

FERC Form No. 73
OMB Control No. 1902-0019

Supporting Statement
FERC-73 (Oil Pipeline Service Life Data)

The Federal Energy Regulatory Commission (FERC or Commission) requests that the Office of Management and Budget (OMB) review and approve the information collection FERC-73, Oil Pipeline Service Life Data, for a three-year period.

1. CIRCUMSTANCES THAT MAKE THE COLLECTION OF INFORMATION NECESSARY

Oil pipelines are common carriers. As such, they must provide transportation service to anyone who requests. Congress gave the Commission jurisdiction over oil pipeline rates, charges and valuations in Pub. L. 103-272, Sec. 60502 (1994).¹ FERC promulgated regulations for oil pipeline rate methodologies and procedures in 18 CFR Part 342 and regulations for oil pipeline depreciation rate procedures in 18 CFR Parts 347 and 357, which are relevant for the purposes of the FERC-73 information collection.

In Order No. 561,² the Commission determined that pipeline depreciation studies would be performed by oil pipeline companies. Prior to the order, the Commission had been performing depreciation studies to establish revised depreciation rates for oil pipelines. The Commission determined that this task unnecessarily burdened Commission's resources. The Commission's regulations pertaining to depreciation accounting, are in 18 C.F.R. Part 352, General Instruction 1-8 (b)(2), and those for depreciation studies are in 18 C.F.R. Part 347, Oil Pipeline Depreciation Studies.

¹ 1 To Revise, Codify and Enact Without Substantive Change Certain General and Permanent Laws, Related to Transportation, as Subtitles II, III, and V-X of Title 49, U.S.C., "Transportation", and to Make Other Technical Improvements in the Code, 49 U.S.C. Sec. 60502 (July 5, 1994). This Act repealed Department of Energy Act Sections 306 and 402 under which the Interstate Commerce Commission transferred to, and vested, in the Commission all functions and authority over rates or charges for the transportation of oil by pipeline including the establishment of valuations of any such pipeline, Pub. L. 95-91 (Aug. 4, 1977).

² Revisions to Oil Pipeline Regulations Pursuant to the Energy Policy Act of 1992, (Oct. 22, 1993), FERC Stats & Regs ¶ 30,985 (1991-1996), order on reh'g; Order No. 561-A, (July 28, 1994), FERC Stats & Regs ¶ 31,000 (1991-1996).

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In Order No. 571,³ the Commission modified the process by which oil pipeline companies are assigned depreciation rates. In that order, the Commission made it the responsibility of the oil pipeline companies to request new or modified depreciation rates when needed. The order also promulgated the regulations under which the submittals would be made and detailed the information needed to process such requests made by the companies.⁴

Section 342.2 of the Commission's regulations specifies that pipelines establish initial rates for new service in one of two ways. The first way is by filing cost, revenue, and throughput data supporting the rate. The second way is to provide a sworn affidavit that the rate is agreed to by at least one non-affiliated shipper intending to use the service. Importantly, if a protest to the initial rate is filed, the carrier must file cost, revenue, and throughput data so FERC can determine whether the rate is just and reasonable. If the initial rates for new service are for a pipeline which has other pipeline assets, the Commission uses FERC Form No. 73 to ensure that the service life of the facilities being used for the new service is accounted for appropriately.

The Commission's regulations governing FERC Form No. 73 "Oil Pipeline Service Life Data" are contained in 18 C.F.R. § 357.3. The material that must support a request for newly established or changed depreciation studies is listed at 18 CFR 347.1,

Section 347.1 requires submission of a transmittal letter that gives a general description of the proposed depreciation rates and certifies that the letter of transmittal has been sent to each shipper and to each subscriber. If there are no subscribers, the letter must so state.

In addition, section 347.1 states generally that the supporting information must be in sufficient detail to fully explain and justify the proposed rates. The specific information that is required is spelled out in paragraphs (e)(1) through (e)(5) of section 347.1:

- a. A brief summary relating to the general principles on which the proposed depreciation rates are based (e.g., why the economic life of the pipeline

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³ Cost-of-Service Reporting and Filing Requirements for Oil Pipelines, FERC Stats. & Regs. ¶ 31,006 (1994); order on reh'g, RM94-2-00; Order No. 571-A, RM94-2-001, Order on reh'g and clarification, (Dec. 28, 1994), FERC Stats. & Regs. ¶ 31,012 (1994).

⁴

See 18 C.F.R. Part 347.

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section is less than the physical life).

- b. An explanation of the organization, ownership, and operation of the pipeline.
 - c. A table of the proposed depreciation rates by account.
 - d. An explanation of the average remaining life on a physical basis and on an economic basis.
 - e. The following specific background data must be submitted at the time of and concurrently with any request for the establishment of, or modification to, depreciation rates for carriers. If the information listed is not applicable, it may be omitted from the filing:
 - f. Up-to-date engineering maps of the pipeline including the location of all gathering facilities, trunkline facilities, terminals, interconnections with other pipeline systems, and interconnections with refineries/plants. Maps must indicate the direction of flow.
 - g. A brief description of the carrier's operations and an estimate of any major near-term additions or retirements including the estimated costs, location, reason, and probable year of transaction.
 - h. The present depreciation rates being used by account.
 - i. For the most current year available and for the two prior years, a breakdown of the throughput (by type of product, if applicable) received with source (e.g. name of well, pipeline company) at each receipt point and throughput delivered at each delivery point.
 - j. The daily average capacity (in barrels per day) and the actual average capacity (in barrels per day) for the most current year, by line section.
 - k. A list of shipments and their associated receipt points, delivery points, and volumes (in barrels) by type of product (where applicable) for the most current year.
 - l. For each primary carrier account, the latest month's book balances for gross plant and for accumulated reserve for depreciation.
 - m. An estimate of the remaining life of the system (both gathering and trunk lines) including the basis for the estimate.
 - n. For crude oil, a list of the fields or areas from which crude oil is obtained.
 - o. If the proposed depreciation rate adjustment is based on the remaining physical life of the properties, a complete, or updated, if applicable, Service Life Data Form (FERC
2. **HOW, BY WHOM AND FOR WHAT PURPOSE THE INFORMATION IS TO BE USED AND THE CONSEQUENCES OF NOT COLLECTING THE INFORMATION**

The information collected from FERC Form No. 73, is used by the Commission to establish oil pipeline depreciation rates based on the physical properties of a

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pipeline's equipment. Depreciation rates are a factor in a pipeline's transportation cost of service. As such, companies are required to submit FERC Form No. 73 when requesting Commission approval of: (1) the establishment of depreciation rates for new pipeline equipment or (2) revision of previously approved depreciation rates, when the depreciation is based on the physical properties of the pipeline company's assets. The Commission may also request an oil pipeline company to submit a FERC Form No. 73 filing during a depreciation rate investigation.

If the data contained on FERC Form No. 73 were not compiled and submitted to FERC for review, there would be no basis for establishing or revising the depreciation rate factor in a pipeline's cost-of-service calculation. FERC would not be able to evaluate the data that pipelines provide related to the service life of facilities being used to charge a rate and the revenue effects of depreciating the costs of those facilities.

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

FERC Form No. 73 can be filed electronically via the Commission's eFiling system. FERC will continue to evaluate filings to identify ways to reduce the burden on filings it receives.

In general, the Commission supports the use of information technology to reduce burden.

4. DESCRIBE EFFORTS TO IDENTIFY DUPLICATION AND SHOW SPECIFICALLY WHY ANY SIMILAR INFORMATION ALREADY AVAILABLE CANNOT BE USED OR MODIFIED FOR USE FOR THE PURPOSE(S) DESCRIBED IN INSTRUCTION NO. 2.

The Commission periodically reviews filing requirements concurrent with OMB review or as the Commission deems necessary to eliminate duplicative filing and to minimize the filing burden. There are no similar sources of information available that can be used or modified for the purpose of oil pipeline depreciation studies.

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

This data collection imposes the least possible burden on small entities while

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collecting the information necessary for the Commission to carry out its responsibilities.

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

Companies are required to submit FERC Form No. 73 when requesting Commission approval of depreciation rates for new pipeline equipment, revisions to previously approved depreciation rates or during an investigation. If the data contained on FERC Form No. 73 were not compiled and submitted to FERC for review, there would be no basis for evaluating, establishing or revising the depreciation rate factor in the pipeline's cost-of-service calculation.

7. EXPLAIN ANY SPECIAL CIRCUMSTANCES RELATING TO THE INFORMATION COLLECTION

There are no special circumstances as described in 5 C.F.R. 1320.5(d)(2) 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 60-day notice⁵ was published in the Federal Register on 4/16/2020 (85FR21229). The 30-day Notice was published in the Federal Register on 6/25/2020 (85FR38136). Within the public notice, the Commission noted that it would be requesting a three-year extension of the information collection requirements. There were no comments received.

9. EXPLAIN ANY PAYMENT OR GIFTS TO RESPONDENTS

The Commission does not make payments or provide gifts for respondents related to FERC Form No. 73.

10. DESCRIBE ANY ASSURANCE OF CONFIDENTIALITY PROVIDED TO RESPONDENTS

The information submitted to the Commission is public, therefore, the information is not considered confidential. Specific requests for confidential treatment will be considered pursuant to 18 C.F.R. Section 388.112.

⁵ 85 FR 21229.

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11. PROVIDE ADDITIONAL JUSTIFICATION FOR ANY QUESTIONS OF 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 FERC-73 reporting requirements.

12. ESTIMATED BURDEN OF THE COLLECTION OF INFORMATION

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	Number of Respondents (1)	Annual Number of Responses per Respondent (2)	Total Number of Responses (1)*(2)=(3)	Average Burden & Cost Per Response⁶ (4)	Total Annual Burden & Total Annual Cost (3)*(4)=(5)	Cost per Respondent (\$) (5)÷(1)
Oil Pipelines Undergoing Investigation or Review	32	1	32 ⁷	40 hrs.; \$3,200	1,280 hrs.; \$102,400	\$3,200

The total estimated annual cost burden to all respondents is \$3,200 [40 hours * \$80/hour=\$3,200.

13. ESTIMATE OF TOTAL ANNUAL COST OF BURDEN TO RESPONDENTS

⁶ Commission staff estimates the average cost in salary and benefits for the average respondent based on the Commission's 2019 average cost for salary plus benefits at \$80/hour.

⁷ The total number of responses entailing the submittal of a depreciation study in the past three years was 96. The average response from those three years is 96 / 3 years = 32 responses per year.

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The costs for this collection are entirely related to burden hours and are provided in #12 and 15.

14. ESTIMATED ANNUALIZED COST TO FEDERAL GOVERNMENT

FERC relies on four staff members devoting approximately 0.25 of their annual work time to compile and use FERC Form No. 73 data into Commission oil pipeline rates work. Two of those employees are technical advisory staff; the other two are in administrative litigation. The combined effort totals the work hours of one FTE per year.

The following table summarizes the Federal Government cost:

	Number of Employees (FTEs)⁸	Estimated Annual Federal Cost
Analysis and Processing of filings	1	\$167,091.00
PRA ⁹ Administrative Cost ¹⁰		\$4,832.00
FERC Total		\$171,923.00

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

The total estimated annual cost burden appears to have increased significantly since the last iteration of the FERC Form No. 73 form renewal process. In the past, staff had merely accounted for the number of filings that had titles that directly reflected depreciation rate changes. However, upon further review, members of the staff believe that the number of filings should also account for filings of depreciation studies (in accordance with 18 CFR 347.1) that also contain depreciate rate changes for the purposes of this information collection. Thus, the

⁸ An "FTE" is a "Full time Equivalent" employee that works the equivalent of 2,080 hours per year.

⁹ Paperwork Reduction Act of 1995 (PRA)

¹⁰ The PRA Administrative Cost is a Federal 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. This average annual cost includes requests for extensions, all associated rulemakings and orders, other changes to the collection, and publication of related notices in the Federal Register.

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number has increased over the last three years simply to reflect a more accurate estimation by Commission staff.

FERC Form 73	Total Request	Previously Approved	Change due to Adjustment in Estimate	Change Due to Agency Discretion
Annual Number of Responses	32	3	29	0
Annual Time Burden (Hr.)	1280	120	1160	0
Annual Cost Burden (\$)	0	0	0	0

16. TIME SCHEDULE FOR INFORMATION COLLECTION AND PUBLICATION

There are no plans for publication of the information collection. The data are used for regulatory purposes.

17. DISPLAY OF EXPIRATION DATE

The PRA information (including expiration date and OMB Control No.) is available on www.ferc.gov at <http://www.ferc.gov/docs-filing/info-collections.asp>.

18. EXCEPTIONS TO THE CERTIFICATION STATEMENT

There are no exceptions.