

**SUPPORTING STATEMENT FOR
FERC-545 [(Gas Pipeline Rates: Rate Change (Non-Formal))]**

The Federal Energy Regulatory Commission (Commission or FERC) requests that the Office of Management and Budget (OMB) review/approve the extension of the FERC-545 information collection [(Gas Pipeline Rates: Rate Change (Non-Formal))].

1. CIRCUMSTANCES THAT MAKE THE COLLECTION OF INFORMATION NECESSARY

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

Since 1996, the Commission has adopted regulations to standardize the business practices and communication methodologies of interstate natural gas pipelines to create a more integrated and efficient pipeline grid. These regulations have been promulgated in the Order No. 587 series of orders,¹ wherein the Commission has incorporated by reference standards for interstate natural gas pipeline business practices and electronic communications that were developed and adopted by the Wholesale Gas Quadrant (WGQ) of the North American Energy Standards Board (NAESB). Upon incorporation by reference, version 3.2 of the standards (Version 3.2) will replace the currently incorporated version (Version 3.1) of those business practice standards.

On August 17, 2020, NAESB filed a report informing the Commission that it had adopted and ratified WGQ Version 3.2 of its business practice standards applicable to interstate natural gas pipelines. Version 3.2 of the WGQ includes business practice standards developed and modified in response to industry requests and directives from the NAESB Board of Directors. This version also includes the standards developed in response to the recommendations of Sandia National Laboratory (Sandia),² which in 2019 issued a cybersecurity surety assessment of the NAESB standards sponsored by DOE (Sandia Surety Assessment),³ and the standards developed to enable the use of distributed ledger

¹ This series of orders began with the Commission's issuance of *Standards for Bus. Practices of Interstate Nat. Gas Pipelines*, Ord. No. 587, FERC Stats. & Regs. ¶ 31,038 (1996).

² Sandia is a multidisciplinary national laboratory and federally funded research and development center for the U.S. Department of Energy's (DOE) National Nuclear Security Administration that supports numerous federal, state, and local government agencies, companies, and organizations.

³ In April 2017, NAESB announced that Sandia, through funding provided by DOE, would be performing a surety assessment of the NAESB standards. As determined by Sandia and DOE, the purpose of the surety assessment was to analyze cybersecurity elements within the standards, focusing on four areas: (1) the NAESB Certification Program for Accredited Certification Authorities, including the Wholesale Electric Quadrant (WEQ)-012 Public Key Infrastructure Business Practice Standards, the NAESB Accreditation Requirements for Authorized Certificate Authorities, and the Authorized

technologies when transacting the NAESB Base Contract for Sale and Purchase of Natural Gas. The NAESB report identifies all the changes made to the WGQ Version 3.1 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.

Current business practices and communication standards updated the Quadrant EDM Related Standards and IET Related Standards to specifically: (1) require the implementation of fixes or patches for known vulnerabilities as soon as reasonably practicable in coordination with other trading partners; (2) specify notification timelines to provide notice to trading partners of any systems or software that have not been updated and the potential impact of using the vulnerable system; (3) include both specific and broad adoptions of system security measures and specific notification and coordination during outages with affected trading partners; (4) maintain a minimum encryption strength of 128 bits, (5) specify that OpenPGP should be used to create public and private keys for privacy and digital signature applications; (6) specify Hyper-Text Transport Protocol Secure (HTTPS) whenever secure communication is required to protect information in transit and support overall privacy needs; (7) use the largest feasible key length consistent with implementation of current business processes; (8) state that secure web sites should employ individual user credentials; and (9) encourage security assessments and coordination between customers, vendors, and trading partners.

The current business practices and communication standards are as a result of the approved NAESB version 3.2: (1) updating the Nominations Related Standards to allow a Service Requester to determine which rights of the contract its segmentation nomination is using; (2) updating the Quadrant EDM Related Standards to (i) define a NAESB standard time frame for information to be retained on a pipeline's Informational Postings web site, (ii) allow for processing functions at the line item level on Customer Activities web sites and allow for the use of icons and/or graphical control elements for navigation and/or processing functions, and (iii) make minor revisions designed to add clarity, update the minimum technical characteristics to account for changes in technology since the previous version (Version 3.1) of the WGQ standards, and update the minimum and suggested operating systems and web browsers that entities should support; (3) updating multiple sets of standards to remove references to the term "gigacalories" and add the term "gigajoules" as the standard quantity for nominations, confirmations, and scheduling in Mexico; and (4) revising the NAESB WGQ data sets or other technical

Certification Authority Process; (2) the WEQ Open Access Same-Time Information Systems suite of standards; (3) the WGQ and Retail Markets Quadrant Internet Electronic Transport (IET) and Quadrant Electronic Delivery Mechanism (EDM) Related Standards Manual; and (4) a high-level dependency analysis between the gas and electric markets to evaluate the different security paradigms the markets employ.

implementation documentation while not resulting in modifications to the underlying business practice standards. The package of standards also includes minor corrections.

The implementation of these data requirements will provide additional transparency to Informational Postings web sites and improve communication standards. The implementation of these standards and regulations promote the additional efficiency and reliability of the natural gas industries' operations thereby helping the Commission to carry out its responsibilities under the NGA. In addition, the Commission's Office of Enforcement will use the data for general industry oversight.

The Commission has established a more efficient and integrated pipeline grid. These requirements conform to our plan for efficient information collection, communication, and management within the natural gas pipeline industries. We determined through our internal review, that there is specific, objective support for the burden estimates associated with the information requirements.

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

The following information is the subject of the FERC-545: (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-545 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.

Consistent with our practice since Order No. 587-V, each pipeline must designate a single tariff section under which every NAESB WGQ Standard incorporated by reference by the Commission is listed.⁴ For each standard, the pipeline must specify in the tariff section or tariff sheet(s) listing all the NAESB standards:

⁴ *Id.* P 36; *WGQ Version 3.1 Proposed Rule*, 164 FERC ¶ 61,125 at P 18.

- (a) whether the standard is incorporated by reference;
- (b) for those standards not incorporated by reference, the tariff provision that complies with the standard; or
- (c) for those standards with which the pipeline does not comply, an explanatory statement, including an indication of whether the pipeline has been granted a waiver, extension of time, or other variance with respect to compliance with the standard.⁵

A sample tariff format is posted, to provide filers an illustrative example to aid them in preparing their compliance filings. Consistent with our policy since Order No. 587-V,⁶ requests for waivers that do not meet the requirements set forth in Order No. 587-V will not be granted. In particular, as we explained in Order No. 587-V, waivers are unnecessary and will not be granted when the standard applies only on condition the pipeline performs a business function and the pipeline currently does not perform that function.⁷ If the pipeline is requesting a continuation of an existing waiver or extension of time, it must include a table in its transmittal letter that identifies the standard for which the Commission granted a waiver or extension of time, and the docket number or order citation to the proceeding in which the Commission granted the waiver or extension of time. The pipeline also must present an explanation for why such waiver or extension of time should remain in force with regard to the WGQ Version 3.2 Standards. This continues our practice of having pipelines include in their tariffs a common location that identifies the way in which the pipeline is incorporating all the NAESB WGQ Standards and the standards with which it is required to comply.

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

The Commission improved the security for submitting electronic tariff filings. In addition, the Commission improved the pipelines' on-line process of appointing and modifying agents with the authority to make an electronic tariff filing on the pipeline's behalf.

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.

⁵ Shippers can use the Commission's electronic tariff system to locate the tariff record containing the NAESB standards, which will indicate the docket in which any waiver or extension of time was granted.

⁶ Ord. No. 587-V, 140 FERC ¶ 61,036.

⁷ Ord. No. 587-V Compliance Order, 141 FERC ¶ 61,167 at PP 4, 38.

Commission filings and data requirements are periodically reviewed in conjunction with OMB clearance expiration dates. No duplication of the information collection requirements has been found.

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

The FERC-545 are filing requirements related to pipeline rate filing obligations for the transportation and storage of natural gas. The filings collect 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 filing burden.

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

The FERC-545 is a one-time compliance filing. Failure to collect the information would prohibit the Commission from properly monitoring and evaluating pipeline transactions and meeting statutory obligations under the Natural Gas Policy Act and Natural Gas Act.

7. EXPLAIN ANY SPECIAL CIRCUMSTANCES RELATING TO THE INFORMATION COLLECTION

The FERC-545 presents no special circumstances.

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

The 60-day notice published on November 15, 2021 (86 FR 63010) and no comments were received. The 30-day notice published on January, 26, 2022 (87 FR 4009). There is no anticipation of receiving comments at the end of the 30-day comment period.

9. EXPLAIN ANY PAYMENT OR GIFTS TO RESPONDENTS

There are no payments or gifts made or given to respondents associated with collections FERC-545.

10. DESCRIBE ANY ASSURANCE OF CONFIDENTIALITY PROVIDED TO RESPONDENTS

NAESB added language to existing Standards 4.3.60, 4.3.61, 10.2.33, and 10.3.25 to clarify the Transport Layer Security protocol,⁸ which encrypts data to hide information from electronic observers on the internet. NAESB also deleted all references to the Secure Sockets Layer protocol in the standards. Concerning identification key lengths, the Sandia Surety Assessment recommended that Rivest-Shamir-Adelman keys⁹ must be no shorter than 2048 bits, Elliptic Curve Digital Signature Algorithm keys¹⁰ must be no shorter than 224 bits, Hash¹¹ algorithms should be from the Secure Hash Algorithm (SHA)-2¹² or SHA-3 families, and acceptable Advanced Encryption Standard key lengths range from 128, to 192, to 256. The Sandia Surety Assessment recommended that, in general, implementors use the largest feasible key length consistent with implementation of current business processes. In response, NAESB deleted Standard 4.3.83 to remove legacy support references and maintain a minimum encryption strength of 128 bits. Further, NAESB revised existing Standards 10.2.34 and 10.3.15 to delete a proprietary Pretty Good Privacy (PGP)¹³-related hyperlink and to accommodate license-free OpenPGP, respectively. NAESB also adopted a new Standard 10.2.39 to specify that OpenPGP should be used to create public and private keys for privacy and digital signature applications. In general, for 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.

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.

⁸ The National Institute of Standards and Technology Special Pub. 800-52 requires government Transport Layer Security servers and clients to support Transport Layer Security Version 1.2 and recommends support for Transport Layer Security Version 1.3 by the year 2024.

⁹ Rivest-Shamir-Adelman is a public key infrastructure algorithm composed of a public component and a private component that is typically installed on a recognized Certificate Authority.

¹⁰ Elliptic Curve Digital Signature Algorithm public keys generate an encrypted signature to validate data.

¹¹ A Hash is a cryptology technique used for digital signatures in which a series of numbers that may represent, for example, a password, an image, a document, or an executable file is used to generate a cryptographic hash (i.e., a large number).

¹² SHA-2 is a set of cryptographic hash functions.

¹³ PGP is a proprietary (i.e., an organization must pay to use it) encryption program developed to enhance the confidentiality and integrity of data.

12. ESTIMATED BURDEN OF COLLECTION OF INFORMATION

The Commission estimates the annual public reporting burden and cost for the information collection as follows:

FERC-545: Gas Pipeline Rates: Rate Change (Non-Formal)						
	Number of Respondents (1)	Average Number of Responses per Respondent (2)	Total Number of Responses (1)*(2)=(3)	Average Burden & Cost Per Response¹⁴ (4)	Total Annual Burden Hours & Total Annual Cost (3)*(4)=(5)	Cost per Respondent (\$) (5)÷(1)
Tariff Filings	109	2.768	301.712	211 hrs.; \$20,467	63,661.232 hrs.; \$6,175,139.50	\$56,652.66
Rate Filings	32	2	64	354 hrs.; \$34,338	22,656 hrs.; \$2,197,632	\$68,676
Informational Reports	100	1.770	177	235 hrs.; \$22,795	41,595 hrs.; \$4,034,715	\$40,347.15

¹⁴ The estimated hourly cost (salary plus benefits) provided in this section is based on the salary figures for May 2021 posted by the Bureau of Labor Statistics for the Utilities sector (available at https://www.bls.gov/oes/current/naics3_221000.htm) and scaled to reflect benefits using the relative importance of employer costs for employee compensation from June 2021 (available at <https://www.bls.gov/news.release/ecec.nr0.htm>). The hourly estimates for salary plus benefits are:

Computer and Information Systems Manager (Occupation Code: 11-3021), \$103.61

Computer and Information Analysts (Occupation Code: 15-1120(1221), \$67.99

Electrical Engineer (Occupation Code: 17-2071), \$72.15

Legal (Occupation Code: 23-0000), \$142.25

The average hourly cost (salary plus benefits), weighting all of these skill sets evenly, is \$96.50. We round it to \$97/hour.

Negotiated Rates & Non-Conforming Agreement Filings	69	11	759	233 hrs.; \$22,601	176,847 hrs.; \$17,154,159	\$248,611
Market-Base Rates for Storage Filings	2	1	2	230 hrs.; \$22,310	460 hrs.; \$44,620	\$22,310
NAESB (version 3.2) one time over 3 years carried over from RM96-1-42 ¹⁵	59	1	59	10 hrs.; \$970	593.33 hrs.; \$57,553.33	\$970
TOTAL			1,362.712		305,812.56 hrs.; \$29,663,818.51	

The Commission's burden estimates for the Final Rule were for one-time implementation of the information collection requirements (including tariff filing which consists of the costs of preparing a tariff section under which every standard incorporated by reference by the Commission is listed and submitting the compliance tariff filing with the Commission for acceptance; the costs of documenting the process and procedures conducted during the Commission's review of the tariff changes in the compliance filing; and the costs to pipelines for undertaking the necessary information technology work to comply with the new standards).

The burden estimates are primarily related to implementing these standards and regulations and will not result in ongoing costs.

13. ESTIMATE OF THE TOTAL ANNUAL COST BURDEN TO

¹⁵ The final rule in Docket No. RM96-1-042 was published in the Federal Register on August 10, 2021 (86 FR 43590). OMB approved the information collection aspects of the rule, including revisions of FERC-545, in November of 2021.

RESPONDENTS

There are no capital or start-up costs for FERC-545. All the costs are related to burden hours and are detailed in Questions #12 and #15.

14. ESTIMATED ANNUALIZED COST TO FEDERAL GOVERNMENT

	Number of Hours or FTE's	Estimated Annual Federal Cost (\$)¹⁶
PRA ¹⁷ Administration Cost ¹⁸	-	\$8,279 ¹⁹
Data Processing and Analysis, Sub-Total ²⁰	0.75	\$135,527.25
FERC Total for FERC-545		\$143,806.25

15. REASONS FOR CHANGES IN BURDEN INCLUDING THE NEED FOR ANY INCREASE**Final Rule RM96-1-42 average of one-time burden spread over years 1-3. NAESB (Version 3.2)**

- Correction made to the number of responses of the originally stated 178 should actually be 59. (178/3=59.333 *rounded)

Changes in estimate for the following:

- **Tariff Filings**
There was an increase in responses from 302 to 322 responses.
- **Rate Filings**
There was an increase in responses from 24 to 64 responses
- **Informational Reports**
There was a decrease in responses from 237 to 177

¹⁶ Based on FERC's Fiscal Year 2021 average cost per FTE (salary plus benefits) of \$180,703 per year (or 2,080 work hours), rounded to \$87.00 per hour.

¹⁷ Paperwork Reduction Act of 1995 (PRA)

¹⁸ The PRA Administration Cost is \$ 8,279, and includes preparing supporting statements, notices, and other activities associated with PRA compliance.

¹⁹ This cost will be applied to the FERC-545 information collection.

²⁰ The estimate of federal FTE's and the indicated split between FERC-545 is based on staff's experience and the fact that the FERC-545 filings are one-time filings.

- **Negotiated Rates & Non-Conforming Agreement Filings**
Had an increase of respondents from 65 to 69 creating an increase of 114 responses overall
- **Market-Base Rates for Storage Filings**
There was a decrease from 4 to 2 responses

Therefore, there was an overall increase in burden of 70 responses for all 6 collection due to adjusting for a more accurate estimate.

	Total Request	Previously Approved	Change due to Adjustment in Estimate	Change Due to Agency Discretion
FERC-545				
Annual Number of Responses	1,363	1,410	-47	0
Annual Time Burden (Hr.)	305,812	283,931	21,881	0
Annual Cost Burden (\$)	\$0	\$0	\$0	\$0

16. TIME SCHEDULE FOR PUBLICATION OF DATA

Despite the fact that FERC-545 data are publicly available, there are no tabulating, statistical or publication plans.

17. DISPLAY OF EXPIRATION DATE

The expiration date is displayed in a table posted on ferc.gov at <https://www.ferc.gov/information-collections>

18. EXCEPTIONS TO THE CERTIFICATION STATEMENT

There are no exceptions.