.

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

There are no special circumstances.

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

Prior to the Commission initiating the subject rulemaking, state agencies, trade associations, and individual pipeline shippers filed numerous comments with the Commission in response to the Tax Cuts and Jobs Act of 2017.<sup>12</sup> They requested that the Commission take action to reduce natural gas pipeline companies' rates in line with the pipelines' reduction in income tax liability. The Final Rule and the FERC-501-G data collection is a partial response to these comments.

In the NOPR,<sup>13</sup> the Commission provided the public and all stakeholders an opportunity to review and comment on the proposed FERC-501-G. The Commission received thirty-three comments and ten answers and reply comments in response to its NOPR. In general, commenters support the Commission taking action in regard to the recent tax changes although commenters disagree about various aspects of the Commission's proposed procedures.

Several commenters take issue with the NOPR's approach to the Revised Policy Statement and the proposal to permit MLP pipelines only the option to file a limited NGA section 4 filing reducing its maximum rates to reflect the elimination of any tax allowance included in its current rates. In response, the Commission will modify FERC Form No. 501-G to reflect the full accounting of the elimination of an income tax allowance for pass-through entities and will modify 18 C.F.R. 154.404 to permit pass-through entities the ability to propose a rate reduction only to reflect the Tax Cuts and Jobs Act. However, the Commission continues to require the collection of the financial information for pass-through entities such that the Commission can determine whether an additional investigation of certain pipeline's rates is warranted pursuant to

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<sup>12</sup> Comments filed in Docket No. RP18-415-000.

<sup>13</sup> 83 FR 12888, 3/26/2018

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NGA section 5.

In regard to the proposed FERC Form No. 501-G, commenters challenge, among other things, the Commission's authority to require such a filing, seek clarification regarding the requested financial data, and suggest changes to the Report. Commenters also sought clarification and suggest changes to the four options for an interstate natural gas pipeline to make a filing to address the changes to the pipeline's recovery of tax costs or explain why no action is needed. The options are: (1) a limited NGA section 4 rate reduction filing, (2) a commitment to file a general section 4 rate case in the near future, (3) an explanation why no rate change is needed, and (4) no action. Commenters suggested alternative timelines, sought additional time to make such filings, and requested clarification regarding the filing deadline. Some commenters suggest that the Commission eliminate or alter the some of the proposed filing options.

The Final Rule notes that the Commission has the authority under NGA sections 10 and 14 to collect financial information and initiate investigations. Some pipeline commenters noted a) that certain requested FERC Form No. 501-G financial data could require some pipeline analysis or b) that the FERC Form No. 501-G did not provide an opportunity to provide alternative financial data. In response, the Commission made some modifications to FERC Form No. 501-G by a) clarifying the required financial data and b) permitting pipelines to provide an optional attachment with their alternative data. With regard to the four options available to pipelines to make a filing to address the changes to the pipeline's recovery of tax costs or explain why no action is needed, customers generally recommended a shorter time line to comply, whereas the pipelines generally recommended a longer time line. The Commission chose to retain the originally proposed timeline.

Commenters generally support the Commission's proposed procedures for NGPA section 311 and Hinshaw pipelines with some suggested modifications to clarify effective dates. The Commission in the Final Rule provides the requested clarifications.

The Final Rule was published in the Federal Register on 7/30/2018 (83 FR 36672).

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

There are no payments or gifts to respondents.

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

The Commission does not consider the information collected in FERC-501G to be confidential. However, the Commission will consider specific requests for confidential treatment to the extent permitted by law. The Commission will review each request for confidential treatment (which must be made pursuant to 18 CFR 388.112(a)(1)) on a case-by-case basis.

## **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 associated with the reporting requirements.

**12. ESTIMATED BURDEN COLLECTION OF INFORMATION**

FERC-501G is a one-time reporting requirement with various components. The estimated burden and cost<sup>14</sup> follow.

<b>FERC-501-G Rate Changes Relating to Federal Corporate Income Tax Rate for Interstate Natural Gas Pipelines, Implemented in the Final Rule in Docket No. RM18-11-000</b>							
	<b>Respo ndent s (1)</b>	<b>Response s per Responde nt (2)</b>	<b>Total Respos es (1)*(2)= (3)</b>	<b>Avg. Burden Hr. Per Respons e (4)</b>	<b>Avg. Cost Per Response (5)</b>	<b>Total Burden Hours (1)*(4)= (6)</b>	<b>Total Cost (\$) (1)*(5)=(7)</b>
<b>Interstate Natural Gas Pipelines with Cost-Based Rates</b>							
FERC Form No. 501-G, One-time Report <sup>15</sup>	129	1	129	9 hrs.	\$756	1161 hrs.	\$97,524
<b>Optional Response</b>							
No Response	51	0	0	0	0	0	0
Case for no change	62	1	62	5 hrs.	\$420	310 hrs.	\$26,040

<sup>14</sup> The estimated average hourly cost of \$83.97 (rounded) assumes equal time is spent by an accountant, management, lawyer, and office and administrative support. The average hourly cost (salary plus benefits) is: \$56.59 for accountants (occupation code 13-2011), \$94.28 for management (occupation code 11-0000), \$143.68 for lawyers (occupation code 23-0000), and \$41.34 for office and administrative support (occupation code 43-000). (The wage figures are taken from the Bureau of Labor Statistics [BLS], for May 2017, figures at [https://www.bls.gov/oes/current/naics3\\_221000.htm](https://www.bls.gov/oes/current/naics3_221000.htm). BLS information on benefits for December 2017 was issued on March 20, 2018, at <https://www.bls.gov/news.release/ecec.nr0.htm> .)

<sup>15</sup> 18 CFR 260.402 (as revised).

<b>FERC-501-G                      Rate Changes Relating to Federal Corporate Income Tax Rate for Interstate Natural Gas Pipelines,                      Implemented in the Final Rule in Docket No. RM18-11-000</b>							
	<b>Respo ndent s (1)</b>	<b>Respon s per Responde nt (2)</b>	<b>Total Respons es (1)*(2)= (3)</b>	<b>Avg. Burden Hr. Per Respons e (4)</b>	<b>Avg. Cost Per Response (5)</b>	<b>Total Burden Hours (1)*(4)= (6)</b>	<b>Total Cost (\$) (1)*(5)=(7)</b>
Limited Sec 4 filing <sup>16</sup>	15	1	15	6 hrs.	\$504	90 hrs.	\$7,560
General Sec. 4 filing <sup>17</sup>	1	1	1	512 hrs. <sup>18</sup>	\$42,968	512 hrs.	\$42,968
<b>NGPA section 311 and Hinshaw Pipelines with Cost-Based Rates</b>							
NGPA rate filing <sup>19</sup>	15 <sup>20</sup>	1	15	24 hrs.	\$2,015	360 hrs.	\$30,225
<b>TOTAL</b>	<b>144<sup>21</sup></b>		<b>222</b>			<b>2,433 hrs.</b>	<b>\$204,317</b>

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

FERC-501G is a one-time report with no continuing reporting obligation. The costs related to burden hours are discussed in Questions 12 and 15.

The Report and any tariff filing option that an NGA natural gas company may choose or an NGPA pipeline company may be required to file must be filed using the Commission’s eTariff filing format. This format requires the use of software that all respondents currently have or purchase on a per-use basis. For companies that do not have their own software and must contract for the service, the Commission estimates a cost of \$300 per filing. We estimate approximately 40 of the NGA and NGPA pipeline company respondents will contract for eTariff filing services at an estimated total cost of \$12,000.

All other costs are related to burden hours are addressed in Questions 12 and 15.

<sup>16</sup> 18 CFR 154.404 (as revised).

<sup>17</sup> 18 CFR 154.312.

<sup>18</sup> The estimate for hours is based on the estimated average hours per response for the FERC-545 (OMB Control No. 1902-0154), with general NGA section 4, 18 CFR 154.312 filings weighted at a ratio of 20 to one.

<sup>19</sup> 18 CFR 284.123(i) (as revised).

<sup>20</sup> Estimate of number of respondents assumes that states will act within one year to reduce NGPA section 311 and Hinshaw pipeline rates to reflect the Tax Cuts and Jobs Act.

<sup>21</sup> Number of unique respondents = (One-time Report) + (NGPA rate filing)

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

The estimate of the cost for analysis and processing of filings is based 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.

The Paperwork Reduction Act (PRA) Administrative Cost is the average annual FERC cost associated with preparing, issuing, and submitting materials necessary to comply with the PRA for rulemakings, orders, or any other vehicle used to create, modify, extend, or discontinue an information collection. It also includes the cost of publishing the necessary notices in the Federal Register.

(The following costs were updated in May 2018.)

	Number of Employees (FTE)	Estimated Annual Federal Cost
Analysis and Processing of Filings <sup>22</sup>	2.5	\$412,050
PRA <sup>23</sup> Administrative Cost		\$4,931
FERC Total		\$416,981

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

On December 22, 2017, the President signed the Tax Cuts and Jobs Act. The Tax Cuts and Jobs Act, among other things, lowers the federal corporate income tax rate from 35 percent to 21 percent, effective January 1, 2018. This means that, beginning January 1, 2018, companies subject to the Commission's jurisdiction will compute income taxes owed to the IRS based on a 21 percent tax rate. The tax rate reduction will result in less corporate income tax expense going forward.

The tax rate reduction will also result in a reduction in accumulated deferred income taxes (ADIT) on the books of rate-regulated companies. The amount of the reduction to ADIT that was collected from customers but is no longer payable to the IRS is excess ADIT and should be flowed back to ratepayers under general ratemaking principles.

Contemporaneous with the proposed rule, the Commission responded to a remand from the D.C. Circuit in *United Airlines*. The D.C. Circuit held that the Commission failed to demonstrate that allowing SFPP, L.P., a master limited partnership (MLP) owned pipeline, to recover both an income tax allowance and the discounted cash flow methodology rate of return does not result in a double recovery of investors' tax costs. In response to that remand order, the Commission issued a Revised Policy Statement and Opinion No. 511-C, wherein the Commission found that

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<sup>22</sup> Based upon FERC's 2018 average annual salary plus benefits per FTE (full-time equivalent) of \$164,820.

<sup>23</sup> Paperwork Reduction Act of 1995 (PRA).

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permitting an income tax allowance for pass-through entities may no longer be appropriate. FERC Form No. 501-G proposed to collect information as to whether the pipeline was a pass-through entity.

The Final Rule will allow the Commission to determine which jurisdictional natural gas pipelines may be collecting unjust and unreasonable rates in light of the recent reduction in the corporate income tax rate in the Tax Cuts and Jobs Act and changes to the Commission’s income tax allowance policies following the *United Airlines* decision. FERC-501-G is a one-time report (for which the various components are detailed in Question 12) with no continuing reporting requirement.

The following table shows the total burden of the collection of information. The format, labels, and definitions of the table follow the ROCIS submission system’s “Information Collection Request Summary of Burden” for the metadata.

<b>FERC-501G</b>	<b>Total Request</b>	<b>Previously Approved<sup>24</sup></b>	<b>Change due to Adjustment in Agency Estimate</b>	<b>Program Change Due to New Statute</b>
Annual Number of Responses	222	0	0	+222
Annual Time Burden (Hours)	2,433	0	0	+2,433
Annual Cost Burden (\$)	0	0	0	0

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

The data are not collected for publication; the data will be used for regulatory purposes only.

**17. DISPLAY OF EXPIRATION DATE**

The expiration date will be displayed in a table posted on ferc.gov at <http://www.ferc.gov/docs-filing/info-collections.asp>.

**18. EXCEPTIONS TO THE CERTIFICATION STATEMENT**

There are no exceptions.

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24 At the NOPR stage, the estimates (in reginfo.gov and ROCIS), were 228 responses and 2,479 burden hours. OMB did a comment and continue on the ICR for the NOPR, so those hours were not approved, however they display in ROCIS. The figures in this request (in Questions 12 and 15) associated with the Final Rule (222 responses and 2,433 hours) are updated.