Supporting Statement for

**FERC Form No. 552,[[1]](#footnote-2) 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 the FERC Form No. 552, Annual Report of Natural Gas Transactions,for a three year period. FERC Form No. 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.[[2]](#footnote-3) There are no changes to the reporting requirements.

**A. Justification**

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

The Natural Gas Act (NGA) gives the Commission comprehensive regulatory authority over companies that engage in either the sale of natural gas for resale or its interstate transportation.[[3]](#footnote-4) The NGA requires that natural gas companies charge just and reasonable rates for the transportation of and sale for resale of natural gas in interstate commerce.[[4]](#footnote-5) To promote compliance with this mandate, the NGA requires natural gas pipelines to file rate schedules with the Commission and to notify the Commission of any subsequent change in rates and charges. On submission of a tariff revision, the Commission may hold a hearing to determine whether the pipeline has met its burden to show that the amended rates and charges are just and reasonable.

Under sections 4 and 5 of the NGA, the Commission regulates the rates and other terms of jurisdictional sales and transportation, ensuring that rates and charges for such service, as well as all rules, regulations, practices, and contracts affecting those rates and charges, are just and reasonable and not the product of undue discrimination.[[5]](#footnote-6)

With the passage of EPAct 2005,[[6]](#footnote-7) 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.[[7]](#footnote-8) As part of this commitment to competition, 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 by adding the transparency provisions in EPAct 2005. The transparency provisions direct the Commission “to facilitate price transparency in markets for the sale or transportation of physical natural gas in interstate commerce, having due regard for the public interest, the integrity of those markets, and the protection of consumers,” and further allow the Commission to “prescribe such rules as the Commission determines necessary and appropriate to carry out the purposes of [the transparency provisions] – rules that “shall provide for the dissemination, on a timely basis, of information about the availability and prices of natural gas sold at wholesale and in interstate commerce to the Commission, State commissions, buyers and sellers of wholesale natural gas, and the public.”

Additionally, Order No. 704, as clarified and modified by Order Nos. 704-A,[[8]](#footnote-9) 704-B,[[9]](#footnote-10) and 704-C,[[10]](#footnote-11) required market participants to file annual reports in order to provide greater transparency concerning the use of indices to price natural gas and how well index prices reflect market forces. Specifically, market participants with reportable physical natural gas purchases or sales equal to or greater than 2.2 trillion British Thermal Units (BTU)[[11]](#footnote-12) must report the following information on FERC Form No. 552:

(1) total volume of the respondent’s reportable physical sales and purchases during the year,

(2) volume contracted at fixed-prices for next-day delivery,

(3) volume contracted at prices that refer to published daily gas price indices,

(4) volume contracted at fixed-prices for next-month delivery,

(5) volume contracted at prices that refer to published monthly gas price indices,

(6) volume contracted under trigger agreements, such as NYMEX Plus contracts, and

(7) volume contracted as physical basis transactions.[[12]](#footnote-13)

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

As discussed, Congress directed the Commission to facilitate price transparency in markets for the sale, purchase, or transportation of physical natural gas in interstate commerce.[[13]](#footnote-14)  To that end, the natural gas transparency provision language allows the Commission to prescribe rules that shall provide for the timely dissemination of information about the availability and prices of natural gas sold at wholesale and in interstate commerce.[[14]](#footnote-15) The FERC Form No. 552 facilitates price transparency in natural gas markets by collecting data that, in broad terms, provides information on the size of the physical natural gas market and the use of physical fixed-price and index-based natural gas transactions. The data provides the Commission and the public with insight into the price formation process in the physical natural gas market, such as the sizes and pricing structure of transactions occuring in the market. Without this information, market transparency would significantly decline because there would be limited information available to estimate the overall size of the physical natural gas market and the types of contract provisions occurring in the market. Specifically, if the information was not collected, it would be difficult to determine important volumetric relationships between the physical fixed-price natural gas transactions that form price indices and the transactions priced off of those indices. This information assists the Commission and the public in assessing whether index prices are the result of a robust market of fixed-price transactions.

The FERC Form No. 552 also provides greater transparency regarding the use of indices to price natural gas and whether and to what extent index prices reflect market forces. The Commission’s Office of Enforcement (OE) uses the information contained in the FERC Form No. 552 to present data to the Commission and the public regarding the volumes that are used to form the daily and monthly indices and also to report on the number of companies voluntarily reporting to index publishers. OE then uses the FERC Form No. 552 data to monitor changes in the number and types of companies that voluntarily report transactions and trends. The FERC Form No. 552 database is available on the Commission’s website.[[15]](#footnote-16)

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

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

The FERC Form No. 552 must be filed electronically.[[16]](#footnote-17)

**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.**

There are no other federal agencies with comprehensive regulatory authority over companies that engage in either the sale of natural gas for resale or its interstate transportation. There is no similar information already available that can be used or modified.

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

The Commission uses eFiling for this collection as a means of reducing burden for respondents, including small entities. In addition, the FERC Form No. 552 only requires companies that buy or sell more than 2.2 TBtus/year to file the form.

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

If the FERC Form No. 552 data were collected less frequently, the Commission would be unable to facilitate timely price transparency related to fixed-price and index-based transactions involved in the sale or transportation of physical natural gas in interstate commerce. The annual filing of transaction information by market participants is necessary to provide information regarding the size of the physical natural gas market, the volume of next-day and next-month transactions and the use of fixed-price and index-based transactions. Reducing the frequency the information is collected would hinder the Commission and market particpants’ ability to identify significant changes and trends in the physical natural gas market in a timely manner.

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

There are no special circumstances related to this information collection.

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

The Commission published a 60-day notice[[17]](#footnote-18) in Docket No. IC18-14 in the Federal Register requesting comments. No comments were received in response to the 60-day Notice.

In addition, the Commission is publishing a 30-day Notice in the Federal Register.

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

There are no payments or gifts to FERC Form No. 552 respondents.

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

The Commission does not consider the information collected in the FERC Form No. 552 filings to be confidential. However, the Commission will consider specific requests for privileged treatment to the extent permitted by law pursuant to 18 C.F.R. 388.112. The Commission will review each request for privileged treatment 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 in the FERC Form No. 552.

**12.** **ESTIMATED BURDEN OF COLLECTION OF INFORMATION**

The Commission estimates the burden[[18]](#footnote-19) and cost[[19]](#footnote-20) for this information collection as follows.

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| --- |
| **FERC Form No. 552, Annual Report of Natural Gas Transactions** |
| **Category** | **Number of Respondents****(1)** | **Annual Number of Responses per Respondent****(2)** | **Total Number of Responses****(1)\*(2)=(3)** | **Average Burden Hrs. & Cost ($) Per Response****(4)** | **Total Annual Burden Hrs. & Cost ($)****(3)\*(4)=(5)** | **Annual Cost per Respondent ($) (rounded)****(5)÷(1)** |
| Wholesale natural gas market participants  | 675 | 1 | 675 | 20 hrs.;[[20]](#footnote-21)$1,683.60 | 13,500 hrs.; $1,136,430 | $1,684 |

1. **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**

The estimate of the cost for ‘analysis and processing of filings’[[21]](#footnote-22) 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[[22]](#footnote-23) 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.

|  |  |  |
| --- | --- | --- |
|  | **Number of Employees (FTEs)** | **Estimated Annual Federal Cost** |
| Analysis and Processing of filings | 0.5 | $82,410 |
| PRA Administrative Cost |  | $4,931 |
| **FERC Total** |  | $87,341 |

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

There are no changes to the reporting requirements. However, the number of respondents has increased due to staff compliance measures. In addition, staff believes that the average estimated burden per filing should be 20 hours (rather than the current estimate of 10 hours). That adjustment is also made here.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **FERC Form No. 552** | **Total Request** | **Previously Approved** | **Change due to Adjustment in Estimate** | **Program Change Due to Agency Discretion** |
| Annual Number of Responses | 675 | 666 | 9 | 0 |
| Annual Time Burden (Hr.) | 13,500 | 6,660 | 6,840 | 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 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 to this collection.

1. The FERC Form No. 552 may also be referred to as FERC-552. [↑](#footnote-ref-2)
2. The FERC Form No. 552, reports, and instructions are available at https://www.ferc.gov/docs-filing/forms.asp#552. [↑](#footnote-ref-3)
3. 15 U.S.C. § 717, *et. seq.* [↑](#footnote-ref-4)
4. *Id.* [↑](#footnote-ref-5)
5. 15 U.S.C. §717c, 15 U.S.C. §717d. [↑](#footnote-ref-6)
6. Energy Policy Act of 2005, Pub. L. No. 109-58, sections 1261 *et seq.*, 119 Stat. 594 (2005). [↑](#footnote-ref-7)
7. See Energy Policy Act of 1992, Pub. L. No. 102-486, 106 Stat. 2776 (1992), codified as amended in various sections of 16 U.S.C; Natural Gas Wellhead Decontrol Act of 1989, Pub. L. No. 101-60, 103 Stat. 157 (1989), codified in various sections of 15 U.S.C; Public Utility Regulatory Policies Act of 1978, 16 U.S.C 2601-2645 (2000); Natural Gas Policy Act of 1978, 15 U.S.C. 3301-3442 (2000). [↑](#footnote-ref-8)
8. *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). [↑](#footnote-ref-9)
9. *Transparency Provisions of Section 23 of the Natural Gas Act*, Order No. 704-B, 125 FERC ¶ 61,302 (2008) (Order No. 704-B). [↑](#footnote-ref-10)
10. *Transparency Provisions of Section 23 of the Natural Gas Act*, Order No. 704-C, 131 FERC ¶ 61,246 (2010) (Order No. 704-C). [↑](#footnote-ref-11)
11. 2.2 trillion British Thermal Units =~2.2 million dekatherms. [↑](#footnote-ref-12)
12. 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). [↑](#footnote-ref-13)
13. 15 USC 717t-2(a)(1) (2006). [↑](#footnote-ref-14)
14. 15 USC 717t-2(a)(2) (2006). [↑](#footnote-ref-15)
15. See <https://www.ferc.gov/docs-filing/forms/form-552/data.asp> for information. [↑](#footnote-ref-16)
16. 18 C.F.R. § 260.401(b)(2)(2017) (referencing 18 C.F.R. §385.2011) [↑](#footnote-ref-17)
17. 83 FR 31741, July 9, 2018 [↑](#footnote-ref-18)
18. Burden is defined as the total time, effort, or financial resources expended by persons to generate, maintain, retain, or disclose or provide information to or for a federal agency. Refer to 5 CFR 1320.3 for additional information. [↑](#footnote-ref-19)
19. Costs (for wages and benefits) are based on wage figures from the Bureau of Labor Statistics (BLS) for May 2017 (at <https://www.bls.gov/oes/current/naics2_22.htm>) and benefits information (for December 2017, issued March 20, 2018, at https://www.bls.gov/news.release/ecec.nr0.htm). The staff estimates that 75% of the work is done by a financial analyst (code 13-2051) at an hourly cost of $64.35 (for wages plus benefits), and 25% of the work is done by legal staff members (code 23-0000) at an hourly cost of $143.68 (for wages plus benefits). Therefore, the average cost (for wages plus benefits) is rounded to $84.18/hour [or ($64.35/hour \* 0.75)+($143.68/hour \* 0.25)]. [↑](#footnote-ref-20)
20. The staff estimates that the average burden per filing should be 20 hours (rather than the current estimate of 10 hours). There are no changes to the reporting requirements. [↑](#footnote-ref-21)
21. The estimate uses the FERC’s FY 2018 average annual salary plus benefits of one FERC FTE (full-time equivalent [$164,820 per year or $79.00 per hour]). (These estimates were updated in May 2018.) [↑](#footnote-ref-22)
22. This estimate was updated May 2018. [↑](#footnote-ref-23)