

Example No. 6

Continuing from Example 5, a subsequent tracker filing retroactive to November 1, 1994:

Docket	Filed	Effective	Pagination	Superseded sheet
TM96-1-77-000	4/30/95	11/1/94 2/1/95	3rd Rev Third Revised 3rd Sub Fourth Revised	Sub 2nd Rev Third. 3rd Rev Third.

Example No. 7

Abbreviate "Fourth Revised Twenty-Third Revised Sheet No. 4" as "4th Rev Twenty-Third Revised Sheet No. 4."

Example No. 8

To cancel Rate Schedule X-26 which consists of Original Sheet No. 10, First Revised Sheet Nos. 11 through 36, Substitute First Revised Sheet No. 37, and Second Revised Sheet Nos. 38 and 39, file "First Revised Sheet No. 10:"

My Pipeline Company
FERC Gas Tariff
Original Volume No. 1
First Revised Sheet No. 10 Superseding
Sheet Nos. 10 Through 39

Notice of Cancellation

Rate Schedule X-26
Exchange Agreement with YOUR Pipeline
Company
Dated January 1, 1980

The following tariff sheets have been superseded:

Original Sheet No. 10
First Revised Sheet Nos. 11 through 36
Substitute First Revised Sheet No. 37
Second Revised Sheet Nos. 38 and 39

Example No. 9

Your general terms and conditions end on page 75 and you want to reserve sheets 76 through 99 for future use:

My Pipeline Company
FERC Gas Tariff
Original Volume No. 1
Sheet Nos. 76 through 99

Sheet Nos. 76 through 99 are reserved for future use.

Exhibit C—Abbreviation Conventions List

Substitute: Sub
Alternate: Alt
Revised: /
First, Second, etc.: 1st, 2nd, etc.
Sheet No.: (omit these words)

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18 CFR Parts 158, 201, 250, 260, and 284

[Docket No. RM95-4-000]

Revisions to Uniform System of Accounts, Forms, Statements, and Reporting Requirements for Natural Gas Companies; Notice of Proposed Rulemaking

December 16, 1994.

AGENCY: Federal Energy Regulatory Commission.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Federal Energy Regulatory Commission is proposing to amend its Uniform System of Accounts, its forms, and its reports and statements for natural gas companies. The proposed revisions reflect the current regulatory environment of unbundled pipeline sales for resale at market-based prices and open-access transportation of natural gas. The Commission seeks to simplify and streamline its requirements to reduce the burden of respondents.

DATES: Comments are due no later than April 13, 1995.

ADDRESSES: An original and 14 copies of written comments must be filed. All filings should refer to Docket No. RM95-4-000 and should be addressed to Office of the Secretary, Federal Energy Regulatory Commission, 825 North Capitol Street, NE., Washington, DC 20426.

FOR FURTHER INFORMATION CONTACT: Jeffrey A. Braunstein, Office of the General Counsel, Federal Energy Regulatory Commission, 825 North Capitol Street, NE., Washington, DC 20426, (202) 208-2114.

SUPPLEMENTARY INFORMATION: In addition to publishing the full text of this document, excluding Appendices A (FERC Form No. 2), B (FERC Form No. 2-A), and C (FERC Form No. 11), in the **Federal Register**, the Commission also provides all interested persons an opportunity to inspect or copy the contents of this document during normal business hours in Room 3104, 941 North Capitol Street, NE., Washington, DC 20426.

The Commission Issuance Posting System (CIPS), an electronic bulletin board service, provides access to the texts of formal documents issued by the Commission. CIPS is available at no charge to the user and may be accessed using a personal computer with a modem by dialing (202) 208-1397. To access CIPS, set your communications software to 19200, 14400, 12000, 9600, 7200, 4800, 2400, 1200 or 300 bps, full duplex, no parity, 8 data bits and 1 stop bit. The full text of this document will be available on CIPS for 60 days from the date of issuance in ASCII and WordPerfect 5.1 format. After 60 days the document will be archived, but still

accessible. The complete text on diskette in Wordperfect format may also be purchased from the Commission's copy contractor, La Dorn Systems Corporation, also located in Room 3104, 941 North Capitol Street, NE., Washington, DC 20426.

I. Introduction

The Federal Energy Regulatory Commission (Commission) proposes to amend its Uniform System of Accounts,¹ its forms, and its reports and statements for natural gas companies.² This Notice of Proposed Rulemaking (NOPR) is a companion to the Commission's Notice of Proposed Rulemaking "Filing Requirements for Interstate Natural Gas Company Rate Schedules and Tariffs", which proposes to amend Part 154 of the Commission's regulations and is issued contemporaneously with this NOPR. In brief, the Commission proposes, in this NOPR, changes to the Uniform System of Accounts' treatment of gas stored underground,³ revenues,⁴ gas supply expenses,⁵ and to eliminate all accounts for Nonmajor respondents and to redesignate accounts used only by Major respondents for use by all respondents. The Commission also proposes to change or eliminate various forms, reports, and statements. This includes changes to, and deletions from, FERC Form No. 2 (Form No. 2), Annual report

¹ Section 8 of the Natural Gas Act (NGA), 15 U.S.C. 717g (1988), authorizes the Commission to prescribe rules and regulations concerning accounts, records and memoranda as necessary or appropriate for purposes of administering the NGA. The Commission may prescribe a system of accounts for jurisdictional companies and, after notice and opportunity for hearing, may determine the accounts in which particular outlays and receipts will be entered, charged, or credited.

² Section 10 of the NGA, 15 U.S.C. 717i (1988), authorizes the Commission to prescribe rules and regulations concerning annual and other periodic or special reports, as necessary or appropriate for purposes of administering the NGA. The Commission may prescribe the manner and form in which such reports are to be made, and require from natural gas companies specific answers to all questions on which the Commission may need information. The reports must be made under oath unless the Commission otherwise specifies.

³ The Commission proposes to amend Account 117, Account 164.1, and other accounts that refer to Account 117.

⁴ The Commission proposes to amend Account 489 and Account 495.

⁵ The Commission proposes to amend Account 806.

for Major natural gas companies, and Form No. 2-A (Form No. 2-A), Annual report for Nonmajor natural gas companies.⁶

The Commission is proposing the changes in order to create forms, reports, and statements that reflect the current regulatory environment of unbundled pipeline sales for resale at market-based prices and open-access transportation of natural gas. In doing that, the Commission seeks to simplify and streamline its requirements to reduce the burden on respondents. Hence, the Commission is proposing to eliminate reporting requirements (as well as a few non-reporting requirements) that are outdated or nonessential in light of current regulation, or are duplicative of other reporting requirements. At the same time, the proposed revisions, especially of Form No. 2, will provide financial, rate, and statistical information on transactions that is more useful than what is currently available to regulatory agencies and other users of the financial statements and reports of natural gas companies. The Commission believes the proposed changes to Form No. 2 are needed because companies are giving different accounting treatment to similar transactions, and the characteristics of certain balance sheet and income statement items for the restructured industry are different from what they were when the current accounting regulations were adopted.

In Part III, A of this NOPR, the Commission will discuss the proposed changes to the Uniform System of Accounts with respect to storage gas. In Part III, B the Commission will address the other proposed revisions to the Uniform System of Accounts. In Part IV, the Commission will discuss the changes to Part 250 of the Commission's regulations, "Approved Forms, Natural Gas Act." In Part V, the Commission will discuss the proposed changes to Part 260 of the Commission's regulations, "Statements and Reports (Schedules)." That discussion will include the proposed changes to Forms No. 2⁷ and No. 2-A.⁸ In Part VI, the

⁶ Form No. 2 consists of approximately 162 non-consecutively numbered pages and a four-page index. See 18 CFR 260.1. The current version bears OMB approval No. 1902-0028. Form No. 2-A consists of approximately 22 consecutively numbered pages, 1-22, and 32 non-consecutively numbered substitute pages from the Form No. 2 that may be used in lieu of the comparable pages in the first section. See 18 CFR 260.2. The current version bears OMB approval No. 1902-0030.

⁷ Appendix A consists of the proposed revised Form No. 2. Appendix A is not being published in the **Federal Register**, but is available from the Commission's Public Reference Room.

⁸ Appendix B consists of the proposed revised Form No. 2-A. Appendix B is not being published

Commission will discuss the proposed changes to Part 284 of the Commission's regulations, "Certain Sales and Transportation of Natural Gas Under the Natural Gas Policy Act of 1978 and Related Authorities."

The Commission recognizes that the changes to these regulations and forms and to the regulations in the companion notice of proposed rulemaking titled, "Filing Requirements for Interstate Natural Gas Company Rate Schedules and Tariffs," will necessitate modifications to the electronic formats for the affected filings and forms. To ensure the widest possible input, the Commission is directing its staff here, and in the companion NOPR, to convene a single technical conference to obtain the participation of the industry and other users of the filed information in designing the electronic filing requirements. By the time the Commission issues final rules in these companion rulemakings, the Commission expects staff, with the participation of interested parties, to have developed the changes needed to make the electronic filings that would be required under the regulations proposed in both of the rulemaking proceedings. The Commission intends to move toward a PC-based electronic filing system and away from mainframes. The Commission intends to use user friendly form-fill, word processing, and spreadsheet application software as much as possible.

The changes to the Uniform of System of Accounts and Form Nos. 2 and 2-A in this NOPR are proposed to be effective January 1, 1995. The remainder of the proposed rule is proposed to be effective 30 days after publication in the **Federal Register**.

II. Public Reporting Burden

The proposed rule, if adopted, would establish new reporting requirements, modify existing reporting requirements and eliminate those requirements that are now obsolete. The Commission seeks to simplify and streamline its requirements to reduce the burden on pipelines. The current public reporting burden for these information collections is estimated to average the following number of hours per response: FERC Form No. 2—2,475 hours for the 46 gas companies that complete a filing; FERC Form No. 2-A—30 hours for the 87 gas companies that complete a filing; FERC Form No. 11—5.7 hours for the 50 gas companies that complete a filing; FERC Form No. 549—2.7 hours for the 294 companies that complete a filing; FERC

in the **Federal Register**, but is available from the Commission's Public Reference Room.

Form No. 549B—6,770 hours for the 78 gas companies that complete a filing; FERC Form No. 576—3 hours for the 8 gas companies that complete filing; FERC Form No. 8—3.6 hours for the 30 gas companies that complete a filing; and FPC-14 (redesignated herein as FERC Form No. 14)—3.1 hours for the 46 gas companies that complete a filing. These estimates include the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

With respect to the gas companies filing the FERC Form No. 2, the Commission believes that there will be an average burden decrease due to the elimination of several schedules and significant increases in the thresholds for the reporting of information on other schedules. There will be some additional information required, but there should be a minimal burden increase as a result, because much of the information is already collected by the industry in other contexts.

Also, those natural gas companies filing the FERC Form No. 2-A, and previously designated as "Nonmajor" who do not presently use the accounts formerly reserved for Major natural gas companies, may experience a one-time increase in burden associated with the conversion of their books and records. It is anticipated that this one-time burden will not be significant.

The Commission estimates the public reporting burden for other filing requirements under the proposed rule will reduce the existing reporting burden. With respect to FERC Form No. 11, the semi-annual Form No. 11 will contain monthly details of data required annually on an aggregate basis in FERC Form No. 2. The semi-annual filing of FERC Form No. 11 on April 30 and October 31 of each year, rather than monthly, will reduce the number of reports from 600 to 100. In addition, data are primarily required by rate schedule or Uniform System of Accounts entries. These consistencies in reporting will simplify the filing burden. The revised reporting schedule will reduce the existing reporting burden by a total of 2,500 hours, or approximately 50 hours per respondent each year.

The proposed elimination of initial, subsequent, termination, and annual reports, FERC Form No. 549, for interstate pipelines, and the retention of only the annual reports for intrastate pipelines, will reduce the reporting burden by a total of 13,295 hours. The Commission estimates that the annual report for the 75 remaining respondents

will require an average of ten hours to complete.

The proposed Index of Customers requirement will add approximately 11,700 hours to the total burden under FERC Form No. 549B. However, the Commission proposes to delete the paper filing requirement and require that the index be available through a pipelines electronic bulletin board. The average burden of approximately 25 hours per respondent consists of 135 hours for pipelines to establish the initial index, and three hours per filing to compile an average of six monthly updates.

Allowing reporting of service interruptions in FERC Form No. 576 by any electronic means, including facsimile or telegraph, as proposed, will expedite the notice process, and reduce the burden to one hour per response. This report is required only in the event of an interruption to normal service lasting three hours or longer.

The Commission is not proposing any substantive changes to FERC Form Nos. 8 and 14, but requests comment on whether data from other sources makes these forms unnecessary.

On balance, therefore, the Commission believes the overall burden on the industry will be lessened over time by the proposed changes. To consider the impact of the persons affected by this rulemaking, the Commission would like specific comments on the impact of this rule on individual natural gas companies. Both estimates of current burden and impact should be in work hours and dollar costs in sufficient detail to demonstrate methodology and assumptions.

Comments regarding these burden estimates or any other aspect of this collection of information, including suggestions for reducing this burden, can be sent to the Federal Energy Regulatory Commission, 941 North Capitol Street, NE., Washington, DC 20426 [Attention: Michael Miller, Information Services Division, (202) 208-1415]; and to the Office of Information and Regulatory Affairs of OMB (Attention: Desk Officer for Federal Energy Regulatory Commission), FAX: (202) 395-5167.

III. Revisions to Uniform System of Accounts

A. Storage Accounting

Before the recent industry restructuring, natural gas companies primarily provided a merchant service. A typical pipeline company would purchase gas from producers or other suppliers, transport the gas from the supply area to storage fields or sales

delivery points, and sell its gas on a bundled basis. Now, pipeline companies are primarily transporters of gas. The physical operation of a pipeline used for open-access transportation, however, is much the same as when it was used for bundled merchant service. A transportation pipeline continues to need gas for compressor fuel, gas losses, line pack, and base storage gas. In addition, in order for the system to operate efficiently, it must have sufficient gas volumes and/or storage capacity available to provide for transportation imbalances and no-notice transportation. Although these resource needs are not new ones, in the Commission's view, the mandate to unbundle and the changed primary role of pipelines from merchants to transporters require recognition, measurement, and reporting of these resources differently than presently required.

One might argue that the present accounting requirements contained in the Uniform System of Accounts are adequate and appropriate for accounting for gas costs of a transportation pipeline. Under this view, it could be argued that the loss of the sales function does not change the economic character of the transportation function. Physically, the pipeline must operate essentially as it always has in performing a transportation function, and that the loss of the sales function does not change the economic character of the transactions that must be accounted for. Our analysis, however, indicates otherwise. We find that the financial and regulatory accounting needs for a transporter are sufficiently different from those of a merchant to warrant changes to our Uniform System of Accounts.

To meet regulatory needs, the Commission's regulations should provide recognition and measurement criteria for accounting elements (e.g. revenues, expenses, assets, liabilities, equity capital) that not only represent their economic characteristics but also provide useful financial information relating to services provided. Further, the regulations should provide for uniform accounting. It is indisputable that regulation is improved when similar economic events are accounted for consistently between periods, and uniformly between companies. In the Commission's view, uniformity in accounting is essential for developing just and reasonable rates, for compliance review purposes, and for the preparation of meaningful intra- and inter-company statistics.

The Commission believes that the financial statement treatment most

consistent with the economic character of the accounting transactions, and the treatment that produces the most useful regulatory information, can be obtained if we require that: (1) Volumes maintained for system balancing purposes, including those needed for no-notice transportation service, be accounted for as fixed assets rather than as inventory held for sale, which is the current practice; and (2) gas furnished by transportation customers for compressor fuel, line losses, or other operational purposes be viewed as additional compensation for services, and an appropriate amount of expense be recognized concurrent with the use of such volumes by the pipeline. With respect to the second item, the current practice is, in general, not to recognize either the gas consideration received as revenues or to recognize an expense when the gas is consumed in system operations.

1. System Gas

The Commission's existing accounting regulations for gas transactions (purchases, storage, exchanges, sales, system use, etc.) were developed when a typical natural gas pipeline company offered bundled sales service. Gas used in providing unbundled transportation service has characteristics that are different from gas used in providing bundled sales service. A transportation pipeline is a dynamic system where there are constant imbalances between what has been delivered to the system by customers or gas suppliers, on one hand, and what has been delivered to customers or used to operate the pipeline, on the other. Although a transportation pipeline has an obligation to transport and deliver gas provided to it by a shipper, gas is a fungible commodity. There is no specific identification of the molecules of gas that a transportation customer (shipper) delivers into the system with the volumes that it receives at the delivery point. The pipeline's obligation to the customer is satisfied when the customer either receives at the appropriate delivery point sufficient volumes, from whatever source, to meet the quantity, quality, and heat content called for by the tariff's terms and conditions or it is otherwise settled through cash-out provisions or balancing arrangements entered into between two or more customers.

In order to meet its obligation to shippers, the pipeline must have available sufficient volumes to meet the operational dynamics of its system (after consideration of imbalance agreements between customers). For purposes of

this discussion these volumes will be referred to collectively as system gas. In our view, the character of the accounting for system gas needs falls into three categories: (1) A fixed asset for those volumes needed to provide for pressure maintenance, (2) a fixed asset for those volumes needed to meet imbalances, including no-notice transportation, and (3) operating expenses for volumes used for compression, line losses, and other operational uses.

The first fixed asset category includes line pack gas,⁹ LNG "heel",¹⁰ and gas held in underground or other natural gas storage facilities for purposes of pressure maintenance.¹¹ The cost to the pipeline of these volumes, taken collectively, represents its fixed investment in the gas necessary to operate the pipeline transportation system. Under the current Uniform System of Accounts, the investment cost of these volumes is recorded as gas plant in service except for recoverable base storage gas which is recorded in Account 117, Gas Stored Underground-Noncurrent.

Aside from these volumes, however, pipelines as merchants have also traditionally maintained "investments" in additional volumes of gas that were needed for system balancing¹² or to provide gas sales service at the city gate on demand during peak periods. These additional volumes were included in the pipeline's system as additions to line pack and/or underground storage. When the additional volumes were added to line pack, many pipelines charged the cost of the gas to expense at that time, even though the gas was not physically delivered to a customer until a later period. When the additional volumes were injected into underground storage, the cost of the gas was charged to either Account 164.1 or Account 117. As the volumes were withdrawn from inventory for load balancing or sales service, the related cost was charged to expense. The cost of gas withdrawn from storage would be

determined in accordance with a generally accepted inventory method, consistently applied. The accounting costs were then recovered from sales customers through purchased gas adjustments (PGAs).

In the post-Order No. 636 period, there is a need to measure and recognize the additional volumes of gas needed for load balancing and no-notice transportation service, as well as the recoverable base gas volumes, differently from how they have been measured and recognized in the past. This is because such investments are necessary to perform a transmission function whether there continue to be sales services or not. Further, with the implementation of unbundled services, pipelines generally discontinued their PGAs. Most pipelines that continue to provide sales service do so at market-based prices. It is obviously important to identify and aggregate the costs of transportation service separately from the costs of providing sales service, in order to avoid inappropriate allocations of costs between the two.

Under Order No. 636, pipelines were required to relinquish most of the capacity of their transmission system, including storage, to their customers. The Commission permits pipeline companies to retain for their own use only a designated volume of storage capacity on their systems for use in load balancing and no-notice transportation service. These volumes, in general, are intended to represent the maximum volume needed to maintain reliability and continuity of transportation service during peak periods. It would be inappropriate to classify these volumes as gas held for resale in the ordinary course of business, i.e. inventory; instead, they represent permanent investments that a pipeline must make for providing transportation service. The Commission believes that the use of this gas provides further support for no longer viewing the costs incurred to provide this transportation function as inventory (or expended when acquired in the case of some line pack). To account for this gas in such a manner, which would be more appropriate for an enterprise engaged in a merchant type of business activity, is no longer the best financial statement representation.

Even if a pipeline receives payment for system gas delivered to meet an imbalance or no-notice transportation requirement, the Commission does not believe that it should account for the transaction as if a sale has occurred. Simultaneously with the gas delivery, the transportation pipeline has an obligation, in order to maintain the integrity of the transportation system, to

replenish the designated volumes that make up system supply. The obligation to replace these volumes would more appropriately be accounted for as if "owed to system gas" rather than as a sale. There is no expectation by the pipeline of realizing a profit from this type of gas transaction. It is merely a loan that is to be repaid by the shipper through either providing gas in kind or through cash-out provisions.

The primary difference between the fixed asset accounting model and the inventory model for system gas is in the carrying value of the asset. Under the inventory model, the carrying value of the asset will change over time as withdrawals of system gas are made and replacements are brought back into the system. The inventory model would permit various methods of pricing these withdrawals. For instance, an entity could assign a cost to these withdrawals using LIFO, FIFO, or a weighted average inventory method, or specific identification, provided that the method is consistently applied. Replacements would be priced at their acquisition cost. Under the fixed asset model, as we view it, the carrying value for system gas would not change except for recognition of changes in designated volumes. Instead, the carrying value would be locked-in the same way that plant investments are to historical cost. Further, the fixed asset model would permit only one method for assigning cost to the temporary "owed to system gas" account—current market price. Gain or loss recognition, if any, would be limited to any differences between the actual replacement cost of system gas and reimbursements from customers on a cash-out basis where the differences are not required to be passed along to customers.

The Commission believes that the fixed asset model is superior for several reasons.

First, it more accurately reflects the economics of transportation transactions. If the withdrawal/replacement transaction is satisfied by gas in kind, it is obvious that there should be no economic gain or loss realized. Since the cash-out provisions are intended to be substitutes for gas deliveries, it should likewise be obvious that no economic gain or loss occurred from the basic transaction. However, the inventory method would result in a gain or loss being recognized to the extent that the accounting cost of gas withdrawn from storage (historical cost) differs from the cash-out price (generally current spot market prices). On the other hand, the fixed asset model would not show a gain or loss from the withdrawal/replacement activity. Both

⁹ Gas Plant Instruction 3(20).

¹⁰ Gas Plant instruction 3(21).

¹¹ The gas needed to maintain pressure requirements refers to those volumes needed to maintain the system at its design operating capacity. It includes the volumes of gas held in natural gas storage facilities in order to maintain pressure and deliverability requirements. These storage volumes are often referred to as base or cushion gas.

¹² System balancing, as used here, refers to those situations where the pipeline provided gas from its own source of supply in order to meet deficiencies caused by a shipper tendering less volumes to the pipeline at the receipt point than it took from the systems at the delivery point. The term can also be used to refer to situations where the shipper tenders more volumes than it takes from the system.

models, however, will correctly show that a gain or loss has been realized by the pipeline on the difference between the cash-out price and the actual cost of replacement gas (if such gain or loss is not passed along to customers).

Second, the fixed asset model better matches cost (expenses) with services. To the extent that accounting gains and losses on system gas transactions are required to be passed along to transportation customers, the fixed cost model would achieve a closer matching of current gas cost with current service than would the inventory model. For instance, if a company uses a FIFO inventory pricing method, the effect of gas costs incurred in prior years will enter into the determination of the revenue requirements for current service. This distortion does not occur under the fixed asset model.

Third, the fixed asset model for assigning costs to unbundled services permits a clearer separation of costs deemed to be transmission from costs related to other functions.

And fourth, the fixed asset model, once adopted, should make the Commission's ratemaking and compliance activities an easier task since the investment included in rate base would be fixed. Any cash flow requirements/benefits related to the proposed "Gas owed to system gas" account and the companion account receivable could be included in cash working capital consideration.

2. Revenues and Expenses Associated With Compressor Fuel

Some transportation tariffs provide for the shippers to furnish gas for compressor fuel and other pipeline system use. In other instances, the pipeline is required to purchase gas for such purposes from a third party. It is the Commission's understanding that, at least in the majority of instances, no accounting recognition is currently being given to the compensation in the form of gas that is received for the transportation service when the pipeline reports transportation revenues. However, in any instances where it is the pipeline's responsibility to purchase the gas, gas cost reimbursements would be included in reported revenues. Similarly, the pipeline that does not report the furnished gas as compensation would not show an expense for fuel burned, whereas the pipeline that purchases the gas would.

This diversity in accounting treatment is not warranted. The Commission believes that all consideration received for services should be reported as revenues, whether paid in cash or otherwise. If the consideration is other

than cash, then the non-cash consideration should be measured on a cash basis. In the case of gas furnished by a customer for compressor fuel, the Commission believes that an appropriate measure of the revenues received by the transportation pipeline is the cost that would have been incurred had the pipeline been required to purchase the gas itself. The same assigned value should be used when costing the gas actually used for compressor fuel. It is only through such accounting that uniformity can be achieved and valid financial comparisons made. The Commission invites comments from the industry about whether a price index should be used to account for the value of gas furnished by customers; if so, what would be the appropriate price index, and how should that price index be applied?

The Commission is not proposing changes to its Uniform System of Accounts for these items since it believes that the current system already adequately provides for such recognition. However, it should be made clear that the expense account to be charged with the gas provided by shippers is the same purchased gas account that would have been charged if the gas was separately purchased in a cash transaction. Further, the records supporting the purchased gas accounts for retained gas must be so maintained that there will be readily available for each shipper and point of receipt, the quantity of gas tendered and the values assigned.

3. The Proposed Rule

The Commission is proposing to revise its accounting regulations to provide for uniform accounting for all pipeline investment in the volumes of gas needed to operate the transportation system. The Commission is not proposing changes to the accounting requirements for initial line pack, LNG heel, and non-recoverable base gas. The cost of this gas will continue to be recorded in the utility plant accounts. The proposed rule will require, however, that Account 117, Gas Stored Underground-Noncurrent, be replaced by new accounts Account 117.1, Gas stored-Base Gas, Account 117.2, System balancing gas, Account 117.3, Gas stored in reservoirs and pipelines-noncurrent, and Account 117.4, Gas owed to system gas.

Account 117.1 is to include the cost of recoverable gas volumes that are necessary, in addition to those volumes for which costs are properly includable in Account 352.3, Nonrecoverable Natural Gas, to maintain pressure and

deliverability requirements for the storage facility. Account 117.2 is to be used to record a pipeline's investment in any additional system gas volumes, including line pack not capitalized in Account 101, Gas Plant in Service, designated as maximum system gas needed for load balancing, no-notice transportation, and other operational purposes. Account 117.3 is to include the cost of noncurrent company-owned stored gas not includable in Accounts 117.1 or 117.2. Account 117.4 is to include encroachments upon system gas which result from transportation imbalances, no-notice transportation, and other operational needs.

The initial investment cost to be recorded in Account 117.1 and 117.2 is to be determined from the book balances on the date of adoption of the new accounts. If there is no Commission approved method to the contrary, volumes in Account 117.1 are to be priced consistent with the inventory method previously in use. Volumes includable in Account 117.2 are to be priced at the inventory price that would be applicable to the last volumes that would be withdrawn from storage before encroachment upon base gas. If there are insufficient volumes in gas storage to fully provide for the volumes designated as system gas as of the adoption date, the deficient volumes are to be priced at the current market price with an equal amount being credited to Account 117.4. Future encroachments upon system gas are to be credited to Account 117.4 at the then current market price of gas with a corresponding charge to Account 808.1, Gas Withdrawn From Storage-Debit. Account 806, Exchange Gas, would be credited and Account 174, Miscellaneous Current and Accrued Assets, would be debited simultaneously with the entries to system gas.

If a customer responsible for an owed-to-system gas balance meets his responsibility for repayment by delivering gas in kind, Account 806 would be debited and Account 174 credited at the market price originally used to establish the Account 174 balance. The next volumes injected into system gas would likewise be priced at this same price by crediting 808.2 Gas Delivered to Storage-Credit and debiting Account 117.4. If the owed to system gas balance (Account 117.4) is due to more than one transaction, the above accounting would follow a queue with the earliest transaction first. Such accounting would be followed until the credit balance in Account 117.4 was eliminated.

If the customer responsible for an owed-to-system gas balance meets his

responsibility for repayment through a cash-out provision, similar accounting would be followed. However, a gain or loss may be realized under either settlement method selected. The gain or loss could result from either the book amount for the account receivable (Account 174, Miscellaneous Current and Accrued Assets) being different than the cash-out settlement or the price paid for the replacement volumes being different than the price used to establish the owed to system gas account or both.

If the pipeline's tariff provides that gains and losses on such transactions are to be passed along to customers in future periods, the gain or loss should be included in either Account 182.3, Other Regulatory Assets or Account 254, Other Regulatory Liabilities, with contra entries to Account 407.3, Regulatory Debits, or Account 407.4, Regulatory Credits, as appropriate. If the gain or loss on settlement of the imbalance receivable or payable is not to be passed along to customers, Account 495, Other Gas Revenues, or Account 813, Other Gas Supply Expenses, as appropriate, should be used to record the gain or loss.

B. Other Revisions to Uniform System of Accounts

1. Revenues

At present, a pipeline includes in Account 489, Revenues from transportation of gas of others, "revenues from transporting gas for other companies through the production, transmission, and distribution lines, or compression stations of the utility." Service charges for the storage of gas of others is included in Account 495, Other gas revenues, (See Item No. 5 of Account 495). The Commission proposes to delete Account 489 (Revenues from transportation of gas of others) in its entirety and Item No. 5 of Account 495 (Service charges for storing gas for others) and replace them with four new accounts. Those are: Account 489.1 in which the pipeline would include revenues from transportation of gas through gathering facilities; Account 489.2 in which the pipeline would include revenues from transportation of gas through transmission facilities; Account 489.3 in which the pipeline would include revenues from transportation of gas through distribution facilities; and Account 489.4 in which the pipeline would include revenues from storing gas of others. In addition, the Commission proposes to add a new item to the list of items in Account 495. This is item 8,

"Gains on settlements of imbalance receivables (See Account 806)."

The Commission is proposing the above changes in order to appropriately record revenues from unbundled services.

2. Gas Supply Expenses

The Commission proposes to revise Account 806, Exchange gas, so that it will include debits or credits for the cost of gas in unbalanced transactions and not just unbalanced exchange transactions. Such unbalanced transactions would be those whereby gas is delivered to another party in exchange, load balancing, or no-notice transportation transactions. In addition, the Commission proposes to revise the instructions in paragraph B concerning the recording of revenue, gain, expense, or loss in connection with the performance of exchange services and to revise paragraph C with respect to the maintenance of records so that there would be readily available for each party entering gas exchange, load balancing, or no-notice transportation transactions by point of receipt and delivery, the quantity of gas delivered and received, the amount of consideration if other than gas, and the basis for the consideration. The Commission also proposes to revise Account 813, Other gas supply expenses, so that it will include losses on settlements of imbalance receivables.

3. Major/Nonmajor Accounts

The Commission is proposing to eliminate all Nonmajor accounts in the Uniform System of Accounts and to require all natural gas companies to use the same accounts. The Commission is, thus, also proposing that the Major accounts be changed to eliminate their application to Major natural gas companies only and to revise the instructions, notes and items accordingly. In addition, as discussed below, the Commission is proposing to revise Form No. 2-A to require Nonmajor respondents to file certain Form No. 2 pages as their Form No. 2-A report. The Commission is also proposing to revise part 158 of the regulations to delete the references to major and nonmajor in sections 158.10 and 158.11. In addition, the Commission proposes to further amend section 158.10(a) so that it applies to all examinations of accounts without limitation and requires independent licensed public accountants to be licensed on or before December 30, 1970 as is the case in current section 158.10(b) and to delete present section 158.10(b). Further, the Commission proposes to revise section 158.11 to

require the filing of the independent accountant's letter or report of certification with the original and each copy of the Form No. 2 or Form No. 2-A. Last, the Commission proposes to revise section 158.12 by removing the words, "The Commission will not recognize any certified public accountant or public accountant through December 31, 1975, who is not in fact independent. Beginning January 1, 1976, and each year thereafter, the" and adding in their place, the word "The".

4. Mcf to Dth

At present, the Uniform System of Accounts requires reporting volumes by Mcf. The Commission proposes to amend the Uniform System of Accounts where applicable to measure gas by dekatherms rather than by Mcf to reflect the current measurement of gas by heat content rather than by volume.

IV. Part 250

Part 250 of the Commission's regulations specifies the use of certain forms for accomplishing specific actions. The most significant change proposed in Part 250 is the removal of section 250.16 (Format of compliance plan for transportation services and affiliate transactions) of the transportation discount information that a pipeline transporting gas under subparts B or G of Part 284 and conducting discounted transportation transactions with a marketing or brokering affiliate must maintain for each billing period. As more fully explained under the discussion in this NOPR regarding the changes proposed for Part 284, *infra*, the discount reporting requirements under section 250.16(d) are somewhat duplicative of the discount reports required under section 284.7(d)(5)(iv). Therefore, the Commission is proposing in this NOPR various modifications to section 284.7(d)(5)(iv) (proposed section 284.7(c)(6)) that will make the discount reporting information under section 250.16(d) unnecessary. Accordingly, the Commission proposes to delete section 250.16(d).

The other proposed changes to Part 250 are essentially intended to simplify, update, or eliminate these forms to reflect current regulatory practice, and to eliminate the forms related to the regulation of producers and gatherers, since the wellhead gas market has been finally deregulated and such forms are required by regulations that have been removed in Parts 154 and 157.

Section 250.2 sets forth the forms required under section 154.64 (proposed section 154.602) for notification to the

Commission of a cancellation of a filed tariff or part thereof, or a termination of the tariff by its own terms, when no new tariff or part thereof is to be filed in its place. The Commission proposes to simplify and clarify section 250.2 by stating that the notices of cancellation to be used when canceling an entire tariff or an entire rate schedule should be filed as a tariff sheet. Currently, the existing forms themselves include the header and footer information normally associated with a tariff sheet, which is unnecessary and confusing.

In addition, the Commission proposes to modify section 250.2 by eliminating the requirement that a specific form be used when providing notice of the cancellation of individual tariff sheets. Rather, section 250.2 will provide that when a single sheet is canceled, it should be reserved for future use. This does not represent a substantive change, but more accurately represents the current practice in canceling a tariff sheet, and will allow the sheet to conform better to the Commission's electronic tariff sheet filing requirements.

Section 250.3 specifies the form required under section 154.64 (proposed section 154.602) for notification to the Commission of a cancellation or termination of a contract, or executed service agreement. The Commission proposes to change the current instruction in the form to indicate the "name of purchaser or purchasers" to an instruction to indicate the "name of customer or customers." The use of "customer" rather than "purchaser" better reflects the shift in today's gas market from sales to transportation service.

The Commission proposes to modify the headings of sections 250.2, 250.3, and 250.4 (governing the form of the certificate of adoption required under existing section 154.65 (proposed section 154.603) to be used when the tariff or contracts of a natural gas company are to be adopted by a successor entity) to refer to the new section numbers of the regulations from which their authority stems, since the Commission proposes in the companion rulemaking to redesignate the referenced sections of Part 154. Thus, the reference in sections 250.2 and 250.3 to section 154.64 is changed to section 154.602, and the reference in section 250.4 to section 154.65 is changed to section 154.603. The Commission also proposes, in section 250.4, to modify the line indicating the date of the form of certificate of adoption by removing the year indicator of "194 —."

Many of the forms set forth in Part 250 relate to the filing requirements of natural gas producers and gatherers under Parts 154 and 157 of the Commission's regulations. Specifically, section 250.5 specifies the form of contract summary required to be filed under section 154.24(a) by independent producers applying for a certificate of public convenience and necessity under section 7 of the NGA for the transportation, or sale for resale, of natural gas in interstate commerce. Section 250.7 specifies the form of contract summary required to be filed under section 157.30(b) by independent producers seeking abandonment authorization. Section 250.8 specifies the form for the summary of contract information required by section 154.92(d) to be filed by independent producers seeking authority to provide natural gas service, previously authorized by the Commission, as a successor-in-interest. Section 250.9 specifies the form of notice required under section 154.97(a) to be filed by an independent producer when a rate schedule is proposed to be cancelled, or will terminate by its own terms, and no new schedule is to be filed in its place. Section 250.10 specifies the form required to be filed under section 157.40(b)(4) by independent producers applying for a small producer exemption from certain filing requirements. Section 250.14 specifies the form of the initial billing statement required under section 154.92 to be filed with the filing of a rate schedule by every independent producer, and the form required under section 154.94(f) to be used by an independent producer seeking a change in its rate schedule.

All of the above-referenced sections of Parts 154 and 157 have been removed from the Commission's regulations by Order No. 567, issued July 28, 1994, in Docket No. RM94-18-000.¹³ Order No. 567 deleted certain regulations related to natural gas producer rate regulation that were either obsolete or nonessential in light of the deregulation of wellhead gas prices under the Natural Gas Wellhead Decontrol Act of 1989,¹⁴ that finally occurred on January 1, 1993. Since the regulations requiring that independent producers make certain filings, and in specific forms, have been deleted, sections 250.5, 250.7, 250.8, 250.9, 250.10, and 250.14 of part 250, setting forth the actual forms, should also be deleted. Thus, the Commission is proposing to remove these sections.

The Commission also proposes to remove section 250.12, governing the

form of escrow agreements. This regulation was originally promulgated by Order No. 400, issued April 28, 1970, in Docket No. R-376. It is rarely used. In the instances in which companies are required to place funds in escrow, the Commission proposes to determine in the proceeding establishing the escrow requirement whether, and in what form, the escrow agreement should be filed with the Commission. However, the Commission will invite comments from parties who believe it would be useful to retain a form of escrow agreement, or suggestions as to how this regulation could be modified to become more useful, rather than eliminated.

Finally, the Commission proposes to change all references in Part 250 from the "FPC" and the "Federal Power Commission" to the "FERC," and to the "Federal Energy Regulatory Commission," respectively.

V. Part 260

The provisions of Part 260 require that pipelines file certain forms and reports with the Commission, such as the FERC Form Nos. 2, 2-A, 11, and 549-ST. As further discussed below, the Commission is proposing to modify the actual Form Nos. 2, 2-A, and 11, and various sections of Part 260. The proposed changes to Part 260 are simply designed to update these reporting requirements to reflect current regulatory practice, and to conform these prescriptive requirements to the changes to the other parts of the Commission's regulations proposed in this NOPR.

A. Revisions to Form No. 2

The Commission is proposing to revise Form No. 2 for a variety of reasons. First, it is desirable to update Form No. 2 by deleting unneeded schedules, or individual data elements, by clarifying and modernizing schedules and instructions, and by increasing the thresholds for the reporting of certain information. Second, it is vital to revise Form No. 2 to accurately present the restructured nature of the natural gas pipeline industry, which is primarily focused on the transportation of gas rather than the sale of gas. Only then will the Form No. 2 provide more useful and relevant information to the Commission and to pipeline customers for the assessment of pipeline operations. A sample copy of the proposed revised Form No. 2 is attached as Appendix A.

The specific changes the Commission proposes are:

¹³ 68 FERC ¶ 61,135 (1994).

¹⁴ Pub. L. No. 101-60; 103 Stat. 157 (1989).

General Information—Pages i and ii

The Commission proposes to require Form No. 2 to be filed by each major interstate natural gas company having combined gas transported or stored for a fee exceeding 50 million dekatherms (Dth) in each of the three previous calendar years. This will replace the present requirement that Form No. 2 must be filed by major companies which are those having combined gas sold for resale and gas transported or stored for a fee exceeding 50 million Mcf at 14.70 psia (60°F) in each of the three previous calendar years. The proposed elimination of “gas sold for resale” reflects the current nature of the pipeline industry where pipelines are primarily transporters of gas and make sales for resale on an unbundled basis in the supply area. The proposed replacement of Mcf with Dth reflects the current measurement of gas by heat content rather than by volume.

The Commission also proposes to eliminate the words “is a Regulatory Support Requirement (18 CFR 260.1)” in the first sentence of page i as not needed and to revise the last sentence in Instruction 1, to eliminate the reference to the Energy Information Administration’s statistical publication (Financial Statistics of Interstate Natural Gas Pipeline Companies), to delete the words, “as classified in the Commission’s Uniform System of Accounts Prescribed for Natural Gas Companies Subject to the Provisions of the Natural Gas Act (18 CFR 201),” from the first sentence in Instruction II, and to add the words, “which meets the filing requirements of 18 CFR 260.1” after the word company in that sentence.

The Commission proposes to revise Instruction III(a) to add the present requirement for filing on an electronic medium. The Commission further proposes to change Instruction III(c) to replace the present Certified Public Accountant (CPA) certification statement with a flexible format that will enable the respondent’s CPA firm to prepare its certification statement in accordance with current standards of reporting and still attest as to the conformity of listed FERC Form No. 2 schedules with the Commission’s Uniform System of Accounts and the Chief Accountant’s published accounting releases.

In addition, the Commission proposes that the letter or report required by Instruction III(c) for the CPA certification be submitted with each copy as well as with the original submission and be submitted with that submission rather than alternatively

within 30 days after the filing date for Form No. 2.

General Instructions—Page iii

The Commission proposes to replace Mcf with Dth in General Instruction II on page (ii) and “14.73 psia and a temperature base of 60°F” with “in Btu and Dth,” in General Instruction XII on page (iii). The Commission also proposes to delete General Instruction V with respect to the means of completing the report as outdated and unnecessary.

Definitions—Page iv

The Commission proposes to define dekatherm as a unit of heating value equivalent to 10 therms or 1,000,000 Btu.¹⁵

Excepts From the Law—Page iv

The Commission proposes to correct the quoted language of the Natural Gas Act.

List of Schedules (Natural Gas Company)—Pages 2-4

The Commission proposes to revise the list of schedules to conform with the changes proposed to the schedules by this NOPR.

Control Over Respondent—Page 102

The Commission proposes to revise the instructions and provide a format for information required with respect to entities controlling the respondent natural gas company to provide better reporting of the vertical integration of the respondent and its parents.

The Commission is proposing to delete referencing the SEC 10-K Report Form because most respondents are included in consolidated reports and do not prepare separate 10-K reports.

Corporations Controlled By Respondent—Page 103

The Commission proposes to delete instruction 4, which permits referencing the SEC 10-K Report Form filing for the reason stated above. The Commission also proposes to add a new instruction 4 and new column (b) for designation of the type of control held by the respondent.

Definitions—Page 103

The Commission proposes to delete column (d) entitled “Footnote Ref.”

Officers—Page 104

The Commission proposes to delete this page because it is not needed for Commission regulatory purposes.

Directors—Page 105

The Commission proposes to delete this page because it is no longer needed for Commission regulatory purposes.

Security Holders and Voting Powers (Continued)—Page 107

The Commission proposes to delete this continuation page because it is not needed with electronic reporting since supplemental pages can be added if more space is needed.

Important Changes During the Year—Page 108

The Commission proposes to delete item 12, which allows the respondent to substitute notes from the annual report to stockholders for required data because most respondents are included in consolidated reports and do not prepare separate annual reports.

Important Changes During the Year—Page 109

The Commission proposes to delete this continuation page because it is not needed with electronic reporting.

Comparative Balance Sheet (Assets and Other Debits)—Page 110

The Commission proposes to modify column (c) by deleting “Balance at Beginning of Year” and inserting “Balance at End of Current Year (in dollars)” and to modify column (d) by deleting “Balance at End of Year (in dollars)” and inserting “Balance at End of Previous Year (in dollars).” The Commission also proposes to delete “Gas Stored Underground Noncurrent (117)” at Line 12 and replace it with four new accounts—Gas Stored—Base Gas (117.1), System Balancing Gas (117.2), Gas Stored in Reservoirs and Pipelines—Noncurrent (117.3), and Gas Owed to System Gas (117.4). The Commission discussed the proposed new accounts above.

Comparative Balance Sheet (Assets and Other Debits) (Continued)—Page 111

The Commission proposes to modify column (c) by deleting “Balance at Beginning of Year” and inserting “Balance at End of Current Year (in dollars)” and to modify column (d) by deleting “Balance at End of Year” and inserting “Balance at End of Previous Year (in dollars).”

Comparative Balance Sheet (Liabilities and Other Credits)—Page 112

The Commission proposes to modify column (c) by deleting “Balance at Beginning of Year” and inserting “Balance at End of Current Year (in dollars)” and to Modify Column (d) by deleting “Balance at End of Year” and

¹⁵ Btu refers to British Thermal Unit—the quantity of heat required to raise the temperature of one pound of water by one degree Fahrenheit.

inserting "Balance at End of Previous Year (in dollars)." The Commission also proposes to add the language "(Less) Current Portion of Long-Term Debt" to Line 22 and to add the language "Current Portion of Long-Term Debt" as Line No. 33.

Comparative Balance Sheet (Liabilities and Other Credits) (Continued)—Page 113

The Commission proposes to modify column (c) by deleting "Balance at Beginning of Year" and inserting "Balance at End of Current Year (in dollars)" and to modify column (d) by deleting "Balance at End of Year" and inserting "Balance at End of Previous Year (in dollars)."

Statement of Income for the Year—Page 114

The Commission proposes to move instructions 5 and 6 from this schedule to Notes to Financial Statements on page 122.

Statement of Income for the Year (Continued)—Page 115

The Commission proposes to delete instruction 7, which permits the attaching at page 122 of any notes appearing in the report to stockholders that are applicable to this Statement of Income, and to move instruction 8 from this schedule to Notes to Financial Statement on page 122.

Statement of Income for the Year (Continued)—Page 116

The Commission proposes to delete this continuation page because it is not needed with electronic reporting.

Statement of Retained Earnings for the Year—page 118

The Commission proposes to modify column (c) by deleting "Amount" and inserting "Current Year Amount (in dollars)" and to add column (d) "Previous Year Amount (in dollars)." The Commission also proposes to delete instruction 8, which requires the attaching at page 122 of applicable notes in the annual report to stockholders.

Statement of Retained Earnings for the Year (Continued)—Page 119

The Commission proposes to modify column (b) by deleting "Amount" and inserting "Current Year Amount" and adding column (c) "Previous Year Amount."

Statement of Cash Flows—Pages 120 and 121

The Commission proposes to delete the first sentence of instruction 1, which requires the attaching at page 122 of

applicable notes in the annual report to stockholders.

The Commission proposes to modify column (b) by deleting "Amounts" and inserting "Current Year Amount" and to add Column (c) "Previous Year Amount."

Notes to Financial Statement—Page 122

The Commission proposes to change instruction one to require at least the same level of detail for disclosures that would be given in shareholder annual reports and to add new instructions to provide significant details on: the respondent's pension and other benefit plans; income tax accounting; differences in the way in which transactions are presented in the shareholder annual reports versus the Form No. 2; and disclosure of financial changes either to the respondent or the respondent's consolidated group that will directly affect the respondent's gas pipeline operations. The Commission also proposes to delete instructions 3 ("For Account 116, Utility Plant Adjustments") and 6 (permitting the attaching of notes to financial statements in the annual report to stockholders). In addition, as stated above, the Commission proposes to move three instructions from pages 114 and 115 to page 122.

Notes to Financial Statement (Continued)—Page 123

The Commission proposes to delete this continuation page between it is not needed with electronic reporting.

Summary of Utility Plant and Accumulated Provisions for Depreciation, Amortization and Depletion (Continued)—Page 201

The Commission proposes to delete columns (f) and (g) both entitled "other (specify)" as unneeded because electronic reporting permits additional columns to be added as necessary.

Gas Property and Capacity Leased From Others—Page 212

The Commission proposes a new schedule to provide detailed information about gas property and capacity leased from others, including leases involving property constructed by the respondent, sold, and then leased back. The Commission proposes to require only the reporting of property leases in which the average annual lease payment under the initial term of the lease exceeds \$500,000.

Gas Property and Capacity Leased to Others—Page 213

The Commission proposes to revise the schedule on page 213 entitled "Gas

Plant Leased to Others (Account 104)" by changing the schedule and instructions to obtain details about gas property and capacity leased to others. The changes are necessary to provide information that would allow the Commission to determine whether ratepayers are paying for facilities not used in the respondent's utility operations. The Commission proposes to require only the reporting of property leases in which the average lease income over the initial term of the lease exceeds \$500,000.

Gas Plant for Future Use (Account 105)—Page 214

The Commission proposes to raise the reporting threshold from \$250,000 to \$500,000 and to delete the language in Line No. 1 which refers to pages 500-01, which are proposed to be deleted.

Production Properties Held for Future Use (Account No. 105.1)—Page 215

The Commission proposes to delete this schedule because it is not needed for Commission regulatory purposes.

Gas Stored (Accounts 117.1, 117.2, 117.3, 117.4, 164.1, 164.2, and 164.3)—Page 220

The Commission proposes to delete Account 117 and replace it with four new accounts as discussed above. The Commission also proposes to change Mcf to Dth in instruction 1 and lines 6 and 7, to redesignate the column letters, to eliminate instructions 2 through 5 as no longer necessary, and to add a new instruction on encroachments on base gas, system gas, and gas properly recordable.

Non-utility Property (Account No. 121) and Accumulated Provision for Depreciation and Amortization of Nonutility Property (Account 122)—Page 221

The Commission proposes to delete these schedules because they are not needed for Commission regulatory purposes.

Gas Prepayments Under Purchase Agreements—Pages 226 and 227

The Commission proposes to delete this schedule because it is not needed for Commission regulatory purposes.

Advances for Gas Prior to Initial Deliveries or Commission Certification (Accounts 124, 166, and 167)—Page 229

The Commission proposes to delete this schedule because it is not needed for Commission regulatory purposes.

Prepayments (Account 165)—Page 230

The Commission proposes to eliminate the instruction requiring the

reporting of all payments for undelivered gas and the completion of pages 226 to 227, along with Line 5, Gas Prepayments (pages 226–227). Pages 226 and 227 are also proposed to be eliminated.

Preliminary Survey and Investigation Charges (Account 183)—Page 231

The Commission proposes to delete this schedule because it is not needed for Commission regulatory purposes.

Other Regulatory Assets (Account 182.3)—Page 232

The Commission proposes to raise the reporting threshold for minor items from \$50,000 to \$100,000 and to add new instruction 4—“Report separately any ‘deferred regulatory Commission expenses’ that are also reported on pages 350–351, Regulatory Commission Expenses.”

Miscellaneous Deferred Debits (Account 186)—Page 233

The Commission proposes to raise the reporting threshold for minor items from \$100,000 to \$250,000 and to delete Line No. 48 “Deferred Regulatory Commission Expenses (see pages 350–351).

Capital Stock (Accounts 201 and 204)—Page 250

The Commission proposes to delete part of instruction 1, which permits referencing the SEC 10-K Report Form filing. The Commission is proposing this deletion because most respondents are included in consolidated reports and do not prepare separate 10-K reports.

Long-Term Debt (Accounts 221, 222, 223, and 224)—Page 256

The Commission proposes to delete part of instruction 1, which permits referencing the SEC 10-K report Form filing for the reason stated above.

Investment Tax Credits Generated and Utilized—Pages 264 and 265

The Commission proposes to delete this schedule because it is not needed for Commission regulatory purposes.

Accumulated Deferred Investment Tax Credits (Account 253)—Pages 266 and 267

The Commission proposes to delete this schedule because it is not needed for Commission regulatory purposes.

Miscellaneous Current and Accrued Liabilities (Account 242)—Page 268

The Commission proposes to raise the reporting threshold for minor items from \$100,000 to \$250,000.

Other Deferred Credits (Account 253)—Page 269

The Commission proposes to raise the reporting threshold for minor items from \$100,000 to \$250,000 and to delete instruction 4 as not needed for Commission regulatory purposes in that it refers to undelivered gas obligations to customers under take-or-pay clauses in sales agreements.

Undelivered Gas Obligations Under Sales Agreements—Pages 270 and 271

The Commission proposes to delete this schedule because it is not needed for Commission regulatory purposes.

Accumulated Deferred Income Taxes—Accelerated Amortization Property (Account 281)—Pages 272 and 273

The Commission proposes to delete this schedule because it is not needed for Commission regulatory purposes.

Other Regulatory Liabilities (Account 254)—Page 278

The Commission proposes to raise the reporting threshold for minor items from \$50,000 to \$100,000 and to correct a typographical error.

Gas Operating Revenues (Account 400)—Pages 300, 301, and 301A

The Commission proposes substantial and significant changes to this schedule. The proposed changes are: (1) the elimination of instruction 1’s reference to manufactured gas revenues; (2) the deletion of instruction 2 defining natural gas; (3) the deletion of instruction 3 and present columns (f) and (g) concerning average number of natural gas customers per month; (4) the deletion of instruction 4 with respect to Mcf and therms; (5) the revision of instruction 5 to eliminate the reference to columns (c), (e), and (g); (6) the deletion of instruction 6 concerning commercial and industrial sales; (7) the revision of instruction 7 to read, “Include information on page 106, Important Changes During Year, for important new service added and important rate increases and decreases;” (8) the addition of new instruction 2 to provide that other revenues are recovery of Order No. 636 transition costs and take-or-pay costs; (9) the addition of a new instruction 5 with respect to reporting the revenue of bundled transportation and storage service as transportation service revenue; (10) the addition of new instruction 6 with respect to the reporting in columns (j) and (k) of revenues received for operational penalties (e.g., operational flow order penalties, scheduling penalties, penalties for failure to cycle storage gas, (11) the revising of

operating revenues in columns (b) and (c) to revenues excluding GRI, ACA, other revenues, and penalties, (12) the deletion of lines 2–12 and 28–32, which provide for the reporting of sales revenues; (13) the addition of lines to show separately sales revenues,¹⁶ and revenues from gathering, transmission, distribution, and storage services; and (14) added columns showing GRI revenues, ACA revenues, other revenues, penalty revenues, and total operating revenues and dekatherms of natural gas, each for the current reporting year and the previous year.

The Commission’s main reason for proposing these changes is to recognize that pipelines now receive most of their revenues from transportation and not sales. Hence, the breakout of information by types of sales is not needed. The Commission proposes to break out Account 489 into four new accounts (Accounts 489.1–489.4) as discussed above. The segregation of operating revenues from other types of revenues will facilitate comparisons to operating costs.

Revenues From Transportation of Gas of Others Through Gathering Facilities (Account 489.1)—Pages 302, 303, and 304

The Commission proposes to replace the schedule “Distribution Type Sales by States” with several new schedules. The current schedule, which reflects residential, commercial, and industrial revenues and volumes by state is no longer needed for Commission regulatory purposes because with unbundling those sales are now unbundled and occur in the production area rather than in the market area.

In the proposed new Revenues from Transportation of Gas of Others Through Gathering Facilities Schedule, the pipeline would have to report its revenues by state of delivery and by rate. The pipeline would have to report for both the current and previous year its revenues,¹⁷ GRI revenues, ACA revenues, other revenues,¹⁸ and total operating revenues, along with its Dth of gas delivered. The Commission believes that this proposed schedule will provide the information needed with respect to gathering to obtain a good description of the pipeline’s activities in the unbundled environment.

¹⁶The proposed new sales line includes Accounts 480–84 which are now reported on lines 2–12.

¹⁷Revenues excludes GRI, ACA, and other revenues.

¹⁸Other revenues are Order No. 636 transition costs and take-or-pay costs.

Revenues From Transportation of Gas of Others Through Transmission Facilities (Account 489.2)—Pages 302A, 303A, and 304A

In the proposed new Revenues from Transportation of Gas of Others Through Transmission Facilities Schedule, the pipeline would have to report its revenues by state of delivery and by rate schedule. The pipeline would have to report for both the current and previous year its revenues,¹⁹ GRI revenues, ACA revenues, other revenues,²⁰ and total operating revenues, along with its Dth of gas delivered. The Commission believes that this reporting reflects the current unbundled environment's emphasis on transportation for others.

Revenues From Storage of Gas of Others—Pages 302B, 303B and 304B

In the proposed new Revenues from Storage of Gas of Others schedule, the pipeline would have to report its revenues by rate schedule. The pipeline would have to report for both the current and previous year its revenues,²¹ GRI revenues, ACA revenues, other revenues,²² and total operating revenues, along with the Dth withdrawn from storage.

The Commission believes that this proposed schedule will provide the information needed with respect to unbundled storage to obtain a good description of the pipeline's activities in the unbundled environment.

Residential and Commercial Space Heating Customers and Interruptible, Off-Peak, and Firm Sales to Distribution System Industrial Customers—Page 305

The Commission proposes to delete this page because it is not needed for Commission regulatory purposes.

Sales of Natural Gas—Pages 306 Through 309

The Commission proposes to change the title of this schedule from Field and Main Line Industrial Sales of Natural Gas to "Sales of Natural Gas", to revise instruction 1, and the information required, and to delete continuation sheets on pages 308 and 309.

The proposed new schedule will include all sales information on the schedule. The pages when revised will require respondents to report all sales by customer in Dth rather than Mcf (column (c)), by point of delivery

¹⁹ Revenues excludes GRI, ACA, and other revenues.

²⁰ Other revenues are Order No. 636 transition costs and take-or-pay costs.

²¹ Revenues excludes GRI, ACA, and other revenues.

²² Other revenues are Order No. 636 transition costs and take-or-pay costs.

(column (b)), and with total sales revenue from the customer (column (d)). The Commission also proposes to eliminate current instructions 2, 3, 4, 6, 7, and 8 and current columns (b), and (d)–(m) because that detailed information is no longer needed for Commission regulatory purposes. Pages 308 and 309 are proposed to be deleted because they are continuation pages and are no longer needed with electronic reporting.

Sales for Resale—Natural Gas (Account 483)—Pages 310 and 311

The Commission proposes to delete this schedule because it is not needed for Commission regulatory purposes.

Transportation Dth and Revenues—Pages 312 and 313

The Commission proposes to replace the schedule "Revenue From Transportation of Gas of Others—Natural Gas (Account 489)" (pages 312 and 313) with "Transportation Dth and Revenues", "Storage Dth and Revenues", and "Gathering Dth and Revenues."

In the proposed new Transportation Dth and Revenues schedule, the respondent would have to list annual Dth of Gas delivered by state of delivery by rate schedule by customer.²³ The respondent would have to report its deliveries separately to interstate pipelines and to others. The respondent would no longer have to set forth the distance the gas was transported in miles. In addition, the respondent would have to report operating revenues,²⁴ GRI revenues, ACA revenues, other revenues,²⁵ and total revenues by state of delivery by rate schedule by customer.

Storage Dth and Revenues—Pages 312(a) and 313(a)

In the proposed new Storage Dth and Revenues schedule, the respondent would have to list annual Dth withdrawn from storage by rate schedule by customer. In addition, the respondent would have to report operating revenues,²⁶ GRI revenues, ACA revenues, other revenues,²⁷ and

²³ The respondent's Dth of gas reported would not be adjusted for discounting.

²⁴ Operating revenues excludes GRI, ACA, and other revenues and includes reservation and usage charges.

²⁵ Other revenues are Order No. 636 transition costs, take-or-pay costs.

²⁶ Operating revenues excludes GRI, ACA, and other revenues and includes reservation, deliverability, injection, and withdrawal charges.

²⁷ Other revenues are Order No. 636 transition costs, take-or-pay costs.

total revenues by rate schedule and by customer.

Gathering Dth and Revenues—Pages 312(b) and 313(b)

In the proposed new Gathering Dth and Revenues schedule, the respondent would have to list annual Dth of gas delivered by state of delivery by rate by customer. In addition, the respondent would have to report operating revenues,²⁸ GRI revenues, ACA revenues, other revenues,²⁹ and total revenues by rate of delivery by rate by customer.

Revenues From Natural Gas Processed by Others (Account 491)—Page 315

The Commission proposes to replace Mcf with Dth in column (b).

Other Gas Revenues (Account 495)—Page 316

The Commission proposes new schedule "Other Gas Revenues (Account 495)" for the reporting of a variety of other gas revenues, such as revenues from dehydration and gains on settlements of imbalance receivables.

Exploration and Development Expenses (Accounts 795, 796, 798) (Except Abandoned Leases, Account 797)—Page 326

The Commission proposes to delete this schedule because it is not needed for Commission regulatory purposes.

Abandoned Leases (Account 797)—Page 326

The Commission proposes to delete this schedule because it is not needed for Commission regulating purposes.

Gas Receipts—Page 327

The Commission proposes to revise instruction 5 to require the providing of the total quantity and cost data for gas supplied by shippers on lines 12, 13, and 14. The Commission proposes to add line 11 as a heading, "Gas Received From Shippers Included in Accounts 800–805," line 12, "Gas Received From Shippers as Fuel", line 13, "Gas Received From Shippers As Lost and Unaccounted", and line 14, "Total (Enter Total of Lines 12 and 13)." The Commission also proposes that gas purchases in column (b) and average cost in column (d) be reported in Dth.

²⁸ Operating revenues excludes GRI, ACA, and other revenues and includes reservation and usage charges.

²⁹ Other revenues are Order No. 636 transition costs, take-or-pay costs.

Exchange Gas Transactions (Account 806, Exchange Gas)—Pages 328, 329 and 330

The Commission proposes to revise instruction 1 to require the reporting of gas quantities rather than gas volumes and to require the reporting of load balancing and no-notice transactions separately from other exchange transactions. The Commission also proposes to revise instruction 4 by adding the words, "For exchanges only," at the beginning of the instruction and to delete instruction 6 with respect to the pressure base of gas volumes. The Commission also proposes to replace Mcf with Dth in instruction 1 and in columns (c), (f) and (h).

Gas Used In Utility Operations—Page 331

The Commission proposes to strike "Credit (Accounts 810, 811, 812)" from the title, to replace Mcf with Dth, and to delete part of Instruction 1 and all of instructions 2, 3 and 5 concerning the definition of natural gas and Mcf reporting.

Transmission and Compression of Gas By Others (Account 858)—Pages 332 and 333

The Commission proposes to replace Mcf with Dth and to delete current columns (b)–(f) and to require the reporting of Dth of gas delivered in new column (b). This would eliminate the reporting of the distance gas is transported and revenue information. The continuation page 333 is deleted.

Other Gas Supply Expenses (Account 813)—Page 334

The Commission proposes to require the reporting of losses on settlements of imbalance receivables.

The Commission also proposes to require that items of \$25,000 or more be listed separately.

Miscellaneous General Expenses (Account 930.2)(Gas)—Page 335

The Commission proposes to divide Line No. 2 (Experimental and general research expenses) into (a) Gas Research Institute (GRI) expenses and (b) other expenses. In addition, the Commission proposes to raise the thresholds from \$5,000 to \$25,000.

Depreciation, Depletion, and Amortization of Gas Plant (Accounts 403, 404.1, 404.2, 404.3, 405) (Except Amortization of Acquisition Adjustment)—Page 336

The Commission proposes to delete instruction 2 to report information called for in Section B every fifth year

after 1974 and to insert the words "and amortizable" in the first line of new instruction 2 after the word "depreciable."

Depreciation, Depletion, and Amortization of Gas Plant (continued)—Page 338

The Commission proposes to revise the headings to column (b) to read "Plant Base (thousands)" and column (c) to read "Applied Depreciation or Amortization Rates (Percent)."

Income From Utility Plant Leased to Others (Account 412 and 413)—Page 339

The Commission proposes to delete this schedule because the information will be reported on page 213.

Particulars Concerning Certain Income Reductions and Interest Charges Accounts—Page 340

The Commission proposes to raise the threshold for the grouping of items from \$10,000 to \$25,000.

Regulatory Commission Expenses—Pages 350 and 351

The Commission proposes to change the account number reference in the headings to columns (e), (i) and (l) from 186 to 182.3, and to replace instruction 4 on page 351, which references Account No. 186, with "4. Identify separately all annual charge adjustments (ACA)." In addition, the Commission proposes to raise the threshold for minor items from \$25,000 to \$50,000.

Research, Development, and Demonstration Activities—Pages 352 and 353

The Commission proposes to delete this schedule because it is not needed for Commission regulatory purposes.

Charges for Outside Professional and Consultative Services—Pages 357

The Commission proposes to raise the threshold from \$25,000 to \$50,000.

Natural Gas Reserves and Land Acreage—Pages 500 and 501

The Commission proposes to delete this schedule because it is not needed for Commission regulatory purposes.

Changes in Estimated Gas Reserves—Page 503

The Commission proposes to delete this schedule because it is not needed for Commission regulatory purposes.

Changes in Estimated Hydrocarbon Reserves and Costs, and Net Realizable Value—Page 504 and 505

The Commission proposes to delete this schedule because it is not needed for Commission regulatory purposes.

Natural Gas Production and Gathering Statistics—Page 506

The Commission proposes to delete this schedule because it is not needed for Commission regulatory purposes.

Products Extraction Operations—Natural Gas—Page 507

The Commission proposes to replace Mcf with Dth and to delete Line 15, "For Line 9, Do Fuel Costs Include Gas Used From Company's Own Supply?"

Compressor Stations—Pages 508 and 509

The Commission proposes to replace the reporting of number of employees in column (b) with a report of the number of units and the horsepower of each unit and to redesignate the remaining columns. In addition, gas for compressor fuel would be reported by Dth rather than by Mcf.

Gas and Oil Wells—Page 510

The Commission proposes to delete this schedule because it is not needed for Commission regulatory purposes.

Field and Storage Lines—Page 511

The Commission proposes to delete this schedule because it is not needed for Commission regulatory purposes.

Gas Storage Projects—Page 512

The Commission proposes to delete this schedule because it is not needed in that the same information is reported on Form No. 8.

Gas Storage Projects—Page 513

The Commission proposes to replace Mcf with Dth and to delete Lines 42–44 and 58 concerning top gas and cushion gas because this information is reported on Form No. 8. In addition, the Commission proposes to renumber Lines 45–57 as 1–13 and to add two new instructions.

Liquefied Petroleum Gas Operations—Pages 516 and 517

The Commission proposes to delete this schedule because it is not needed for Commission regulatory purposes.

Transmission System Peak Deliveries—Page 518

The Commission proposes to replace Mcf with Dth and to require the reporting of total deliveries, deliveries of gas to interstate pipelines, and

deliveries to others. The Commission also proposes to delete the information with respect to the second and third highest peak day deliveries and the section, Highest Month's System Deliveries. Single peak day and consecutive three-day peak deliveries would be reported by various services and activities. The differentiation between jurisdictional and non-jurisdictional deliveries would be eliminated as no longer pertinent with unbundling.

Auxiliary Peaking Facilities—Page 519

The Commission proposes to replace Mcf with Dth.

Gas Account-Natural Gas—Pages 520 and 521

The Commission proposes to revise instruction 1 to exclude the reference to consideration of pressure bases in measuring Mcf of natural gas and replace Mcf with Dth in instruction 3 and column (c) on pages 520 and 521. The Commission also proposes to make line 17, "Exchange Gas Received," into a heading, to add lines 18, "Imbalances," and 19, "Other", to make line 48, "Exchange Gas Delivered," a heading, and to add lines 5, "Imbalances," and 52, "Other." The proposed changes reflect the proposed changes on pages 328 and 329.

System Maps—Page 522

The Commission proposes to clarify the information to be shown on the maps and to eliminate the requirement that transmission lines be colored in red, if they are not otherwise clearly indicated.

Index—Pages 1-4

The Commission proposes to revise the index to reflect the above proposed changes.

B. Revisions to Form No. 2-A

At present, a Nonmajor natural gas company³⁰ must submit Form No. 2-A. The respondent is required to submit designated pages reflecting data designed for Nonmajor natural gas companies in the Uniform Systems of Account. However, if the respondent maintains the "Major" designated accounts, it may substitute certain pages from Form No. 2. The Commission

proposes to require Nonmajor respondents to submit only Form No. 2 type pages as their Form No. 2-A report. In addition, the Commission proposes to replace Mcf with Dth and to revise the instructions, including the CPA certification as discussed above. A sample copy of the proposed revised Form No. 2-A is attached as Appendix B.

The proposed Form No. 2-A will consist of instructions, identification, attestation, and list of schedules (pages i and ii and 1 and 2), the following pages from Form No. 2 as proposed to revised by this NOPR: 106, 110-115, 117-122, 204-209, 212, 213, 219, 300, 301, 320-325, 327, 520, 521, and the following pages from current Form No. 2-A as renumbered: 26 as 211, 16 as 232, 19 as 250, and 20 as 278.

C. Revisions to Form No. 11

The Commission proposes to modify Form No. 11, attached as Appendix C.³¹ The Commission has identified certain portions of Form No. 11 which are no longer necessary. Those portions of the Form No. 11 are removed or consolidated to reduce the reporting burden on the pipelines. In addition, much of Form No. 11 was geared towards the collection of sales related data. In view of the restructuring of the interstate pipeline industry under Order No. 636, the pipeline's sales business is declining while the pipeline's transportation and storage business is increasing in relative importance. Therefore, the Commission proposes to modify the Form No. 11 to reflect the reduced emphasis on sales and the greater emphasis on transportation and storage. Finally, the Commission wishes to ensure that data collected in the Form No. 11 and the Form No. 2, as revised, is more consistent and interconnected. This interconnection will improve the usefulness of the data collected by the Commission. As a result, the proposed rule modifies Form No. 11 to collect data in the same general format as proposed in Form No. 2. This is particularly apparent in Part II of the revised Form No. 11. The specific changes the Commission proposes are as follows:

General Information and General Instructions

Currently, the Form No. 11 is filed monthly. The report is submitted within 40 days of the end of the month being reported. The Commission proposes to reduce the monthly reporting

requirement to a semi-annual requirement. The proposed rule requires the first report covering the last six months of the calendar year to be submitted with the Form No. 2 on April 30 of each year. The second report covering the first six months of the calendar year will be filed on October 31. Parts II, III, and V require the data to be filed for each individual month of the six-month period. The proposed rule requires that the balances in the required accounts in Part IV be filed as of the end of each six-month reporting period with the exception of item 42. On line 42, the pipeline will report in the aggregate all projects valued in excess of \$5,000,000 started within the six-month reporting period.

The proposed rule modifies instruction I to require consistency between the data filed on Form No. 11 and the data filed with Form No. 2. It is the intent of the Commission to be able to compare the aggregation of twelve months of information submitted on the Form No. 11 with data filed on the Form No. 2. Comparisons with the Form No. 2 data may require aggregation of the Form No. 2 data as well.

In a departure from current requirements, the Commission proposes that quantities reported on Form No. 11 be in thousands of dekatherms, rather than in thousands of Mcf. The change to dekatherms is consistent with the changes proposed to the Form No. 2. Costs and revenues will continue to be reported in thousands of dollars.

Since there will be a longer lag time between the end of the reporting period and the date the report is due, the Commission anticipates actual data will be readily available. Consequently, former instruction V relating to estimated data is removed. It is replaced with the instruction regarding the filing of monthly data described above.

Specific Instructions and Definitions

The instruction for the item "All" is modified and the instructions for items 7 through 12 and 15 through 17 are added to conform to the instructions contained in Form No. 2 for reporting transportation and storage services. Instructions for items 15 through 17 are added to clarify the reporting of storage revenues. Since storage injections and withdrawals are reported separately on Part V, revenues related to quantities withdrawn or injected should not be reported here. Existing instructions for items 22, 24, and 27 are retained and renumbered 30, 32, and 35. The instructions for items 38 and 40 are deleted, since the Commission no longer proposes to collect details on manufactured gas. An instruction is

³⁰ Nonmajor means having total annual gas sales or volume transactions exceeding 200,000 Mcf at 14.73 psia (60° F) in the previous calendar year and not classified as "Major." The Commission proposes to revise the definition of Nonmajor as follows: "Nonmajor means having annual gas sales or volume transactions exceeding 200,000 Dth in each of the three previous calendar years and not classified as 'Major.'" This comports with proposed section 260.2 of the Commission's regulations.

³¹ Appendix C is not being published in the **Federal Register**, but is available from the Commission's Public Reference Room.

added to explain the contents of item 43, Natural Gas Manufactured, Purchased or Produced.

All existing definitions relate to purchases or sales of natural gas. The Commission proposes to simplify the reporting of sales and purchase information; therefore, the definitions are removed as no longer necessary.

Identification (Part I) and Revenue Data (Part II)

Except for the revision to the period reported, Part I is unchanged. The proposed rule replaces Part II, which relates primarily to sales. The Commission proposes to modify Part II to recognize the de-emphasis of sales and the increased emphasis on transportation and storage subsequent to the implementation of Order No. 636. Specifically, Part II is modified to collect information for sales, transportation, gathering, storage and other revenue categories in the same way it is proposed to be collected in the Form No. 2, but in aggregate, rather than in detail.

Income Data (Part III) and Other Selected Data (Part IV)

Part III is unchanged except for the numbering of the line items and the addition of two items, 37 and 38, which currently appear on Part IV as items 33 and 35. These items were moved to Part III since they are related more closely to revenues than to plant information.

The proposed rule modifies the monthly reporting requirement for Part IV. Instead, the pipeline would report the balances at the end of the reporting period for each of the indicated accounts. The Commission proposes to replace the item "gross additions to construction work in progress (107) for this month being reported" with an aggregate value for major plant additions in excess of \$5,000,000 started during the reporting period. As noted items 33 and 35 will be moved to Part III. Items 34 and 36 are no longer necessary for regulatory purposes and are removed.

Operation and Maintenance Expense (Part V)

The Commission proposes to consolidate on one line the items previously reported on lines 38, 39, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 52, 68, 69, and 70. These items are related to the costs of manufactured petroleum gas, other manufactured gas, liquefied natural gas, gasified coal and synthetic gas, production and gathering, products extraction, exploration and development, gas purchased from producers, intracompany transfers,

imports, gas purchased from other pipelines, and gas produced by the pipeline along with other gas purchases. The consolidation of these items recognizes the reduced role that sales of natural gas now play for the interstate pipelines. In addition, exchange gas-in and exchange gas-out are consolidated into one line, net exchange gas.

D. Other Revisions

Section 260.1 requires that major natural gas companies, as defined in part 201 of the Commission's regulations, file with the Commission an annual report, designated as FERC Form No. 2. The Commission proposes to modify section 260.1 to remove references to reporting requirements pre-dating December 30, 1988, and to correct a typographical error that referenced "\$ 385.201" instead of "\$385.2011."

Section 260.2 requires that nonmajor natural gas companies file an annual report, designated as FERC Form No. 2-A. The Commission proposes to modify section 260.1 to remove references to reporting requirements pre-dating December 30, 1988, to correct a typographical error that referenced "\$ 385.201" instead of "\$385.2011," and to conform to the format set forth in section 260.1 governing the FERC Form No. 2.

Section 260.3 requires that natural gas companies file with the Commission a monthly statement—the FERC Form No. 11—containing information concerning selected revenues, income statements, and other items, and details of operation and maintenance expenses. The Commission proposes to modify section 260.3 to remove references to dates that have long since passed, and references to reporting requirements pre-dating November 30, 1988.

Section 260.4 requires that importers and exporters of natural gas file with the Commission an annual report, Form No. 14. Section 260.11 requires natural gas companies operating an underground natural gas storage field to file with the Commission a monthly underground gas storage report, Form No. 8. The Commission is not proposing any substantive changes to these sections in this NOPR. However, the Commission is seeking comments on whether the collection of the information contained in these forms by other governmental or private sources is currently adequate, making the collection of the same information in these Commission forms unnecessary. In addition, the Commission is proposing to modify section 260.4 to remove references to reporting requirements pre-dating December 30, 1988.

Section 260.9 requires every natural gas pipeline company to report to the Commission serious interruptions of service to any wholesale customer involving facilities operated under certificate authorization from the Commission. The Commission proposes to modify sections 260.9(b) and (e) to include facsimile transmission as an optional method for reporting interruptions of service. This recognizes advances in technology and current practice. Further, the Commission proposes to modify sections 260.9(b) and (c) to require that companies send telegrams, facsimile transmissions, or supplemental information to the Director, Division of Environmental and Engineering Review, the successor to the Director, Division of Engineering, Market and Environmental Analysis. A correction to the Commission's zipcode in 260.9(b) is also proposed.

Section 260.13 sets forth the requirements for the filing of the FERC Form No. 549-ST, Form of self-implementing transportation reports. The initial and subsequent reports currently filed by interstate and intrastate pipelines, Hinshaw companies, and local distribution companies undertaking transportation transactions under subparts B, C, or G of part 284 are required to be made on the FERC Form No. 549-ST. Because the Commission is proposing in this NOPR to eliminate the requirements of filing initial and subsequent reports for companies subject to the requirements of subparts B, C, and G of part 284, as further described below, the FERC Form No. 549-ST is no longer necessary. Accordingly, the Commission proposes to remove section 260.13.

Section 260.15 requires that natural gas companies making direct sales in interstate commerce of natural gas to customers consuming such gas file a Report of Alternate Fuel Demand Due to Natural Gas Curtailment, FPC Form No. 69. As noted in the footnote to section 260.15, Form No. 69 was discontinued and replaced with Form No. EIA-50 by order issued June 23, 1978.³² The EIA Form No. 50 was eliminated in 1984 after the Office of Management and Budget (OMB) rejected the Energy Information Administration's (EIA) request for an extension of OMB approval of the data collection. Thus, it now appears that the footnote to 18 CFR 260.15 references a non-existent EIA form as a replacement for the Form No. 69. Since neither the Commission nor EIA has collected this data since 1984, and there has been no significant

³² FERC Statutes and Regulations, Regulations Preambles, 1977-1981, ¶30.013 (1978).

curtailment of natural gas in the nation for more than ten years, the Commission proposes to remove section 260.15.

In addition, the Commission proposes to change all references in Part 260 from the "FPC" and the "Federal Power Commission" to the "FERC," and "Federal Energy Regulatory Commission," respectively.

VI. Part 284

A. Introduction

Under Part 284, the Commission is proposing revisions to the reporting requirements, and/or certain non-reporting requirements, contained in Subparts A, B, C, E, G, J and L. These subparts set forth general provisions and conditions (Subpart A), and govern the transportation of natural gas by interstate pipelines under section 311(a)(1) of the NGPA (Subpart B), the transportation of natural gas by intrastate pipelines under section 311(a)(2) of the NGPA (Subpart C), the assignment by any intrastate pipeline to any interstate pipeline or local distribution company of contractual rights to receive surplus natural gas under section 312 of the NGPA (Subpart E), the transportation of natural gas by interstate pipelines on behalf of others, and services by local distribution companies, under blanket certificates authorized by section 7(c) of the NGA (Subpart G), (General Provisions and Conditions), as well as the sale of natural gas under section 7(c) blanket certificates by interstate pipelines offering transportation service under subparts B or G (Subpart J), and by non-interstate pipeline sellers (Subpart L).

As further discussed below, many of the simplifying changes being proposed to the reporting requirements of the interstate pipelines are attributable to the fact that the Commission's close regulation of the interstate pipelines has required, in many instances, the reporting of the same information under several different reporting provisions in the regulations.

There are six major categories of proposed changes to the Part 284 provisions: (1) The removal of the initial full report, subsequent reports, annual report, and notification of termination, currently required under subparts B, G, and/or J; (2) the removal of the initial full report, subsequent reports, and notification of termination required under subpart C; (3) the modification of the Commission's discount reporting requirement; (4) the addition of a new reporting requirement under subparts B and G, that the pipelines maintain an electronic index of customers; (5) the elimination as obsolete of certain non-

reporting provisions in subparts A and G, setting forth interim measures related to the implementation of Order Nos. 436 and 636; and (6) other changes that either are grammatical in nature, remove references to deadlines that have long since passed or other outdated requirements, or reflect the use of current, more accurate, terminology. These revisions are discussed more fully below.

B. Removal of Initial, Subsequent, Annual, and Termination Reports Under Subparts B, G and J

In light of all of the broad changes that are being proposed in this NOPR, and the changes to the industry brought about by Order No. 636, it is no longer necessary to require interstate pipelines to provide the detailed and duplicative reporting set forth under the initial, subsequent, termination, and annual reports in sections 284.106 and 284.223. Most of the information included in these reports will be reported in other ways. For example, the Commission proposes to collect some contract information, including the date the contract terminates, through an Index of Customers, as discussed below. Under changes being proposed in the contemporaneous NOPR being issued in Docket No. RM95-3-000 to section 154.1, contracts will be filed if the contract differs in a significant manner from the form of service agreement in the pipeline's tariff. If it does not, the form of service agreement will provide information relating to the basic terms and conditions of the contract.

Accordingly, the Commission proposes to remove paragraphs (a), (b), (c), and (d) of section 284.106, and paragraph (d) of section 284.223, to delete the requirements that pipelines file the initial full report, subsequent reports, notification of termination, and annual report. However, the Commission proposes to retain the requirement in section 284.106(a)(4) that an interstate pipeline file a statement with the Commission that the pipeline has provided notification of bypass of a local distribution company (LDC) to the LDC and the LDC's regulatory agency.³³ In addition, the Commission proposes to remove sections 284.106(e) and 284.223(b) relating to the fees accompanying the initial full report, and sections 284.106(f) and 284.223(c), prescribing the use of FERC Form No. 549-ST for the initial and subsequent reports, since they would no longer apply due to the

proposed discontinuance of the associated reporting requirements. Because sections 284.106 and 284.223 will require identical reporting requirements, the Commission proposes to remove all of the filing requirements from section 284.223(d), and to substitute a statement that all pipelines transporting gas under section 284.223 of Subpart G must comply with the reporting requirements specified under section 284.106 of Subpart B. There is no reason to require an identical report under section 284.223.

The Commission is also proposing to remove the annual report required under section 284.288 of Subpart J, applicable to pipelines that engage in sales under a blanket certificate and also offer interstate transportation under subparts B and G. Most of the sales information required by this annual report is being reported in the FERC Form No. 2. Removal of this section will eliminate duplicative reporting requirements.

C. Removal of Initial, Subsequent, and Termination Reports Under Subpart C

The Commission proposes to delete certain of the reporting requirements for intrastate pipelines transporting gas under NGPA section 311 under Subpart C. The Commission proposes to eliminate the initial full report, subsequent reports, and notification of termination currently required under section 284.126. The Commission no longer finds these reports useful for regulatory review. However, the Commission invites parties to comment on our proposed removal of these reports.

The Commission will continue to require intrastate pipelines to file the annual report and semi-annual storage reports required under section 284.126, as well as the notification of bypass requirement currently included in the initial report. However, the Commission is revising the annual report to reflect the fact that the transportation transactions are no longer docketed, and to require the specification of whether the transportation service is firm or interruptible. Until recently, intrastate pipelines only provided interruptible transportation service. Since they are now performing firm transportation service, firm and interruptible transactions must be separately identified for accurate reporting.

Additionally, as a conforming change to reflect the elimination of the initial and subsequent reporting requirements under section 284.126, the Commission proposes to remove section 284.227(d), governing the conversion reports filed by intrastate pipelines transporting

³³ The Commission also proposes to retain the semi-annual storage reports currently required under sections 284.106(g) and 284.223(d)(5).

certain gas produced offshore. That section requires the initial and subsequent reports filed under section 284.126 to state that service is now being provided under section 284.227.

Further, the Commission proposes to revise the filing requirements under section 284.123(e) to require that the statement filed by an intrastate pipeline within 30 days after commencement of new service under subpart C, include the rate election made by the intrastate pipeline under section 284.123(b).

D. Modification of Discount Reports

In considering revisions to the Commission's marketing affiliate regulations implemented in Order No. 566,³⁴ the Commission received comments contending that the discount information that had to be filed with the Commission under section 284.7(d)(5)(iv) was duplicative of the information on transportation discounts provided to affiliate and non-affiliate shippers that pipelines are required to maintain under section 250.16(d). There are two major differences between the sections: section 250.16(d) requires maintenance of information on quantities scheduled under the discount, while section 284.7(d)(5)(iv) does not require filing of quantity information; and the information required under section 250.16 only has to be maintained and made available to the Commission upon request, while the information in section 284.7(d)(5)(iv) must be filed with the Commission.

In Order No. 566, the commenters urged the Commission to consider reconciling the duplicative requirements.³⁵ The Commission declined to make a piecemeal change at that time, because the Part 284 discount reporting requirements are not identical with the requirements of section 250.16(d). The Commission, however, noted that it was in the process of examining its regulations, in light of the changes caused by Order No. 636, and that revisions to these requirements would be made at the appropriate time when all the regulations could be considered as a whole.

The Commission is now proposing to eliminate the section 250.16(d) maintenance requirement and to expand the Part 284 filing requirement to include the relevant information previously maintained under section

250.16 (proposed section 284.7(c)(6)). The major change from the existing Part 284 regulations would be the addition of a requirement for filing information on quantities delivered for interruptible service and the contract demand for firm service.³⁶ In light of the Commission's adoption of a capacity release program under Order No. 636, information on quantities shipped and contract demand would enable the Commission and the market to compare the extent of interruptible and firm discounting by the pipelines with the extent of capacity release transactions. Under this proposal, the discount information would be required to be filed electronically with the Commission.

The discount reports would not apply to capacity releases at a discounted rate, except when the release is permanent. The discount report is designed to capture discounts granted by the pipelines. In a temporary capacity release, the releasing shipper is still obligated to the pipeline under its initial contract. Thus, even if the shipper obtaining released capacity pays a discounted rate, the pipeline has not agreed to the discount because the releasing shipper will owe the pipeline the maximum rate under its contract. In a permanent capacity release, however, the releasing shipper's contractual obligations end, and the replacement shipper enters into a new primary contract with the pipeline. Thus, if the pipeline offers a discount for a permanent capacity release, the pipeline is providing the discount and would have to report it.

The Commission is not proposing to require the filing of two items of information that the pipelines are now required to maintain under section 250.16(d): the duration of discounts and the delivery points to which the gas is delivered. Elimination of these items would reduce the filing burden. Moreover, the filing of this information for every transaction involving both affiliates and non-affiliates does not appear necessary for monitoring of affiliate discount transactions given the Commission's other regulations regarding affiliate discount transactions. Under Standard H of the Standards of Conduct, section 161.3(h), pipelines are now required to post discount information concerning affiliate transactions on their EBBs, including the delivery points to which the

discount applies. The proposed elimination of section 250.16(d), therefore, would have no effect on the ability of non-affiliates to learn the details of affiliate discounts so they can assess whether possible undue discrimination has occurred. With respect to non-affiliate transactions, filing of information on delivery points for every discount transaction does not appear warranted, since the Commission only requires this information in specific situations. The Commission, however, continues to require pipelines to maintain records of affiliate and non-affiliate discount transactions, including the delivery points used, in case the Commission requires this information for specific investigations.

E. Establishment of Electronic Index of Customers

In the Electronic Bulletin Board (EBB) standardization proceeding in Docket No. RM93-4-000, some groups had proposed to include an electronic Index of Purchasers to provide the market with information about capacity rights.³⁷ The EBB Industry Working Groups, which developed the standards implemented by the Commission, failed to reach consensus on an Index of Purchasers proposal. However, several groups of participants in the process submitted proposals for consideration. In Order No. 563-A, the Commission found that one proposal by a group of 44 participants had significant merit.³⁸

Under this proposal, the Commission would eliminate some of the paper reporting requirements relating to firm and interruptible transportation, specifically, the initial and subsequent reports (but not the annual reports or the reports on bypasses), and the requirement in section 154.41 (proposed section 154.111) to include an Index of Purchasers in a pipeline's tariff. These reports would be replaced by an electronic index provided in downloadable form consisting of the following nine data elements for each firm transportation and storage shipper:³⁹ shipper's name, contract identifier, rate schedule, contract start

³⁴ Standards of Conduct and Reporting Requirements for Transportation and Affiliate Transactions, Order No. 566, 59 FR 32885 (June 27, 1994), III FERC Stats. & Regs. Preambles ¶ 30,997 (June 17, 1994), Order No. 566-A, 59 FR 52896 (Oct. 20, 1994), III FERC Stats. & Regs. Preambles ¶ 31,002 (Oct. 14, 1994).

³⁵ Slip op. at 31.

³⁶ For interruptible discounts, the Commission is proposing to include the zone in which the quantities are delivered. Information on zones is not needed for firm service because the information would be reported in the index of customers under section 284.106.

³⁷ Standards For Electronic Bulletin Boards Required Under Part 284 of the Commission's Regulations, Order No. 563, 59 FR 516 (Jan. 5, 1994), III FERC Stats. & Regs. Preambles ¶ 30,988 (Dec. 23, 1993), order on reh'g, Order No. 563-A, 59 FR 23624 (May 6, 1994), III FERC Stats. & Regs. Preambles ¶ 30,994 (May 2, 1994), reh'g denied, Order No. 563-B, 68 FERC ¶ 61,002 (1994).

³⁸ Order No. 563-A, III FERC Stats. & Regs. Preambles at 31,047.

³⁹ Although the initial and subsequent reports had included interruptible contracts, it is not necessary to require the posting of interruptible contracts in the Index of Customers.

date, contract end date, contract quantity, receipt points (and associated maximum daily quantities (MDQs)), delivery points (and associated MDQs), and conjunctive restrictions, if any.⁴⁰

In Order No. 563-A, the Commission was unclear with respect to some details in the proposal, and directed the Working Groups, together with Commission staff, to work on developing a final proposal. In a report filed on October 3, 1994, in Docket No. RM93-4-005, the Working Group reported that it was still unable to reach consensus on a final Index of Purchasers. However, a drafting committee, composed both of opponents and proponents of the Index of Purchasers, filed on October 4, 1994, a proposal addressing the mechanics for implementing such an Index of Purchasers, should the Commission decide to proceed with one.

After considering the elements included in the industry proposals and the Commission's own need for information about shippers' contracts, the Commission is proposing to require pipelines to provide an electronic Index of Customers⁴¹ through a downloadable file that is updated monthly, and restated in its entirety annually (sections 284.106 and 284.243). The proposed requirement includes many of the elements proposed during the Working Group process, as well as independent requirements the Commission deems necessary. The electronic Index of Customers information would serve two functions. It would provide the Commission with the information that the Commission requires for analyzing capacity held on pipelines (which previously was included in the initial and subsequent reports); and it would provide capacity information to the market, which will aid the capacity release system by enabling shippers to locate those holding capacity rights that the shippers may want to acquire.⁴²

⁴⁰ Conjunctive restrictions are provisions that operate across multiple points or contracts and may limit a shipper's rights at a particular receipt or delivery point. For example, a shipper with stated rights of 2,000 MDQs at three points may but not be able to ship more than a total of 2,500 MDQ's from all three points on a single day.

⁴¹ The Commission is proposing to term the electronic index an "Index of Customers" rather than an "Index of Purchasers," to reflect the proposed use of that term in the NOPR revising part 154. "Index of Customers" more accurately captures the nature of the current natural gas market.

⁴² The Commission also is considering whether other changes to facilitate the release of capacity are warranted. Any such changes would be promulgated in another proceeding. The Commission is proceeding with the proposed electronic index in this proceeding because, in addition to fostering capacity release, the

The proposed Index of Customers would contain the nine data elements referenced above. The Commission also is proposing some additional elements: information on capacity held by rate zones to permit verification of reservation billing determinants; and additional elements for storage to capture the additional detail required to assess storage capacity.⁴³ When a pipeline has implemented the electronic Index of Customers, its obligation to provide for an Index of Customers in its tariff would cease.

In the EBB proceeding, some commenters objected to the inclusion of receipt and delivery points, contending that the provision of such information would be burdensome and might disclose information that would place firm shippers at a competitive disadvantage with respect to future gas purchase decisions.⁴⁴ Since pipelines must currently file receipt and delivery point information for all their shippers in the initial and subsequent reports, the Commission would not anticipate that including such information in the Index of Customers would create undue burdens. Commenters, however, should address the relative burden or difficulty in including the receipt and delivery point information under the assumption that all the other information would be required.

Once the Commission decides upon the data elements to be included in the Index of Customers, the EBB Working Group should work with the Commission staff to develop the data sets and other procedures necessary to provide for downloading of the information. For example, the EBB Working Group and the Commission Staff must determine whether the data should be reported as a data set suitable for electronic data interchange or for posting on the pipeline's electronic bulletin board. Further, instructions for reporting the data elements listed in the regulations will need to be finalized. In particular, the participants must determine how the contract end date will be reported, so that the Commission

Commission finds that such index is necessary to provide the information previously provided through the initial and subsequent reports. Moreover, regardless of the changes made to the capacity release system, information on contractual rights appears to be important to facilitating the secondary market in capacity.

⁴³ In addition, the Commission is proposing to include a unique customer identifier to permit the information in the Index of Customers to be tied to the electronic data interchange information on capacity release, and an authorization code to delineate whether the information is for Part 284, Subpart B, Part 284, Subpart G, or Part 157 service.

⁴⁴ Order No. 636-A, III FERC Stats. & Regs. Preambles at 31,047-48.

may know with certainty when a contract has terminated.

The finalization of the Index of Customers by the EBB Working Group and the Commission Staff will not occur until some time after the effective date of this rule. The Commission is proposing to require the pipelines to initially comply with the Index of Customers requirement within 180 days of the effective date of the final rule. Such deadline should allow ample time for the EBB Working Group and Staff to conclude their conferences, and for the pipelines to implement the resulting electronic elements of the Index of Customers. However, in the intervening period between the effective date of the rule and the pipelines' implementation of the electronic Index of Customers under sections 284.106 and 284.223, the Commission proposes, as an interim measure, to require pipelines providing transportation service under sections 284.106 or 284.223 to comply with the non-electronic index of customer requirements applicable to transportation and sales under Part 157, as set forth in sections 154.111 (b) and (c).

F. Removal of Obsolete Transitional Requirements

Several sections in Part 284 were established by either Order No. 436 or Order No. 636 as interim measures to implement those orders, or to bridge the transition between the two orders. Some of these provisions contained action deadlines that have long since passed. The Commission proposes to remove the following sections because they have become outdated due to subsequent events, and the current state of the regulatory environment.

Section 284.7(b) provides for interim rates for part 284 transactions to be charged until new transportation rates are filed under section 284.7, which had to have been filed by July 1, 1986. This section has become obsolete, and therefore is no longer necessary.

Section 284.10 provides an interim program for bundled sales customers to convert to firm transportation services. Since Order No. 636 has unbundled sales service, so that sales and transportation services are now separate services, there is no need for customers to convert from one to the other. This section is no longer applicable to the current regulatory framework.

Section 284.14—Provisions governing pipeline restructuring—was designed to implement the restructuring of pipelines' services under Order No. 636, and contains, among other things, the requirements for the compliance filings pipelines were required to make, and for

the associated restructuring proceedings. The restructuring process is now complete; therefore this section is no longer necessary. Any pipeline who proposes to offer transportation service under subpart B or G of part 284 in the future will simply file to comply with the requirements of this part and Order No. 636.

Section 284.122 governs transportation by intrastate pipelines under Section 311(a)(2) of the NGPA. The Commission proposes to delete paragraph (e) of section 284.122, which sets a January 31, 1992 expiration date for the authorization provided under that section for certain transportation. This transitional provision is no longer required. Similarly, section 284.123, governing the rates and charges for this section 311 transportation service, contains in subparagraph (e)(2) a transitional filing requirement deadline of February 1, 1985 for certain pre-existing transportation arrangements; thus, the Commission proposes to remove section 284.123(e)(2).

The Commission also proposes to remove sections 284.223(e) (Transitional rule for transportation arrangements) and 284.223(f) (governing the conversion of transportation service under NGPA section 311 to NGA section 7(c) blanket transportation service. Section 284.223 authorizes an interstate pipeline to transport gas under a section 7 blanket certificate of public convenience and necessity for any shipper for any end use by that shipper or any other person. Section 284.223(e) was established as a transitional provision to permit transportation arrangements authorized under section 157.209(a)(1), which commenced before October 9, 1985, to qualify as transportation under section 284.223. Section 157.209(a)(1) permitted section 7 certificate holders under section 157.201 to transport natural gas only on behalf of a high-priority end user for a high-priority end use. Section 157.209(a)(1) was replaced by section 284.223, and was removed from the regulations effective November 18, 1985.⁴⁵ Accordingly, the transitional rule contained section 284.223(e) applicable to transportation under section 157.209 is obsolete, and no longer necessary. Similarly, section 284.223(f) is an interim measure that was designed to implement the addition of blanket transportation services. This section requires that all conversions be made prior to November 1, 1990. Consequently, sections 284.223(f) is also obsolete, and no longer necessary.

Finally, section 284.402 of Subpart L, setting forth the authorization for blanket marketing certificates, provides in paragraph (c)(1) that the authorization for an "affiliated marketer" with respect to transactions involving affiliated pipelines becomes effective either when the affiliated pipeline receives its blanket sales certificate under Subpart J, a transportation-only affiliated pipeline's Order No. 636 compliance filing is approved, or when the Commission terminates the affiliated pipelines RS proceeding. The Commission proposes to delete the latter two conditions, since those occurrences have passed.

G. Other Revisions

The Commission proposes to delete most of Subpart D, governing certain sales under section 311 of the NGPA by intrastate pipelines. In Order No. 547,⁴⁶ the Commission granted any person who is not an interstate pipeline a blanket certificate of public convenience and necessity pursuant to section 7 of the Natural Gas Act, authorizing the certificate holder to make sales for resale at negotiated rates in interstate commerce of any category of gas that is subject to the Commission's Natural Gas Act jurisdiction. The certificate of limited jurisdiction does not subject the certificate holder to any other regulation under the Natural Gas Act by virtue of transactions under the certificate. Although the blanket certificate eliminates the need for Subpart D, the Commission will retain the basic authorization and rate provisions under Subpart D in sections 284.141, 284.142, and 284.144 for those persons who may wish to make sales under the NGPA instead of the blanket certificate under the Natural Gas Act. However, in recognition that an intrastate pipeline can also sell natural gas in an unbundled transaction under the blanket certificate, at negotiated rates, the Commission proposes to retain a simplified version of section 284.144 governing rates and charges as part of the authorization provision set forth in section 284.142. The proposed rate rule within section 284.142, simplifies the current maximum sales rate rule to permit the gas commodity price negotiated in the contract, plus a fair and equitable transportation rate.

The Commission proposes to delete Subpart E in its entirety, governing the assignment by any intrastate pipeline to any interstate pipeline or local distribution company of its contractual right to receive surplus natural gas at any first sale, without prior Commission

approval. The Natural Gas Wellhead Decontrol Act of 1989 amended the definition of "surplus natural gas" in section 312 of the NGPA to mean "any natural gas." Moreover, the only filings under Subpart E were made in 1979. Therefore, Subpart E is no longer necessary.

Further, in light of the proposed elimination of Subpart E, the Commission proposes to remove all references in section 284.224, governing certain transportation, sales and assignments by local distribution companies, to Subpart E, as well as to the word "assignments" in the section provisions and in the section heading. The Commission also proposes to remove the reference to assignment in section 284.3, which sets forth the NGA jurisdiction. In addition, the Commission proposes to delete the references in section 284.224(e)(5) to those reporting requirements that the Commission is proposing to delete in subparts C and D. The Commission is retaining the blanket certificate and rate election procedures in section 284.224 that allow local distribution companies served by an interstate pipeline or Hinshaw pipeline to engage in sales and transportation of natural gas to the same extent as intrastate pipelines are authorized to engage in such activities under subparts C and D.

The Commission proposes to remove sections 284.225 and 284.226 concerning the transportation of gas released under the good faith negotiation procedures. Order No. 567,⁴⁷ issued July 28, 1994, in Docket No. RM94-18-000, removed the good faith negotiation procedures under Section 270.201 as a result of the repeal of maximum lawful ceiling prices under the NGPA.

The Commission proposes to remove section 284.222, regarding transportation by interstate pipelines on behalf of other interstate pipelines. Since the Commission deleted the prior notice requirement in Order No. 537,⁴⁸ which applied to transportation by interstate pipelines on behalf of shippers other than interstate pipelines under section 284.223, but did not apply to transactions under section 284.222, there is no longer any reason to distinguish between transportation under sections 284.222 and 284.223. Thus, the Commission proposes to delete section 284.222, and apply section 284.223 to transportation by

⁴⁷ 68 FERC ¶ 61,135 (1994).

⁴⁸ Revisions to Regulations Governing Transportation under Section 311 of the Natural Gas Policy Act of 1978 and Blanket Transportation Certificates, 56 FERC ¶ 61,415 (1991).

⁴⁵ See 50 FR 42408 (October 18, 1985).

⁴⁶ 61 FERC ¶ 61,281 (1992).

interstate pipelines on behalf of other interstate pipelines, as well as transportation by interstate pipelines on behalf of non-interstate pipeline shippers. Therefore, the Commission is also proposing to modify the title of section 284.223 to read "Transportation by interstate pipelines on behalf of shippers."

The Commission proposes to modify paragraph (b) of section 284.221, setting forth the general rules regarding the transportation by interstate pipelines on behalf of others under section 7(c) blanket certificates, to delete reference to an October 31, 1989 date no longer relevant, and a fee no longer collected.

In section 284.102(e), governing the certifications interstate pipelines must obtain from shippers to be able to transport gas on behalf of an intrastate pipeline or local distribution company under section 311, the Commission proposes to delete reference to a January 3, 1992 deadline for tariff revisions establishing the certification requirement.

Finally, the Commission proposes to make a grammatical revision in section 284.8(b)(4)(iii).

VII. Environmental Analysis

The Commission is required to prepare an Environmental Assessment or an Environmental Impact Statement for any action that may have a significant adverse effect on the human environment.⁴⁹ The Commission has categorically excluded certain actions from these requirements as not having a significant effect on the human environment.⁵⁰ The action proposed here is procedural in nature and therefore falls within the categorical exclusions provided in the Commission's regulations.⁵¹ Therefore, neither an environmental impact statement, nor an environmental assessment is necessary, and will not be prepared in this proposed rulemaking.

VIII. Reporting Flexibility Certification

The Regulatory Flexibility Act (RFA)⁵² generally requires the Commission to describe the impact that a proposed rule would have on small entities or to certify that the rule will not have a significant economic impact on a substantial number of small entities. An analysis is not required if a proposed rule will not have such an

impact.⁵³ Most gas companies to whom the proposed rule will apply do not fall within the definition of a "small entity."⁵⁴ Consequently, pursuant to section 605(b) of the RFA, the Commission certifies that the proposed rule will not have a significant impact on a substantial number of small entities.

IX. Information Collection Statement

The Office of Management and Budget's (OMB) regulations⁵⁵ require that OMB approve certain information and recordkeeping requirements imposed by an agency. The information collection requirements in this proposed rule are contained in the following: FERC Form No. 2 "Annual Report of Major Natural Gas Companies" (1902-0028); FERC Form No. 2-A "Annual Report of Nonmajor Natural Gas Companies" (1902-0030); FERC Form No. 11 "Natural Gas Pipeline Company Monthly Statement" (1902-0032); FERC Form No. 549 "Gas Pipeline Rates: Natural Gas Policy Act Title III Transactions" (1902-0086); FERC Form No. 549B "Gas Pipeline Rates: Capacity Release Information" (1902-0169); FERC Form No. 576 "Reports on Pipeline Systems Service Interruptions" (1902-0004); FERC Form No. 8 "Underground Gas Storage Report" (1902-0026); and FPC-14 (redesignated herein FERC Form No. 14) "Annual Report for Importers and Exporters of Natural Gas" (1902-0027).

The Commission in this proposed rule intends to modernize its regulations to reflect the current regulatory environment that it instituted with Order No. 636 and the restructuring of the natural gas industry. Specifically, the Commission intends to revise the Uniform System of Accounts to provide financial information that will be of greater benefit than what is available now, and to create forms and reports that reflect open-access transportation of natural gas and unbundled pipeline sales for resale at market-based prices. The Commission's Office of Chief Accountant uses the data in its audit program and continuous review of the financial condition of regulated companies. The Office of Pipeline Regulation uses the data in its various rate proceedings and supply programs,

and the Office of Economic Policy and Office of General Counsel use the data in their programs relating to the administration of the Natural Gas Act.

The Commission is submitting to the Office of Management and Budget a notification of these proposed collections of information. Interested persons may obtain information on these reporting requirements by contacting the Federal Energy Regulatory Commission, 941 North Capitol Street, NE, Washington, DC 20426 [Attention: Michael Miller, Information Services Division, (202) 208-1415]. Comments on the requirements of this rule can be sent to the Office of Information and Regulatory Affairs of OMB, Washington, D.C. 20503, (Attention: Desk Officer for Federal Energy Regulatory Commission).

X. Comment Procedures

The Commission invites all interested persons to submit written comments on the proposals of this NOPR. To the extent possible, the comments should be keyed to the topic headings of this NOPR. An original and 14 copies of the written comments must be filed with the Commission by April 13, 1995. Comments must refer to Docket No. RM95-4-000 and be submitted to the Office of the Secretary, Federal Energy Regulatory Commission, 825 North Capitol Street, N.E., Washington, D.C. 20426.

All written submissions will be placed in the Commission's public file and will be available for public inspection, during regular business hours, at the Commission's Public Reference Room, Room 3408, 941 North Capitol Street, N.E., Washington, D.C. 20426.

List of Subjects

18 CFR Part 158

Administrative practice and procedure, Natural gas, Reporting and recordkeeping requirements, Uniform System of Accounts.

18 CFR Part 201

Natural gas, Reporting and recordkeeping requirements, Uniform System of Accounts.

18 CFR Part 250

Natural gas, Reporting and recordkeeping requirements.

18 CFR Part 260

Natural gas, Reporting and recordkeeping requirements.

⁴⁹ Order No. 486, Regulations Implementing the National Environmental Policy Act, 52 FR 47897 (Dec. 17, 1987), FERC Statutes and Regulations, Regulations Preambles 1986-1990 ¶ 30,783 (1987).

⁵⁰ 18 CFR 380.4.

⁵¹ See 18 CFR 380.4(a)(2)(ii).

⁵² 5 U.S.C. 601-612.

⁵³ 5 U.S.C. 605(b).

⁵⁴ Section 601(c) of the RFA defines a "small entity" as a small business, a small not-for-profit enterprise, or a small governmental jurisdiction. A "small business" is defined by reference to section 3 of the Small Business Act as an enterprise which is "independently owned and operated and which is not dominant in its field of operation." 15 U.S.C. 632(a).

⁵⁵ 5 CFR 1320.13.

18 CFR Part 284

Continental shelf, Natural gas, Reporting and recordkeeping requirements.

By direction of the Commission.

Lois D. Cashell,
Secretary.

In consideration of the foregoing, the Commission proposes to amend Parts 158, 201, 250, 260, and 284, Chapter I, Title 18, Code of Federal Regulations, as set forth below.

PART 158—ACCOUNTS, RECORDS, AND MEMORANDA**PART 158—AUTHORITY CITATION [REVISED]**

1. The authority citation for Part 158 is revised to read as follows:

Authority: 42 U.S.C. 7101-7352; 15 U.S.C. 717-717w, 3301-3432.

2. Section 158.10 is revised to read as follows:

§ 158.10 Examination of accounts.

All natural gas companies not classified as Class C or Class D prior to January 1, 1984 shall secure for each year, the services of an independent certified public accountant, or independent licensed public accountant (licensed on or before December 31, 1970), certified or licensed by a regulatory authority of a State or other political subdivision of the United States, to test compliance in all material respects of those schedules that are indicated in the General Instructions set out in the applicable Annual Report, Form No. 2 or Form No. 2-A, with the Commission's Uniform System of Accounts and published accounting releases. The Commission expects that identification of questionable matters by the independent accountant will facilitate their early resolution and that the independent accountant will seek advisory rulings by the Commission on such items. This examination shall be deemed supplementary to periodic Commission examinations of compliance.

3. Section 158.11 is revised to read as follows:

§ 158.11 Report of certification.

Each natural gas company not classified as Class C or Class D prior to January 1, 1984 shall file with the Commission a letter or report of the independent accountant certifying approval, together with the original and each copy of the filing of the applicable Annual Report, Form No. 2 or Form No. 2-A, covering the subjects and in the format prescribed in the General

Instructions of the applicable Annual Report. The letter or report shall also set forth which, if any, of the examined schedules do not conform to the Commission's requirements and shall describe the discrepancies that exist. The Commission shall not be bound by the certification of compliance made by an independent accountant pursuant to this paragraph.

4. In section 158.12, the words "The Commission will not recognize any certified public accountant or public accountant through December 31, 1975, who is not in fact independent. Beginning January 1, 1976, and each year thereafter, the" are removed and the word "The" is added in their place.

PART 201—UNIFORM SYSTEM OF ACCOUNTS PRESCRIBED FOR NATURAL GAS COMPANIES SUBJECT TO THE PROVISIONS OF THE NATURAL GAS ACT

5. The authority citation for Part 201 continues to read as follows:

Authority: 15 U.S.C. 717-717w, 3301-3432; 42 U.S.C. 7101-7352, 7651-7651o.

PART 201—[AMENDED]

6. In Part 201, Definitions, Definitions 13, 15, 16, 32B, 38, and 39 are amended by removing the words "in the case of Major natural gas companies," and Definition 29 is amended by removing the word "(Major natural gas companies)."

7. In Part 201, General Instructions, paragraph 1 is revised to read as follows:

General Instructions

1. *Applicability.* Each natural gas company must apply the system of accounts prescribed by the Commission.

* * * * *

8. In Part 201, General Instructions, paragraphs 8, 12, 14, 15, and 16, the words "(Major natural gas companies)" are removed at the end of each heading, and in the heading for paragraph 21, the words "(Nonmajor Natural Gas Companies)" are removed.

9. In Part 201, Gas Plant Instructions, paragraph 1, the words "Classification of utilities (Major natural gas companies)" are removed from the heading and the words "Classification of gas plant at effective date of system of accounts" are added in their place.

10. In Part 201, Gas Plant Instructions, paragraph 3, introductory text, the words "For Major natural gas companies" are removed and the words "A. The" are added in their place, the words "(Major and Nonmajor Natural Gas Companies)" are removed from

paragraphs 3A.(17) and 3A.(19), and paragraph 3B. is removed.

11. In Part 201, Gas Plant Instructions, paragraph 4C., the words "For Major natural gas companies, the" are removed and the word "The" is added in their place.

12. In Part 201, Gas Plant Instructions, paragraph 6A., the words "(For Nonmajor companies, account 404, Amortization of Limited-Term Gas Plant)" are removed.

13. In Part 201, Gas Plant Instructions, paragraphs 7C. and 7E., the words "or in the case of Major companies," are removed.

14. In Part 201, Gas Plant Instructions, paragraph 7D., the words "In the case of Major companies, a parcel," are removed and the words "A parcel" are added in their place.

15. In Part 201, Gas Plant Instructions, paragraph 7G., the words "in the case of Major Companies," are removed.

16. In Part 201, Gas Plant Instructions, paragraph 7H., the words "(For Major companies, see," are removed and the word "(See" is added in its place, and the two sentences "For Nonmajor companies, see account 403.1, Depreciation and Depletion Expense, and account 110, Accumulated Provision for Depreciation, Depletion and Amortization of Gas Utility Plant. See also account 797, Abandoned Leases, for the accounting for abandonments of natural gas leases which have never been productive" are removed and the words ", and account 797, Abandonment, leases" are added in their place.

17. In Part 201, Gas Plant Instructions, paragraph 8G., the words "(Major natural gas companies)" are removed at the end of Items 2, 6, 11, 12, 18, 19, 22, 28, 29, 32, 35, 36, 39, 40, 41, 42, 44, 45, 47, 49, 52, 53, 55, 58, 60, 61, 62, 62, 64, 65, 66, and 67.

18. In Part 201, Gas Plant Instructions, paragraph 10E., the words "or in the case of Major companies," immediately following the words "Gas Plant Held for Future Use" are removed.

19. In Part 201, Gas Plant Instructions, paragraph 10F., the words "(account 110, Accumulated Provision for Depreciation, Depletion and Amortization of Gas Utility Plant, in the case of Nonmajor companies)" and the words "(account 110 for Nonmajor companies)" are removed.

20. In Part 201, Gas Plant Instructions, paragraph 10G., the words "In the case of Major companies, the accounting for" are removed and the words "The accounting for" are added in their place.

21. In Part 201, Gas Plant Instructions, paragraph 11C., the words "In the case of Major companies, each utility" are

removed and the words "Each utility" are added in their place.

22. In Part 201, Gas Plant Instructions, paragraph 12, the words "(105.1, Production Properties Held for Future Use, in the case of Major companies)" are removed and the words "105.1, Production Properties held for Future Use," are added in their place, and the words "(Major Companies)" in the note are removed.

23. In Part 201, Gas Plant Instructions, paragraph 14, the words "(Major natural gas companies)" are removed at the end of the heading.

24. In Part 201, Gas Plant Instructions, paragraph 15A., the words "(account 180, Other Deferred Debits, in the case of Nonmajor companies)" are removed from paragraph A.(1), the words "(the amounts recorded in account 186 shall be cleared to the appropriate plant accounts, in the case of Nonmajor companies)" are removed from paragraph A.(2), and the words "(Account 180 in the case of Nonmajor companies)" are removed from paragraph A.(3).

25. In Part 201, Gas Plant Instructions, paragraph 16 is removed.

26. In Part 201, Operating Expense Instructions, paragraph 1, the words "(Major natural gas companies)" at the end of the heading are removed.

27. In Part 201, Balance Sheet Chart of Accounts, and Balance Sheet Accounts, the words "(Major only)" at the end of the headings of Accounts 103, 105.1, 106, 108, 111, 115, 117, 123, 123.1, 125, 126, 128, 131 through 135, 151 through 153, 155, 156, 163, 164.3, 166, 167, 171 through 173, 183.1, 183.2, 184, 185, 188, 202, 203, 205 through 210, 216.1, 222, 238 through 241 are removed.

28. In Part 201, Balance Sheet Chart of Accounts, Accounts 103.1, 110, 129, 180, and 218, and their respective titles are removed.

29. In Part 201, Balance Sheet Accounts, Accounts 117A, 117D, 117E, 117F, and 117G are removed, Accounts 117B and 117C are redesignated 117.3B and 117.3C, respectively, new Accounts 117.1, 117.2, 117.3A, and 117.4 are added, and redesignated Account 117.3C is revised to read as follows:

Balance Sheet Accounts

* * * * *

117.1 Gas stored-Base gas.

This account is to include the cost of recoverable gas volumes that are necessary, in addition to those volumes for which cost are properly includable in Account 101, Gas plant in service, to maintain pressure and deliverability requirements for each storage facility. Subaccounts are to be maintained so that the cost of base gas applicable to each

gas storage facility shall not be changed from the amount initially recorded except for changes in volumes designated as base gas.

117.2 System balancing gas.

This account is to be used to record the cost of system gas designated as available for transmission load balancing (including no-notice transportation) and other uses associated with maintaining efficient transmission operations other than gas properly recordable in Account 117.1 or the plant accounts. The cost initially recorded herein shall not be changed except for adjustments to volumes designated as system gas. Detailed records must be kept separately identifying volumes and unit prices of system gas held in underground storage facilities and held in pipelines.

117.3 Gas stored in reservoirs and pipelines-noncurrent.

A. This account shall include the cost of stored gas available for sale.

B. Gas stored during the year shall be priced at cost according to generally accepted methods of cost determination consistently applied from year to year. Transmission expenses for facilities of the utility used in moving the gas to the storage area and expenses of storage facilities shall not be included in the inventory of gas except as may be authorized or directed by the Commission.

Note B-1: In general, gas stored from the supply in an integrated system shall be priced at the average cost of the gas constituting the common supply of the system, although this general rule may be departed from where conditions of system operation of gas supply and utilization permit a valid presumption that the gas stored may be considered to be from specified sources, as indicated below.

Note B-2: When in harmony with the overall system operation of gas supply and utilization, and the presumption is consistently observed from year to year, gas stored during the year may be presumed to be from total gas purchases, or from purchases from specified sources. When either of these presumptions is proper, the cost of gas stored shall be priced at the weighted average cost of all gas purchased, or at the weighted average cost of purchases from the specified sources, as appropriate. The weighted average cost may be the average for preceding twelve months, except where a significant change occurs in the cost of gas, the full effect of such change shall be reflected for the period after the change is effective.

Note B-3: When in harmony with the overall system operation of gas supply and utilization, and the presumptions are consistently observed from year to year, gas stored during the year may be presumed to be from identified sources of the utility's own production. Such stored gas shall be priced at the weighted average cost of gas produced from the specified production areas. Where this presumption is made, or where the stored gas is identified as a matter of fact under circumstances which do not permit a proper application of the theory of displacement, the utility shall maintain

separate records of the cost of gas produced from such areas and the derivation of the cost used for stored gas from such sources.

Note B-4: Where gas is purchased specifically for storage, or a price concession received because of the storing of purchased gas, such gas shall be priced at the net contract price of the gas so purchased and stored.

Note B-5: The provisions of this instruction and the related footnotes shall not be construed as permitting or authorizing a restatement of the amounts at which stored gas inventories are stated on the utility's books at the effective date of this instruction, except as may be authorized by the Commission.

C. Withdrawals of gas may be priced according to the first-in-first-out, last-in-first-out, or weighted average cost method, provided the method adopted by the utility is used consistently from year to year and the inventory records are maintained in accordance therewith. Approval of the Commission must be obtained for any other pricing method, or change in the pricing method adopted by the utility.

117.4 Gas owed to system gas.

A. This account shall include credit balances resulting from withdrawals from system gas of volumes that encroach upon the volumes designated as base gas (Account 117.1), system balancing gas (Account 117.2), and gas properly recordable in the plant accounts. Withdrawals are to be credited to this account and charged to Account 808.1, Gas Withdrawn From Storage-Debit, at an amount equal to the current market price of gas available to the utility. Gas owned by the utility and injected into the system will be deemed to satisfy the owed to system account first before any other use. The gas injected is to be priced at the same rate used to price withdrawals by crediting Account 808.2, Gas Delivered to Storage-Credit. If the owed to system balance is due to more than one transaction, the accounting for injections should follow a queue with the earlier transaction being the first accounted for.

B. Detailed records must be kept for each transaction identifying volumes and unit prices used for gas owed to system gas.

* * * * *

30. In Part 201, Balance Sheet Accounts, Account 154, the words "For Nonmajor utilities, this account shall include the cost of fuel on hand and unapplied materials and supplies (except meters and house regulators). For both Major and Nonmajor utilities, it shall" are removed from the introductory text of paragraph A, paragraph C and Note B are removed, Note A is redesignated Note, and the words "they may be charged to a stores expense clearing account (account 163, Stores Expenses Undistributed, in the case of Major Utilities), and distributed therefrom to the appropriate accounts" in redesignated Note are removed and the words "they shall be charged to account 163, Stores expenses Undistributed" are added in their place.

31. In Part 201, Balance Sheet Accounts, Account 164.1 is revised to read as follows:

Balance Sheet Accounts

* * * * *

164.1 Gas stored-current.

This account shall be debited with such amounts as are credited to account 117.3, Gas Stored in Reservoirs and Pipelines-Noncurrent, to reflect classification for balance sheet purposes of such portion of the inventory of gas stored as represents a current asset according to conventional rules for classification of current assets.

Note: It shall not be considered conformity to conventional rules of current asset classification if the amount included in this account exceeds an amount equal to the cost of estimated withdrawals of gas from storage for purposes of sale within the 24-month period from date of the balance sheet, or if the amount represents a volume of gas which, in fact, could not be withdrawn from storage without impairing pressure levels needed for normal operating purposes.

* * * * *

32. In Part 201, Balance Sheet Accounts, Accounts 164.2D. and 164.3D., the words "Mcf" and "Mcf (or Btu)," respectively, are removed, and the words "Dth" are added in their place.

33. In Part 201, Balance Sheet Accounts, Account 186, the words "For Major companies, this account shall" are removed from paragraph A, and the words "This account shall" are added in their place, paragraph B is removed, paragraph C is redesignated as paragraph B, and all the words in parenthesis in redesignated paragraph B are removed.

34. In Part 201, Balance Sheet Accounts, Accounts 201 through 204, Note, the words "(For Nonmajor companies, account 211, Miscellaneous Paid-In Capital)" are removed.

35. In Part 201, Balance Sheet Accounts, Account 211, the words "(In the case of Nonmajor companies, this account shall be kept so as to show the source of the credits includible herein) are removed, the ITEMS section and Note B are removed, Note A is redesignated Note, and the words "(Major companies)" are removed from the heading of redesignated Note.

36. In Part 201, Balance Sheet Accounts, Account 242, the Items section is removed.

37. In Part 201, Gas Plant Chart of Accounts and Gas Plant Accounts, the words "(Major only)" at the end of each title of Accounts 363, 363.1, 363.2, 363.3, 363.4, 364.1, 364.2, 364.3, 364.4, 364.5, 364.6, 364.7 and 364.8 are removed.

38. In Part 201, Gas Plant Accounts, Accounts 302C. and 303B., the words

"(For Nonmajor Companies; account 110, Accumulated Provisions for Depreciation, Depletion and Amortization of Gas Utility Plant)" following the words "Gas Utility Plant" are removed.

39. In Part 201, Gas Plant Accounts, the first sentence of Account 352.3B is revised to read as follows:

Gas Plant Accounts

* * * * *

352.3 Nonrecoverable natural gas

* * * * *

B. Such nonrecoverable gas shall be priced at the acquisition cost of native gas or, when acquired for storage by purchase or presumed to be supplied from the utility's own production, priced as outlined in Paragraph B of account 117.3 Gas Stored in Reservoirs and Pipelines-Noncurrent. * * *

40. In Part 201, Income Chart of Accounts and Income Accounts, Accounts 403, 404.1, 404.2, 404.3, and 418.1, the words "(Major only)" are removed from the end of the headings.

41. In Part 201, Income Chart of Accounts, Accounts 403.1 and 404 are removed.

42. In Part 201, Income Accounts, Accounts 421.1 and 421.2, the words "(Major only)" are removed.

43. In Part 201, Operating Revenue Chart of Accounts and Operating Revenue Accounts, Account 482, the words "(Major only)" are removed at the end of the headings.

44. In Part 201, Operating Revenue Accounts, Account 481C, the words "(Major companies)" is removed from the introductory text, and the word "Mcf" is removed and the word "Dth" is added in its place.

45. In Part 201, Operating Revenue Accounts, Account 488, Item 3, the words "For Major Companies, see," are removed and the word "See" is added in their place.

46. In Part 201, Operating Revenue Accounts, Account 489 is deleted, and new Accounts 489.1, 489.2, 489.3, and 489.4 are added read as follows:

Operating Revenue Accounts

* * * * *

489.1 Revenues from transportation of gas of others through gathering facilities.

This account shall include revenues from transporting gas for other companies through the gathering facilities of the utility.

489.2 Revenues from transportation of gas of others through transmission facilities.

This account shall include revenues from transporting gas for other companies through the transmission facilities of the utility.

489.3 Revenues from transportation of gas of others through distribution facilities.

This account shall include revenues from transporting gas for other companies through the distribution facilities of the utility.

489.4 Revenues from storing gas of others.

This account shall include revenues from storing gas for other companies.

* * * * *

47. In Part 201, Operating Revenue Accounts, Account 491B is revised to read as follows:

Operating Revenue Accounts

* * * * *

491 Revenues from natural gas processed by others.

* * * * *

B. The records supporting this account shall be so maintained that full information concerning determination of the revenues will be readily available concerning each processor of gas of the utility, including as applicable (a) the Dth of gas delivered to such other party for processing, (b) the Dth of gas received back from the processor, (c) the field, general production area, or other source of the gas processed, (d) Dth of gas used for processing fuel, etc., which is chargeable to the utility, (e) total gallons of each product recovered by the processor and the utility's share thereof, (f) the revenues accruing to the utility, and (g) the basis of determination of the revenues accruing to the utility. Such records shall be maintained even though no revenues are derived from the processor.

* * * * *

48. In Part 201, Operating Revenue Accounts, Account 495 is revised to read as follows:

Operating Revenue Accounts

* * * * *

495 Other gas revenues.

This account shall include revenues derived from gas operations not includible in any of the foregoing accounts.

Items

1. Commission on sale or distribution of gas of others when sold under rates filed by such others.
2. Compensation for minor or incidental services provided for others such as customer billing, engineering, etc.
3. Profit or loss on sale of material and supplies not ordinarily purchased for resale and not handled through merchandising and jobbing accounts.
4. Sales of steam, water, or electricity, including sales or transfers to other departments of the utility.
5. Miscellaneous royalties received.
6. Revenues from dehydration and other processing of gas of others, except products extraction where products are received as compensation and sales of such are includible in account 490, Sales of Products Extracted From Natural Gas, and except compression of gas of others, revenues from which are includible in accounts 489.1,

489.2, or 489.3, Revenues from Transportation of Gas of Others.

7. Included in a separate subaccount, revenues in payment for rights and/or benefits received from others which are realized through research, development, and demonstration ventures.

8. Gains on settlements of imbalance receivables (See Account 806).

49. In Part 201, Operation and Maintenance Expense Chart of Accounts and Operation and Maintenance Expense Accounts, the words "(Major only)" are removed at the end of each title of Accounts 700 through 708, 711 through 730, 732 through 735, 740 through 742, 751 through 754, 756, 757, 761, 762, 765 through 775, 777 through 791, 800, 801 through 804.1, 806, 809.1, 809.2, 810 through 812, 815 through 822, 824, 830, 831, 833 through 837, 840 through 842, 842.1 through 842.3, 843.1 through 842.3, 843.1 through 843.9, 844.1 through 844.8, 845.1 through 845.6, 846.1, 846.2, 847.1 through 847.8, 851, 853, 854 through 857, 859, 861, 862, 865 through 867, 871 through 873, 875 through 877, 880, 885 through 892, 894, 901, 905, 907 through 913, and 916.

50. In Part 201, Operation and Maintenance Expense Chart of Accounts, and Operating and Maintenance Expense Accounts, Accounts 724.1, 729.1, 737, 743, 769.1, 792, 799, 812.1, 827, 838, 839, 853.1, 857.1, 868, 880.1, 892.1, 895, 906, 917, and 933 are removed, and Account 935 is redesignated Account 932.

51. In Part 201, Operation and Maintenance Expense Accounts, Account 710, the words "For Major companies, this" are removed from paragraph A, and the word "This" is added in their place, and paragraph B and the Items section are removed.

52. In Part 201, Operation and Maintenance Expense Accounts, Account 731A and 731B, the words "(for Nonmajor companies, account 154, Plant Materials and Operating Supplies)" are removed.

53. In Part 201, Operation and Maintenance Expense Accounts, Account 750, the words "For Major companies, this" in paragraph A are removed and the word "This" is added in their place, and paragraph B, the headings "Major and Nonmajor" and "Nonmajor Only" under Items, and Items 5 through 21 are removed.

54. In Part 201, Operation and Maintenance Expense Accounts, Account 755, the words "stations (including in the case of Major companies, applicable amounts of fuel stock expenses)" in paragraph A are removed and the words "stations, including applicable amounts of fuel stock expenses" are added in their

place, the words "For Major companies, respective" in paragraph B are removed and the word "Respective" is added in their place, Note B is removed, Note A is redesignated Note, and the words "(Major Companies)" are removed from redesignated Note.

55. In Part 201, Operation and Maintenance Expense Accounts, Account 759, the words "(Major companies only)" in the introductory text are removed, the headings "(Major only)" and "(Nonmajor companies):" in the Items section are removed, and Items 1 through 18 are removed.

56. In Part 201, Operation and Maintenance Expense Accounts, Account 776, the words "in the case of Major companies," the words "(Major only)" following the heading "Items", and the Note at the end of the account are removed.

57. In Part 201, Operation and Maintenance Expense Accounts, Account 795, Note, the words "(in the case of Nonmajor Companies, account 105, Gas Plant Held for Future Use)" are removed.

58. In Part 201, Operation and Maintenance Expense Accounts, Account 796, Note A, the words "(in the case of Nonmajor companies, General Instruction 21, Gas Well Records)" following the words "Each Plant" are removed.

59. In Part 201, Operation and Maintenance Expense Accounts, Account 797, paragraph A, the words "For Major companies, this" are removed, the word "This" is added in their place, and the sentence following the word "productive." is removed, and in paragraph B, the words "(Major only)" are removed.

60. In Part 201, Operation and Maintenance Expense Accounts, Account 798, the words "for Major companies," and the words "for Nonmajor companies, see account 186, Miscellaneous Deferred Debits" are removed.

61. In Part 201, Operation and Maintenance Expense Accounts, Account 806 is revised to read as follows:

806 Exchange gas

A. This account shall include debits or credits for the cost of gas in unbalanced transactions whereby gas is received from or delivered to another party in exchange, load balancing, or no-notice transportation transactions. The costs are to be determined from the current market price of gas at the time gas is tendered for transportation. Contra entries to those in this account shall be made to account 174, Miscellaneous Current and Accrued Assets, for gas receivable and to account 242, Miscellaneous Current and Accrued Liabilities, for gas

deliverable under such transactions. Such entries shall be reversed and appropriate contra entries made to this account when gas is received or delivered in satisfaction of the amounts receivable or deliverable (See Paragraph B of this account for unbalanced transactions that are satisfied by other than gas in kind).

B. If revenue is earned or amounts are payable in consideration of the performance of exchange services, or if consideration for the amounts receivable or deliverable are satisfied by other than gas, such as in cash-out provisions, and at different amounts than originally recorded pursuant to Paragraph A of this account, such revenue, gain, expense, or loss should be recorded in account 495, Other Gas Revenues, or in account 813, Other Gas Supply Expenses, as appropriate. See, however, accounts 489.1, 489.2, and 489.3, Revenues from Transportation of Gas by Others, for transactions which, in fact, are for transportation of gas rather than exchange of gas.

C. Records shall be maintained so that there is readily available for each party entering gas exchange, load balancing, or no-notice transportation transactions by point of receipt and delivery, the quantity of gas delivered and received, the amount of consideration if other than gas, and the basis for the consideration.

62. In Part 201, Operation and Maintenance Expense Accounts, Account 807, paragraph D, the words "(Major companies)" are removed.

63. In part 201, Operation and Maintenance Expense Accounts, paragraph A of Accounts 808.1 and 808.2 are revised to read as follows:
808.1 Gas withdrawn from storage-Debit

A. This account shall include debits for the cost of gas withdrawn from storage during the year. Contra credits for entries to this account shall be made to accounts 117.3 Gas Stored in Reservoirs and Pipelines-Noncurrent, or account 117.4, Gas Owed to System Gas, or account 164.2, Liquefied Natural Gas Stored, as appropriate. (See instructions to accounts 117.3 and 117.4).

* * * * *

808.2 Gas delivered to storage-Credit

A. This account shall include credits for the cost of gas delivered to storage during the year. Contra debits for entries to this account shall be made to accounts 117.3 Gas Stored in Reservoirs and Pipelines-Noncurrent, account 117.4, Gas Owed to System Gas, or account 164.2, Liquefied Natural Gas Stored, as appropriate. (See instructions to accounts 117.3 and 117.4).

* * * * *

64. In Part 201, Operation and Maintenance Expense Accounts, Account 813, the words "including, in the case of Major companies, research and development expenses" are removed and the words "including research and development expenses. This account shall include losses on settlements of imbalance receivables (See Account 806)" are added in their place.

65. In Part 201, Operation and Maintenance Expense Accounts, Account 814, paragraph B and the Items (Nonmajor only) section are removed, and in paragraph A, the designation "A." and the words "For Major companies, this" are removed and the word "This" is added in their place.

66. In Part 201, Operation and Maintenance Expense Accounts, Account 823, the words "For Major companies, see" are removed and the word "See" is added in their place.

67. In Part 201, Operation and Maintenance Expense Accounts, Account 845.6B, the words "Mcf or Bth, as appropriate," are removed and the word "Dth" is added in their place.

68. In Part 201, Operation and Maintenance Expense Accounts, Account 850, paragraph B and the Items (Nonmajor only) section are removed, and in paragraph A, the designation "A." and the words "For Major companies, this" are removed and the word "This" is added in their place.

69. In Part 201, Operation and Maintenance Expense Accounts, Accounts 853.1B and 854B, the word "Mcf" is removed and the word "Dth" is added in its place.

70. In Part 201, Operation and Maintenance Expense Accounts, Account 858B, the word "Mcf" is removed in two places and the word "Dth" is added in its place.

71. In Part 201, Operation and Maintenance Expense Accounts, Account 870, the words "(Major only)" are removed, and the words "For Major companies, see" are removed, and in their place the word "See" is added.

72. In Part 201, Operation and Maintenance Expense Accounts, Account 874, Items, the words "(Major only)" in the heading "Labor" are removed, the heading "Labor (Nonmajor only):" and Items 1 through 3 under that heading are removed, the words "(Major and Nonmajor):" in the heading "Materials and Expenses" are removed, and the words "(Major only)" are removed from Items 2, and 8 through 12 under that heading.

73. In Part 201, Operation and Maintenance Expense Accounts, Account 878, Items, the words "(Major only)" are removed at the end of each Item 1 through 12 and 20.

74. In Part 201, Operation and Maintenance Expense Accounts, Account 879, Items, the words "(Major only)" are removed at the end of Items 1, 2, 4, 5, 6, 9, and 11 through 13.

75. In Part 201, Operation and Maintenance Expense Accounts, Account 902, Items, Items 13 and 14 are

removed, and a new Item 13 is added to read as follows:

902 Meter reading expenses

* * * * *

13. Transportation, meals and incidental expenses.

76. In Part 201, Operation and Maintenance Expense Accounts, Account 903, the words "(Major only)" at the end of Item 26 are removed, and Items 31 and 32 are removed.

77. In Part 201, Operation and Maintenance Expense Accounts, Account 924, the words "For Major companies, it" are removed from paragraph A and the word "It" is added in their place, the words "(stores expenses in the case of Nonmajor companies)" are removed from paragraph (1) of Note B, in paragraph (2) of Note B, the words "For Major companies, transportation" are removed and the word "Transportation" is added in their place, and the words "For Nonmajor companies, transportation and garage equipment, to account 933, Transportation expenses." are removed, and the words "(Major only)" are removed from the title of Note C.

78. In Part 201, Operation and Maintenance Expense Accounts, Account 925A, the words "For Major Companies, it" are removed and the word "It" is added in their place.

79. In Part 201, Operation and Maintenance Expense Accounts, Account 926D, the words "For Major companies, records" are removed and the word "Records" is added in their place.

80. In Part 201, Operation and Maintenance Expense Accounts, Account 930.2, Item 4, the words "For Major Companies, research" are removed and the word "Research" is added in their place, and the words "For Nonmajor companies, experimental and general research work for the industry." are removed.

81. In Part 201, Operation and Maintenance Expense Accounts, Account 935 is redesignated Account 932, and redesignated Account 932 is amended by removing the words "For Nonmajor companies, include also other general equipment accounts (not including transportation equipment)." in paragraph A, revising paragraph B after the words "the following accounts:" and adding the Note to read as follows:

932 Maintenance of general plant.

* * * * *

B. * * *

Manufactured Gas Production, accounts 708, 742.

Natural Gas Production and Gathering, account 769

Natural Gas Production Extraction, account 791

Underground Storage, account 837

Local Storage, account 846.2

Transmission Expenses, account 867

Distribution Expenses, account 894

Merchandising and Jobbing, account 416

Garage, Shops, etc.—appropriate clearing account, if used.

Note: Maintenance of plant included in other general plant equipment accounts shall be included herein unless charged to clearing accounts or to a particular functional maintenance expense indicated by the use of the equipment.

PART 250—FORMS

82. The authority citation for part 250 continues to read as follows:

Authority: 15 U.S.C. 717-717w, 3301-3432; 42 U.S.C. 7101-7352.

83. Section 250.2 is revised to read as follows:

§ 250.2 Form of proposed cancellation of tariff or part thereof (see § 154.602 of this chapter).

When cancelling an entire tariff or an entire rate schedule, the notice of cancellation as set forth below must be filed as a revised tariff sheet superseding the first tariff sheet in the sequence of tariff sheets containing the tariff or part of the tariff being cancelled. When cancelling an individual tariff sheet, the tariff sheet should be designated as reserved for future use.

Cancellation of Entire Tariff

Notice is hereby given that effective _____ (date) FERC Gas Tariff of _____ (Name of Company) is to be cancelled.

Cancellation of Rate Schedule

Notice is hereby given that effective _____ (date) Rate Schedule _____ constituting _____ Sheet(s) No.(s) _____ of the FERC Gas Tariff of _____ (Name of Company) is to be cancelled.

84. Section 250.3 is revised to read as follows:

§ 250.3 Form of proposed cancellation or termination of contract or part thereof (see § 154.602 of this chapter).

Notice is hereby given that effective the _____ day of _____, _____, the contract with _____, (Name of customer or customers) dated _____ and relating to service under rate schedule(s) _____ (Here identify the rate schedule(s), giving sheet numbers in the Tariff) is to be _____ (Specify whether it automatically terminates by its terms or is to be canceled by action of the parties) _____ (Name of natural-gas company filing notice)

By _____
(Title)
Dated _____

85. Section 250.4 is revised to read as follows:

§ 250.4 Form of certificate of adoption (see § 154.603 of this chapter).

The _____
(Exact name of company or person)
_____ (Address) effective
_____ (Effective date of adoption)
hereby adopts, ratifies, and makes its own, in every respect, the Tariff and contracts listed below, which have heretofore been filed with the Federal Energy Regulatory Commission by _____ (Exact name of predecessor) _____ (Here identify the Tariff and contracts adopted.)

(Name of successor)

By _____

(Title)

Dated _____

§ 250.16 [Amended]

86. In § 250.16, paragraph (d) is removed, and paragraph (e) is redesignated as paragraph (d).

§§ 250.5, 250.7, 250.8, 250.9, 250.10, 250.12, and 250.14 [Removed]

87. Sections 250.5, 250.7, 250.8, 250.9, 250.10, 250.12, and 250.14 are removed and reserved.

PART 260—STATEMENTS AND REPORTS (SCHEDULES)

88. The authority citation for part 260 continues to read as follows:

Authority: 15 U.S.C. 717–717w, 3301–3432; 42 U.S.C. 7101–7352.

89. In § 260.1, paragraph (a) is amended by adding a heading, and paragraph (b) is revised to read as follows:

§ 260.1 FERC Form No. 2, Annual report for Major natural gas companies.

(a) *Prescription.* * * *

(b) *Filing requirements.* Each natural gas company, as defined in the Natural Gas Act (15 U.S.C. 717, et seq.) which is a major company (a natural gas company whose combined gas transported or stored for a fee exceeded 50 million Dth in each of the three previous calendar years) must prepare and file with the Commission for the calendar year beginning January 1, 1995, and for each calendar year thereafter, on or before April 30 following the close of such calendar year, FERC Form No. 2. Newly established entities must use projected data to determine whether FERC Form No. 2 must be filed. The form must be filed electronically as indicated in the general instructions set out in that form. The format for the electronic filing can be obtained at the Federal Energy Regulatory Commission, Division of Public Information, 941

North Capitol Street, N.E., Washington, D.C. 20426. One copy of the report must be retained by the respondent in its files. The conformed copies may be by any legible means of reproduction.

90. In § 260.2, paragraph (b) is revised to read as follows:

§ 260.2 FERC Form No. 2–A, Annual report for nonmajor natural gas companies.

* * * * *

(b) *Filing requirements.* Each natural gas company, as defined by the Natural Gas Act, not meeting the filing threshold for FERC Form No. 2, but having total gas sales or volume transactions exceeding 200,000 Dth in each of the three previous calendar years, must prepare and file with the Commission for the calendar year beginning January 1, 1995, and for each calendar year thereafter, on or before March 31 following the close of such calendar year, FERC Form No. 2–A. Newly established entities must use projected data to determine whether FERC Form No. 2–A must be filed. The form must be filed electronically as indicated in the general instructions set out in that form. The format for the electronic filing can be obtained at the Federal Energy Regulatory Commission, Division of Public Information, 941 North Capitol Street, N.E., Washington, D.C. 20426.

91. In § 260.3, paragraph (b)(1) is revised to read as follows:

§ 260.3 FERC Form No. 11, Natural gas pipeline company monthly statement.

* * * * *

(b)(1) *Who must file.* Each natural gas company, as defined in the Natural Gas Act, whose combined gas sold for resale and gas transported or stored for a fee exceeded 50 million Dth in the previous calendar year, must prepare and file with the Commission FERC Form No. 11. The form must be filed electronically. The format for the electronic filing can be obtained at the Federal Energy Regulatory Commission, Division of Public Information, 941 North Capitol Street, N.E., Washington, DC. 20426.

* * * * *

92. § 260.4 is revised to read as follows:

§ 260.4 Form No. 14, Annual report for importers and exporters of natural gas.

(a) The form of the annual report for importers and exporters of natural gas is prescribed for the calendar year ending December 31, 1972, and thereafter, and is designated as FERC Form No. 14.

(b) Each person having authorization from the Federal Energy Regulatory Commission pursuant to section 3 of the Natural Gas Act, to import or export

natural gas must, beginning with the reporting year 1972, and thereafter annually, filed on or before March 31, Form No. 14. The form must be submitted in the manner prescribed in § 285.2011 of this chapter.

93. In § 260.9, the introductory text of paragraph (b), and paragraphs (c) and (e) are revised to read as follows:

§ 260.9 Report by natural gas pipeline companies on service interruptions occurring on the pipeline system.

* * * * *

(b) Natural gas pipeline companies must report such interruptions to service by any electronic means, including facsimile transmission or telegraph, to the Director, Division of Environmental and Engineering Review, Office of Pipeline Regulation, Federal Energy Regulatory Commission, 825 North Capitol Street NE., Washington, DC 20426 (FAX: (202) 208–2853), at the earliest feasible time following such interruption to service, and must state briefly:

* * * * *

(c) If so directed by the Commission or the Director, Division of Environmental and Engineering Review, the company must provide any supplemental information so as to provide a full report of the circumstances surrounding the occurrence.

* * * * *

(e) Copies of the telegraphic or facsimile report on interruption of service must be sent to the State commission in those States where service has been or might be affected.

94. In § 260.11, paragraph (a) is revised to read as follows:

§ 260.11 Form No. 8, Underground gas storage report.

(a) The Form of Underground Gas Storage Report as FERC Form No. 8, is prescribed.

* * * * *

§§ 260.13 and 260.15 [Removed]

95. Sections 260.13 and 260.15 are removed and reserved.

PART 284—CERTAIN SALES AND TRANSPORTATION OF NATURAL GAS UNDER THE NATURAL GAS POLICY ACT OF 1978 AND RELATED AUTHORITIES

96. The authority citation for part 284 continues to read as follows:

Authority: 15 U.S.C. 717–717w, 3301–3432; 42 U.S.C. 7201–7352; 43 U.S.C. 1331–1356.

Subpart A—General Provisions and Conditions

§ 284.3 [Amended]

97. In § 284.3(a), the words “, sale or assignment” are removed and the words “or sale” are added in their place.

98. In § 284.7, paragraph (b) is removed, paragraphs (c) and (d) are redesignated (b) and (c), respectively, redesignated paragraph (c)(5)(iv) is removed, and a new paragraph (c)(6) is added to read as follows:

§ 284.7 Rates.

* * * * *

(c) *Rate design.* * * *

(6) *Discount reports.*

(i) A pipeline that provides either firm or interruptible transportation service at a discounted rate must file within 15 days of the close of the billing period a report containing the following information:

(A) The name of the shipper being provided the discount (including a designation whether the shipper is a local distribution company, an interstate pipeline, an intrastate pipeline, an end-user, a producer, a marketer, or a pipeline sales operating unit), and for discounts of firm transportation, the shipper's contract number;

(B) Any affiliate relationship between the pipeline and the shipper and the affiliate's role in the transportation transaction (i.e., shipper, marketer, supplier, seller);

(C) The maximum rate or fee;

(D) The rate or fee actually charged during the billing period;

(E) For discounted interruptible service, the quantity of gas delivered during the billing period at the discounted rate and the zone of delivery; and

(F) For discounted firm service, the contract demand for firm service provided at the discounted rate.

(ii) The requirements of this section do not apply to discounts relating to the release of capacity under § 284.243, unless the release is permanent.

(iii) The discount report information must be provided in electronic format according to the specifications and format contained in Form No. _____, which can be obtained at the Federal Energy Regulatory Commission, Public Reference and Files Maintenance Branch, 941 North Capitol St., N.E., Washington, DC 20426. The discount information with respect to each transaction, including the delivery points used, must be maintained for three years from the date the transaction commences.

99. In § 284.8, paragraph (b)(4)(iii) is revised to read as follows:

§ 284.8 Firm transportation service.

* * * * *

(b) * * *

(4) * * *

(iii) Purging of information on completed transactions from current files,

* * * * *

§ 284.10 [Removed]

100. Section 284.10 is removed and reserved.

§ 284.14 [Removed]

101. Section 284.14 is removed and reserved.

Subpart B—Certain Transportation by Interstate Pipelines

102. Section 284.102(e) is revised to read as follows:

§ 284.102 Transportation by interstate pipelines.

* * * * *

(e) An interstate pipeline must obtain from its shippers certifications including sufficient information to verify that their services qualify under this section. Prior to commencing transportation service described in paragraph (d)(3) of this section, an interstate pipeline must receive the certification required from a local distribution company or an intrastate pipeline pursuant to paragraph (d)(3) of this section.

103. In § 284.106, paragraph (a) is revised, paragraphs (b) through (f) are removed, paragraph (g) is redesignated as paragraph (b), the introductory text of redesignated paragraph (b) is revised, and a new paragraph (c) is added to read as follows:

§ 284.106 Reporting requirements.

(a) *Notice of bypass.* An interstate pipeline that provides transportation (except storage) under § 284.102 to a customer that is located in the service area of a local distribution company and will not be delivering the customer's gas to that local distribution company, must file with the Commission, within thirty days after commencing such transportation, a statement that the interstate pipeline has notified the local distribution company and the local distribution company's appropriate regulatory agency in writing of the proposed transportation prior to commencement.

(b) *Semi-annual storage report.* Within 30 days of the end of each complete storage injection and withdrawal season, the interstate pipeline must file with the Commission a report of storage activity provided under the authority of either § 284.102

or § 284.223, as applicable. The report must be signed under oath by a senior official, consist of an original and five conformed copies, and contain a summary of storage injection and withdrawal activities to include the following:

* * * * *

(c) *Index of customers.* (1) Within 180 days of the effective date of this paragraph, and each year thereafter on January 15, an interstate pipeline must provide for electronic dissemination of an index of all its firm transportation customers under contract as of the preceding December 31.

(2) Until an interstate pipeline is in compliance with the reporting requirements of this paragraph, the pipeline must comply with the index of customer requirements applicable to transportation and sales under Part 154, set forth under § 154.111(b) and (c) of this chapter.

(3) For each customer receiving firm transportation service, the index must include the information listed below in paragraphs (c)(3)(i) through (x) of this section. For each customer receiving firm storage service, the index must include the information in paragraphs (c)(3)(i) through (vi) and (c)(3)(x) through (xiii) of this section.

(i) The legal name of the customer;

(ii) The DUNS number for the customer;

(iii) The unique contract number;

(iv) Rate schedule;

(v) Contract start date;

(vi) Contract end date;

(vii) Contract quantity, or if applicable, the contract quantity associated with each zone, or other rate subdivision of the pipeline, created in a proceeding before the Commission;

(viii) Receipt points and associated Maximum Daily Quantities (MDQ) and any restrictions or limitations on the use of points;

(ix) Delivery points and associated Maximum Daily Quantities (MDQ) and any restrictions or limitations on the use of points;

(x) Source of authorization (i.e., Subpart B of this part implementing Section 311 of the NGPA; Subpart G of this part implementing Section 7(c) of the NGA; or Part 157 of this chapter implementing section 7(c) of the NGA);

(xi) Maximum Storage Quantity;

(xii) Maximum Daily Injection

Quantity;

(xiii) Maximum Daily Withdrawal

Quantity.

(4) During the year, between the annual restatements provided on January 15, the interstate pipeline must provide updates detailing all changes or

additions to the index prepared under paragraph (c)(1) of this section occurring during a calendar month. The updates for each month must be provided by the 15th of the next month. The updates must reflect only the new or modified contracts without restating the entire index.

(5) The information included in the annual index and each monthly update must be available until the next year's annual index is established. The electronic files must be archived for at least three years.

(6) The requirements of this section do not apply to contracts which relate solely to the release of capacity under § 284.243, unless the release is permanent.

(7) The requirements for the electronic index can be obtained at the Federal Energy Regulatory Commission, Division of Public Information, 825 North Capitol Street, N.E., Washington DC 20426.

Subpart C—Certain Transportation by Intrastate Pipelines

§ 284.122 [Amended]

104. In § 284.122, paragraph (e) is removed.

105. In § 284.123, paragraph (e) is revised to read as follows:

§ 284.123 Rates and charges.

* * * * *

(e) *Filing requirements.* Within 30 days of commencement of new service, any intrastate pipeline that engages in transportation arrangements under this subpart must file with the Commission a statement that describes how the pipeline will engage in these transportation arrangements, including operating conditions, such as, quality standards and financial viability of the shipper. The statement must also include the rate election made by the intrastate pipeline pursuant to paragraph (b) of this section. If the pipeline changes its operations or rate election under this subpart, it must amend the statement and file such amendments not later than 30 days after commencement of the change in operations or the change in rate election.

106. In § 284.126, paragraph (a) is revised, paragraphs (b), (e), and (f) are removed, paragraphs (c) and (g) are redesignated (b), and (c), respectively, and redesignated paragraph (b) is revised to read as follows:

§ 284.126 Reporting Requirements

(a) *Notice of bypass.* An intrastate pipeline that provides transportation (except storage) under § 284.122 to a

customer that is located in the service area of a local distribution company and will not be delivering the customer's gas to that local distribution company, must file with the Commission within thirty days after commencing such transportation, a statement that the interstate pipeline has notified the local distribution and the local distribution company's appropriate state regulatory agency in writing of the proposed transportation prior to commencement.

(b) *Annual report.* Not later than March 1 of each year, each intrastate pipeline must file an annual report with the Commission and the appropriate state regulatory agency that contains, for each transportation service (except storage) provided during the preceding calendar year under § 284.122, the following information:

(1) The name of the shipper receiving the transportation service;

(2) The type of service performed (*i.e.* firm or interruptible);

(3) Total volumes transported for the shipper. If it is firm service, the report should separately state reservation and usage quantities; and

(4) Total revenues received for the shipper. If it is firm service, the report should separately state reservation and usage revenues.

* * * * *

Subpart D—Certain Sales by Intrastate Pipelines

107. Section 284.142 is revised to read as follows:

§ 284.142 Sales by intrastate pipelines.

Any intrastate pipeline may, without prior Commission approval, sell natural gas to any interstate pipeline or any local distribution company served by an interstate pipeline. The rates charged by an intrastate pipeline pursuant to this subpart may not exceed the price for gas as negotiated in the contract, plus a fair and equitable transportation rate as determined in accordance with § 284.123.

§§ 284.143 and 284.148 [Removed]

108. Sections 284.143 through 284.148 are removed and reserved.

Subpart E—Assignment of Contractual Rights to Receive Surplus Natural Gas

Subpart E—[Removed]

109. Subpart E is removed and reserved.

Subpart G—Blanket Certificates Authorizing Certain Transportation by Interstate Pipelines on Behalf of Others and Services by Local Distribution Companies

110. In § 284.221, the introductory text of paragraph (b)(1) is revised to read as follows:

§ 284.221 General rule; transportation by interstate pipelines on behalf of others.

* * * * *

(b) *Application procedure.* (1) An application for a blanket certificate under this section must be filed electronically. The format for the electronic application filing can be obtained at the Federal Energy Regulatory Commission, Division of Public Information, 941 North Capitol Street, N.E., Washington, D.C. 20426, and must include:

* * * * *

§ 284.222 [Removed]

111. Section 284.222 is removed and reserved.

112. In § 284.223, the section heading is revised, paragraphs (b) through (f) are removed, and a new paragraph (b) is added to read as follows:

§ 284.223 Transportation by interstate pipelines on behalf of shippers.

* * * * *

(b) *Reporting requirements.* Any interstate pipeline transporting gas under this section must comply with each of the reporting requirements specified in § 284.106.

113. In § 284.224, the heading, paragraphs (b)(3), (c) introductory text, (d)(1), (e)(1), and (g) are revised, paragraph (e)(5)(i) is redesignated as paragraph (e)(5) and paragraph (e)(5)(ii) is removed to read as follows:

§ 284.224 Certain transportation and sales by local distribution companies.

* * * * *

(b) *Blanket certificate*— * * *

(3) The Commission will grant a blanket certificate to such local distribution company or Hinshaw pipeline under this section, if required by the present or future public convenience and necessity. Such certificate will authorize the local distribution company to engage in the sale or transportation of natural gas that is subject to the Commission's jurisdiction under the Natural Gas Act, to the same extent that and in the same manner that intrastate pipelines are authorized to engage in such activities by subparts C and D of this part, except as otherwise provided in paragraph (e)(2) of this section.

(c) *Application procedure.* Applications for blanket certificates must be accompanied by the fee prescribed in § 381.207 of this chapter or a petition for waiver pursuant to § 381.106 of this chapter, and shall state:

* * * * *

(d) *Effect of certificate.* (1) Any certificate granted under this section will authorize the certificate holder to engage in transactions of the type authorized by subparts C and D of this part.

* * * * *

(e) *General conditions.* (1) Except as provided in paragraph (e)(2) of this section, any transaction authorized under a blanket certificate is subject to the same rates and charges, terms and conditions, and reporting requirements that apply to a transaction authorized for an intrastate pipeline under subparts C and D of this part.

* * * * *

(g) *Hinshaw pipeline without blanket certificate.* A Hinshaw pipeline that does not obtain a blanket certificate under this section is not authorized to sell or transport natural gas as an intrastate pipeline under subparts C and D of this part.

* * * * *

114. Sections 284.225 and 284.226 are removed and reserved.

115. In § 284.227, paragraph (d) is removed, and paragraphs (e), (f), and (g) are redesignated (d), (e), and (f).

Subpart J—Blanket Certificates Authorizing Certain Natural Gas Sales by Interstate Pipelines

§ 284.288 [Removed]

116. Section 284.288 is removed and reserved.

Subpart L—Certain Sales for Resale by Non-interstate Pipelines

117. In § 284.402, paragraph (c)(1) is revised to read as follows and in the first sentence of paragraph (c)(2) the word "criteria" in paragraph (c)(2) is removed, and the word "criterion" is added in its place:

§ 284.402 Blanket marketing certificates.

* * * * *

(c)(1) The authorization granted in paragraph (a) of this section will become effective for an affiliated marketer with respect to transactions involving affiliated pipelines when an affiliated pipeline receives its blanket certificate pursuant to § 284.284.

* * * * *

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DEPARTMENT OF HEALTH AND HUMAN SERVICES

Food and Drug Administration

21 CFR Part 892

[Docket No. 94N-0345]

Medical Devices; Classification of Transilluminators (Diaphanosopes or Lightscanners) for Breast Evaluation

AGENCY: Food and Drug Administration, HHS.

ACTION: Proposed rule.

SUMMARY: The Food and Drug Administration (FDA) is proposing to classify the transilluminator (diaphanoscope or lightscanner) for breast evaluation into class III (premarket approval). The agency is also publishing in this document the recommendations of the Obstetrics and Gynecology Devices Panel regarding the classification of the device. After considering public comments on the proposed classification, FDA will publish a final regulation classifying the device. This action is being taken under the Federal Food, Drug, and Cosmetic Act (the act), as amended by the Medical Device Amendments of 1976 (the 1976 amendments) and the Safe Medical Devices Act of 1990 (the SMDA).

DATES: Written comments by April 13, 1995. FDA proposes that any final regulation that may issue based on this proposal become effective 30 days after the date of its publication in the **Federal Register**.

ADDRESSES: Submit written comments to the Dockets Management Branch (HFA-305), Food and Drug Administration, 12420 Parklawn Dr., rm. 1-23, Rockville, MD 20857.

FOR FURTHER INFORMATION CONTACT: Robert A. Phillips, Center for Devices and Radiological Health (HFZ-470), Food and Drug Administration, 1390 Piccard Dr., Rockville, MD 20850, 301-594-1212.

SUPPLEMENTARY INFORMATION:

I. Background

The act, as amended by the 1976 amendments (Pub. L. 94-295) and the Safe Medical Devices Act of 1990 (Pub. L. 101-629), established a comprehensive system for the regulation of medical devices intended for human use. Section 513 of the act (21 U.S.C. 360c) established three categories (classes) of devices, depending on the regulatory controls needed to provide reasonable assurance of their safety and effectiveness. The three categories of

devices are class I (general controls), class II (special controls), and class III (premarket approval). Under section 513 of the act, devices that were in commercial distribution before May 28, 1976 (the date of enactment of the 1976 amendments) are classified after FDA has: (1) Received a recommendation from a device classification panel (an FDA advisory committee); (2) published the panel's recommendations for comment, along with a proposed regulation classifying the device; and (3) published a final regulation classifying the device.

A device that is first offered in commercial distribution after May 28, 1976, and which FDA determines to be substantially equivalent to a device classified under this scheme, is classified into the same class as the device to which it is substantially equivalent. The agency determines whether new devices are substantially equivalent to previously offered devices by means of premarket notification procedures in section 510(k) of the act (21 U.S.C. 360(k)) and part 807 of the regulations (21 CFR part 807). A device that was not in commercial distribution prior to May 28, 1976, and that has not been found by FDA to be substantially equivalent to a legally marketed device, is classified automatically by statute (section 513(f) of the act) into class III without any FDA rulemaking proceedings.

In 1980, when other obstetric and gynecological devices were classified (45 FR 12684 through 12720, February 26, 1980), FDA was not aware that transilluminators, also known as lightscanners or diaphanosopes, for breast evaluation were preamendments devices, and inadvertently omitted them from the classification process. Based upon the recommendations the Obstetrics and Gynecology Devices Panel made during its January 11, 1991, meeting (Ref. 24), FDA is now proposing to classify the transilluminator for breast evaluation into class III, thereby requiring each manufacturer of the device to submit to FDA a PMA by a date to be set in a future regulation under section 515(b) of the act (21 U.S.C. 360e(b)). Specifically, a preamendments class III device may be commercially distributed without an approved PMA until 90 days after FDA issues a final rule requiring premarket approval of the device or 30 months after classification of the device under section 513 of the act, whichever is later. Each application must include sufficient valid scientific evidence to provide reasonable assurance that the device is safe and effective under the conditions of use prescribed,