Supporting Statement for

**FERC-545B (Gas Pipeline Rates: Rate Change Non-Formal) and**

**FERC-549C1 (Standards for Business Practices of Interstate Natural Gas Pipelines), as proposed to be revised by the Notice of Proposed Rulemaking (NOPR) issued in Docket No. RM96-1-041 on 8/21/18.**

The Federal Energy Regulatory Commission (Commission or FERC) requests that the Office of Management and Budget (OMB) review and approve requirements submitted under FERC-549C1 (Standards for Business Practices of Interstate Natural Gas Pipelines) and FERC-545B (Gas Pipeline Rates: Rate Change Non-Formal, in RM96-1-041),as proposed in the NOPR issued in Docket No. RM96-1-041.

Please note that this NOPR in Docket No. RM96-1-041 affects two separate OMB Control Numbers:

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

However, FERC-545[[1]](#footnote-1) and 549C[[2]](#footnote-2) are under OMB review for two unrelated FERC activities and only one activity can submitted for review at any time. As such, FERC-545B (in place of FERC-545) and FERC-549C1 (in place of FERC-549C) are being used as ‘placeholder’ information collection numbers for the NOPR in Docket No. RM96-1-041.

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

***Docket RM96-1-041.*** The NOPR says in part [footnotes omitted]:

“On September 29, 2017, the North American Energy Standards Board (NAESB) filed a report informing the Commission that it had adopted and ratified Wholesale Gas Quadrant (WGQ) Version 3.1 of its business practice standards applicable to natural gas pipelines. The NAESB report identifies all the changes made to the Version 3.0 Standards and summarizes the deliberations that led to the changes being made. It also identifies changes to the existing standards that were considered but not adopted due to a lack of consensus or other reasons.

In this NOPR, the Commission proposes to incorporate by reference, in its regulations, Version 3.1 of the NAESB WGQ consensus business practice standards, with certain exceptions. We propose that any compliance filings made in accordance with a final rule on this subject be made 90 days after issuance of any final rule in this proceeding or on the first business day thereafter if falling on a weekend or holiday. This will allow time for the Commission to process the compliance filings before the effective date of the new standards.

Adoption of the Version 3.1 Standards will continue the process of updating and improving NAESB’s business practice standards for the benefit of the entire wholesale natural gas market and were developed and supported by a consensus of all segments of the industry.

As the Commission found in Order No. 587, adoption of consensus standards is appropriate because the consensus process helps ensure the reasonableness of the standards by requiring that the standards draw support from a broad spectrum of industry participants representing all segments of the industry. Moreover, because the industry has to conduct business under these standards, the Commission's regulations should reflect those standards that have the widest possible support. In section 12(d) of the National Technology Transfer and Advancement Act of 1995 (NTT&AA), Congress affirmatively requires federal agencies to use technical standards developed by voluntary consensus standards organizations, like NAESB, as a means to carry out policy objectives or activities.”

***General Background on the Collections (including items not affected by the NOPR in Docket RM96-1-041).***

**FERC-545B**

FERC-545B 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, 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 of the NGA, the application is typically suspended and set for hearing by a Commission Order.

**FERC-549C1.** The business practice standards under FERC-549C1 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 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[[3]](#footnote-3), 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 WGQ) 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 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 NAESB.

NAESB[[4]](#footnote-4) 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 has divided its efforts among four quadrants, including two retail quadrants, a wholesale electric quadrant, and the WGQ. The 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.

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

**FERC-545B:** TheNOPR in RM96-1-041 proposes to incorporate by reference, in the Commission’s regulations, Version 3.1 of the NAESB WGQ consensus business practice standards, with certain exceptions. This updates and revises the Version 3.0 NAESB WGQ business practice standards that the Commission incorporated by reference, with certain exceptions, on Oct. 16, 2015.

The following information is the subject of the FERC-545B: (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-545B 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 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 information 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-549C1.** The Commission needs the FERC-549C1 form because the NOPR in Docket No. RM96-1-041 proposes to incorporate by reference, in the Commission’s regulations, Version 3.1 of the NAESB WGQ consensus business practice standards, with certain exceptions. This updates and revises the Version 3.0 NAESB WGQ business practice standards that the Commission incorporated by reference, with certain exceptions, on Oct. 16, 2015.

**FERC-545B and -549C1.** 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, because the standards have enlisted broad support from industry participants representing all segments of the industry.

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

**FERC-545B.** In previous rulemakings, [[5]](#footnote-5) 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-549C1.** The information resulting from the FERC-549C1 data requirements will not be filed at FERC. Instead it will be posted on the pipelines’ Internet websites, provided to third parties, or retained by the pipeline. The Internet and current software allow easy access and use of data on the pipelines’ Internet websites and for the transmittal of information to users.

1. **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-545B and FERC-549C1.** 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.

1. **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.[[6]](#footnote-6)

**FERC-545B.** The FERC-545B contains 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 were designed to impose the least possible burden for companies, while 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-545B filing burden.

The NOPR proposes that the one-time compliance filings must be filed electronically.

**FERC-549C1.** The proposed FERC-549C1 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. These transactions would occur even without the standards, but the standards assure they are conducted in a standardized manner. 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, when appropriate. Such extensions of time or waivers are based on a pipeline’s individual circumstances, including the size of the pipeline. For smaller pipelines, the Commission in the past has granted waivers of some of the standards when such pipelines have shown that complying with such standards would prove unduly burdensome.

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

FERC-545B is a one-time compliance filing, and FERC-549C1 is a one-time implementation burden. Failure to collect the information would prohibit FERC from properly monitoring and evaluating pipeline transactions and meeting statutory obligations under both the NGPA and the NGA.

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

The FERC-545B and FERC-549C1 present no special circumstances.

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

The Commission‘s outside consultation was in the form of a notice of proposed rulemaking (NOPR) that included the Commission’s best estimate of the burden imposed by compliance with the requirements proposed in the NOPR, as well as the availability of waivers, where requested and appropriate.  Interested persons were notified through publication in the Federal Register that they could file comments on the proposals in the NOPR, including the burden estimate.  In addition, potential commenters were specifically informed that they could file comments on the proposed collections of information and associated burden directly with OMB.

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

There are no payments or gifts to respondents associated with collections FERC-545B and FERC-549C1.

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

For the FERC-545B and FERC-549C1 the data is 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.

1. **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.

1. **ESTIMATED BURDEN OF COLLECTION OF INFORMATION**

**Changes due to the NOPR in RM96-1-041.** The following estimates of reporting burden are related only to this NOPR in RM96-1-041 and anticipate the costs to pipelines for compliance. The burden estimates are primarily related to start-up to implement these standards and regulations and will not result in ongoing costs.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **RM96-1-041 NOPR (Standards for Business Practices of Interstate Natural Gas Pipelines)** | | | | | | |
|  | **Number of Respondents**[[7]](#footnote-7)  **(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 Hours & Total Annual Cost**[[8]](#footnote-8)  **(3)\*(4)=(5)** | **Annual Cost Per Respondent**  **($)**  **(5) \* (1) = (6)** |
| FERC-545B (one-time) | 165 | 1 | 165 | 10 hrs.;  $1,020 | 1,650 hrs.;  $168,300 | $1,020 |
| FERC-549C1 (one-time) | 165 | 1 | 165 | 22 hrs.;  $2,244 | 3,630 hrs.;  $370,260 | $2,244 |
| **TOTAL** |  | | 330 |  | 5,280 hrs.;  $538,560 |  |

The one-time burden (for both the FERC-545B and FERC-549C1) will be averaged over three years:

FERC-545B: 1,650 hours ÷ 3 = 550 hours/year over three years

FERC-549C1: 3,630 hours ÷ 3 = 1,210 hours/year over three years

The hours per response is also averaged over three years (for both the FERC-545B and FERC-549C1):

FERC-545B: 10 hours/response ÷ 3 = 3.33 hours/response annually

FERC-549C1: 22 hours/response ÷ 3 = 10.33 hours/response annually responses/year

The responses and burden for Years 1-3 will total respectively as follows:

Year 1: 165 responses each; 550 hours (FERC-545B); 1,210 hours (FERC-549C1)

Year 2: 165 responses each; 550 hours (FERC-545B); 1,210 hours (FERC-549C1)

Year 3: 165 responses each; 550 hours (FERC-545B); 1,210 hours (FERC-549C1)

See Question #15 below for an explanation of the estimated changes to burden as implemented in the NOPR in RM96-1-041.

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

The NOPR proposes no capital or start-up costs for the proposed requirements in RM96-1-041 that are not associated with the burden hours. All of the costs are related to burden hours and are detailed in #12 and #15.

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

The following federal costs relate only to the new requirements proposed in the NOPR.

|  |  |  |
| --- | --- | --- |
|  | **Number of Hours or FTE’s** | **Estimated Annual Federal Cost ($)**[[9]](#footnote-9) |
| PRA[[10]](#footnote-10) Administration Cost (FERC-545B)[[11]](#footnote-11) | - | $ 4,193 |
| PRA Administration Cost(FERC-549C1)13 | - | $4,193 |
| Data Processing and Analysis, Sub-Total for FERC-545B & FERC-549C1[[12]](#footnote-12) | 1[[13]](#footnote-13) | $164,820 |
| *FERC-545B* | 0.25 | $41,205 |
| *FERC-549C1* | 0.75 | $123,615 |
| **FERC Total** | 1 | $164,820 |

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

**FERC-545B:** TheNOPR in RM96-1-041 proposes to require interstate natural gas pipelines to make a one-time tariff filing to reflect the changes.

**FERC-549C1:** The NOPR in RM96-1-041 proposes to require interstate natural gas pipelines to comply with revised business practice standards. FERC-549C1 measures the burden to pipelines to revise their business practices and computer programming to conform to any changes in the standards/business practices.

**Summary table** of changes to burden hours, with current approved inventory, as listed in ROCIS and reginfo.gov follow. (The additional implementation burden due to the NOPR in RM96-1-041 is being averaged over Years 1-3, as discussed in #12 above.)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Total Request** | **Previously Approved** | **Change due to Adjustment in Estimate** | **Change Due to Agency Discretion** |
| **FERC-545B** | | | | |
| Annual Number of Responses | 165 | 0 | 0 | 165 |
| Annual Time Burden (Hr.) | 550 | 0 | 0 | 550 |
| Annual Cost Burden ($) | $0 | $0 | $0 | $0 |
| **FERC-549C1** | | | | |
| Annual Number of Responses | 165 | 0 | 0 | 165 |
| Annual Time Burden (Hr.)[[14]](#footnote-14) | 1,210 | 0 | 0 | 1,210 |
| Annual Cost Burden ($) | $0 | $0 | $0 | $0 |

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

There are no publications of the information.

1. **DISPLAY OF EXPIRATION DATE**

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

1. **EXCEPTIONS TO THE CERTIFICATION STATEMENT**

There are no exceptions.

1. FERC-545B, as ‘placeholder’ information collection number for FERC-545, is a one-time reporting burden based on the preparation and filing of tariff filings to conform the pipelines’ tariffs to the standards/business practices. [↑](#footnote-ref-1)
2. FERC-549C1, as ‘placeholder’ information collection number for FERC-549C, is a one-time reporting burden based on implementing the revised standards/business practices proposed in the NOPR. [↑](#footnote-ref-2)
3. 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. [↑](#footnote-ref-3)
4. 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> . The same process is used by the WGQ in developing standards for interstate natural gas pipelines, with the exception that the composition of the voting segments have been designed to match the participants in the natural gas industry. [↑](#footnote-ref-4)
5. More information is available on FERC’s eTariff page at <http://www.ferc.gov/docs-filing/etariff.asp> . [↑](#footnote-ref-5)
6. 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.

   This is 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. [↑](#footnote-ref-6)
7. The number of respondents is the number of entities in which a change in burden from the current standards to the proposed exists, not the total number of entities from the current or proposed standards that are applicable. [↑](#footnote-ref-7)
8. The estimated hourly cost (salary plus benefits) provided in this section is based on the salary figures for May 2017 posted by the Bureau of Labor Statistics for the Utilities sector (available at http://www.bls.gov/oes/current/naics2\_22.htm#13-0000) and scaled to reflect benefits using the relative importance of employer costs in employee compensation from May 2017 (available at https://www.bls.gov/oes/current/naics2\_22.htm). The hourly estimates for salary plus benefits are:

   Computer and Information Systems Manager (Occupation Code: 11-3021), $96.51 Electrical Engineer (Occupation Code: 17-2071), $66.90

   Legal (Occupation Code: 23-0000), $143.68

   The average hourly cost (salary plus benefits), weighting all of these skill sets evenly, is $102.36. The Commission rounds it to $102/hour. [↑](#footnote-ref-8)
9. Based on FERC’s Fiscal Year 2018 average cost per FTE (salary plus benefits) of $164,820 per year (or 2,080 work hours), rounded to $79.00 per hour. [↑](#footnote-ref-9)
10. Paperwork Reduction Act of 1995 (PRA). [↑](#footnote-ref-10)
11. The PRA Administration Cost is $4,931, and includes preparing supporting statements, notices, and other activities associated with PRA compliance. [↑](#footnote-ref-11)
12. The estimate of federal FTE’s and the indicated split between FERC-545B and FERC-549C1 is based on staff’s experience and the fact that the FERC-545B filings are one-time filings, with the FERC-549C1 requirements one-time. [↑](#footnote-ref-12)
13. The 1 FTE we are estimating here in connection with the issuance of the NOPR in Docket No. RM96-1-041 does not represent an additional FTE. [↑](#footnote-ref-13)
14. 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). [↑](#footnote-ref-14)