List of Subjects in 14 CFR Part 39

Air transportation, Aircraft, Aviation safety, Incorporation by reference, Safety.

Adoption of the Amendment

Accordingly, under the authority delegated to me by the Administrator, the FAA amends 14 CFR part 39 as follows:

PART 39—AIRWORTHINESS DIRECTIVES

§ 39.13 [Amended]

1. The authority citation for part 39 continues to read as follows:

Authority: 49 U.S.C. 106(g), 40113, 44701.

§ 39.13 [Amended]

2. The FAA amends § 39.13 by adding the following new airworthiness directive (AD):

2013–15–02 Eurocopter France


(a) Applicability

This AD applies to Eurocopter Model AS350B, AS350BA, AS350B1, AS350B2, AS350B3, AS350C, AS350D and AS350D1 helicopters with a single hydraulic system and with a hydraulic pump drive installed in accordance with modification 079566 that has 165 or more hours time-in-service (TIS) since installation, certificated in any category.

(b) Unsafe Condition

This AD defines the unsafe condition as seizure of the hydraulic pump drive pulley bearing. This condition could result in hydraulic pump drive belt failure, loss of hydraulic servo assistance, and subsequent loss of control of the helicopter.

(c) Comments Due Date

We must receive comments on this AD by September 23, 2013.

(d) Effective Date

This AD becomes effective August 8, 2013.

(e) Compliance

You are responsible for performing each action required by this AD within the specified compliance time.

(f) Required Actions

Within 10 hours TIS, and thereafter at intervals not exceeding 25 hours TIS:

1. Uncouple the pulley from the hydraulic pump.

2. Using a mirror and a light, inspect the hydraulic pump drive pulley bearing (pulley bearing) for leaking grease from each lip seal of the four greasing orifices (lip seal) due to wear, a crack or tear in a lip seal, a run of rust on a lip seal, indication of overheating shown by brown coloring on the inner ring of the bearing, and for any distortion, impact, wear, a tear, a crack, or loss of grease on each sealing flange.

3. Manually rotate the pulley bearing through several full turns and inspect for a friction point, brinelling, or a noise from the bearing.

4. If there is any leaking grease from a lip seal, a crack or tear in a lip seal, a run of rust on a lip seal, indication of overheating shown by brown coloring on the inner ring of the bearing, or distortion, impact, wear, a tear, a crack, or loss of grease on a sealing flange, or a friction point, brinelling, or noise from the bearing, before further flight, replace the hydraulic pump drive assembly.

(g) Alternative Methods of Compliance (AMOCs)

1. The Manager, Safety Management Group, FAA, may approve AMOCs for this AD. Send your proposal to: Matt Wilbanks, Aviation Safety Engineer, Regulations and Policy Group, Rotorcraft Directorate, FAA, 2601 Meacham Blvd., Fort Worth, Texas 76137; telephone (817) 222–5110; email matt.wilbanks@faa.gov.

2. For operations conducted under a 14 CFR part 119 operating certificate or under 14 CFR part 91, subpart K, we suggest that you notify your principal inspector, or lacking a principal inspector, the manager of the local flight standards district office or certificate holding district office, before operating any aircraft complying with this AD through an AMOC.

(h) Additional Information

1. Eurocopter AS350 Emergency Alert Service Bulletin No. 05,00,72, Revision 1, dated June 11, 2013, which is not incorporated by reference, contains additional information about the subject of this AD. For service information identified in this AD, contact American Eurocopter Corporation, 2701 N. Prairie Drive, Grand Prairie, TX 75052; telephone (972) 641–0000 or (800) 232–0323; fax (972) 641–3775; or at http://www.eurocopter.com/techpub. You may review a copy of the service information at the FAA, Office of the Regional Counsel, Southwest Region, 2601 Meacham Blvd., Room 663, Fort Worth Texas 76137.


(i) Subject


Issued in Fort Worth, Texas, on July 11, 2013.

Kim Smith.
Directorate Manager, Rotorcraft Directorate, Aircraft Certification Service.

[FR Doc. 2013–17622 Filed 7–23–13; 8:45 am]

BILLING CODE 4910–13–P

DEPARTMENT OF ENERGY

Federal Energy Regulatory Commission

18 CFR Part 357

[Docket No. RM12–18–000; Order No. 783]

Revisions to Page 700 of FERC Form No. 6

AGENCY: Federal Energy Regulatory Commission.

ACTION: Final rule.

SUMMARY: The Federal Energy Regulatory Commission (Commission) is modifying Page 700 of FERC Form No. 6 (Form 6) to facilitate the calculation of an oil pipeline’s actual return on equity for preliminary screening purposes. The Commission will expand the information provided regarding Rate Base (line 5), Rate of Return (line 6), Return on Rate Base (line 7), and Income Tax Allowance (line 8).

DATES: Effective Date: This rule will become effective September 23, 2013.

FOR FURTHER INFORMATION CONTACT:

SUPPLEMENTARY INFORMATION:

144 FERC ¶ 61,049
Final Rule

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144 FERC ¶ 61,049

Before Commissioners: Jon Wellinghoff,
Chairman; Philip D. Moeller, John R.
Norris, Cheryl A. LaFleur, and Tony Clark.

Final Rule
(Issued July 18, 2013)

I. Introduction

1. The Federal Energy Regulatory
Commission (Commission) is issuing
this Final Rule to modify the reporting
requirements on Page 700, Annual Cost
of Service Based Analysis Schedule, of
FERC Form No. 6, Annual Report of Oil
Pipeline Companies (Form 6), to
facilitate the calculation of an oil
pipeline’s actual rate of return on equity
based upon Page 700 data for
preliminary screening purposes. The
modifications to Page 700 include
requiring additional information
regarding rate base, rate of return, return
on rate base, and income taxes.

II. Background

2. The Commission is responsible for
regulating the rates, terms and
conditions that oil pipelines charge for
transportation under the Interstate
Commerce Act (ICA). The ICA
prohibits oil pipelines from charging
rates that are unjust and unreasonable
and permits shippers and the
Commission to challenge both pre-
existing and newly filed rates.

3. To assist the Commission in the
administration of its jurisdictional
responsibilities, the ICA authorizes the
Commission to prescribe annual or
other periodic reports. Through Form
6, the Commission collects annual
financial information from crude and
refined product pipelines subject to the
Commission’s jurisdiction, as
prescribed in section 357.2 of the
Commission’s regulations.

4. Page 700 of Form 6 provides a
simplified presentation of an oil
demand jurisdictional cost-of-service.
Page 700 serves as a preliminary screening
tool to evaluate oil pipeline rates.
However, “Page 700 information
alone is not intended to show what a
just and reasonable rate should be.”
Currently, oil pipelines are required to
provide the following on Page 700:
Operating and Maintenance Expenses
(line 1), Depreciation Expense (line 2),
AFUDC Depreciation (line 3),
Amortization of Deferred Earnings (line
4), Rate Base (line 5), Rate of Return
(line 6), Return on Rate Base (line 7),
Income Tax Allowance (line 8), Total
Cost of Service (line 9), Total Interstate
Operating Revenues (line 10), Total
Interstate Throughput in Barrels (line
11), and Total Interstate Throughput in
Barrel-Miles (line 12).

5. On September 20, 2012, consistent
with its obligation to ensure oil pipeline
rates are just and reasonable, the
Commission issued a Notice of
Proposed Rulemaking (NPRM)
proposing to modify the reporting
requirements on Page 700 of Form 6 to
allow shippers and interested entities to
more easily calculate an oil pipeline’s
actual rate of return on equity for

TAPS and any oil pipeline delivering oil directly
or indirectly to TAPS. Therefore, the Commission
exempted the TAPS entities from having to submit
the information required on Page 700. Cost of
Service Requirements and Filing Requirements for
Oil Pipelines, Order No. 571, FERC Stats. & Regs.
¶ 31,006, at 31,175 (1995), on rev’g, Order No. 571–

rate are “rates yielding sufficient revenue to cover
costs, including federal income taxes, plus
a specified return on invested capital.” City of
Charlottesville v. FERC, 774 F.2d 1205, 1207 (D.C.
Cir. 1985).


Hereafter, the term oil pipeline shall include
both crude and refined product oil pipelines.

18 CFR 357.2(a)(2) and (a)(3) (2012). Section 1804(2)(B)
of the Energy Policy Act of 1992 excludes from
the provisions of the Act, for ratemaking purposes,


2 All jurisdictional oil pipelines, except the
Trans-Alaskan oil pipeline System (TAPS) oil
pipelines, are required to file Page 700, including
oil pipelines exempt from filing the full Form 6. 18
CFR 357.2(a)(2) and (a)(3) (2012). Section 1804(2)(B)
of the Energy Policy Act of 1992 excludes from
the provisions of the Act, for ratemaking purposes,
preliminary screening purposes.\textsuperscript{8} The NOPR reasoned the actual rate of return on equity is particularly useful information when using Page 700 to make a preliminary evaluation of an oil pipeline’s rates consistent with the Commission’s mandate under the ICA. To this end, the NOPR proposed to make changes to Page 700 to include additional supporting information the Commission anticipates is already developed in the preparation of the rate base, rate of return, return on rate base, and income taxes reported on Page 700.

III. NOPR Comments

6. The Association of Oil Pipelines (AOPL),\textsuperscript{9} the Kansas Corporation Commission (KCC), R. Gordon Gooch (Mr. Gooch), Airlines for America (A4A)\textsuperscript{10} and the National Propane Gas Association (NPGA),\textsuperscript{11} the Canadian Association of Petroleum Producers (CAPP), Suncor Energy Marketing Inc. (Suncor), ConocoPhillips Co. (ConocoPhillips), BP West Coast Products, LLC and Western Refining Company, L.P. (collectively, BP), and Valero Marketing and Supply Company (Valero) filed comments in response to the Commission’s NOPR. Suncor and AOPL filed reply comments. The comments are addressed below.

IV. Discussion

7. The majority of commenters support the NOPR. In contrast, the Association of Oil Pipelines (AOPL) believes the proposed modifications are unnecessary. We address AOPL’s arguments below.

8. As discussed below, the Commission adopts, with minor modifications to the labeling of the additional lines on Page 700, the NOPR’s proposal to enhance the information provided on Page 700 related to rate base, rate of return, return on rate base, and income tax allowance.

A. Rate Base

1. NOPR

9. The NOPR observed that “[c]omponents of an oil pipeline’s rate base are governed by the trended original cost methodology adopted in Opinion No. 154-B.”\textsuperscript{12} Under this methodology, an oil pipeline’s rate base consists of: (1) The depreciated original cost rate base, (2) any unamortized amounts from the oil pipeline’s starting rate base write-up (SRB), and (3) accumulated net deferred earnings. Consistent with Opinion No. 154-B,\textsuperscript{13} the NOPR proposed to enhance the reporting of the total trended original cost (TOC) rate base information provided on line 5 of page 700 by requiring the reporting of the three subparts of the TOC rate base: (1) Rate Base—Original Cost (proposed line 5a); (2) Rate Base—Unamortized Starting Rate Base Write-Up (proposed line 5b); and (3) Rate Base—Accumulated Net Deferred Earnings (proposed line 5c).

Thus, the NOPR explained the sum of proposed lines 5a, 5b, and 5c comprise the oil pipeline’s TOC Rate Base. Consequently, the NOPR proposed to move the TOC rate base from line 5 to line 5d and to label line 5d as Total Rate Base—Trended Original Cost (line 5a + line 5b + line 5c).

2. Comments

10. AOPL requests clarification as to proposed line 5a. AOPL seeks clarification that line 5a is intended to reflect the respondent’s depreciated original cost rate base, consistent with the methodology contained in Opinion No. 154-B, \textit{et al.}\textsuperscript{14}

3. Commission Determination

11. The Commission adopts the NOPR proposal to enhance the rate base information provided on Page 700 by adding lines 5a, 5b, and 5c to Page 700 to provide the three subparts of the TOC rate base. The new line 5 series will reflect the following additions as proposed in the NOPR: (1) Rate Base—Depreciated Original Cost (line 5a); (2) Rate Base—Unamortized Starting Rate Base Write-Up (line 5b); and (3) Rate Base—Accumulated Net Deferred Earnings (line 5c). The sum of lines 5a, 5b, and 5c comprise the oil pipeline’s TOC rate base, which is currently reported on line 5 and which will now move to line 5d and be entitled Total Rate Base—Trended Original Cost (line 5a + line 5b + line 5c). As requested by AOPL, the Commission affirms new line 5a is intended to reflect the respondent’s depreciated original cost rate base consistent with Opinion No. 154-B and it will be titled to reflect such intent. The depreciated original cost rate base will be added to the other two subparts, which will comprise the oil pipeline’s total TOC rate base.

B. Rate of Return

1. NOPR

12. The NOPR proposed to require oil pipelines to report the cost of equity, cost of debt, and the capital structure supporting the overall weighted cost of capital currently reported as Rate of Return on line 6, Page 700. Specifically, the NOPR proposed to include additional information related to debt and equity capital structure ratios, i.e. (1) Rate of Return—Adjusted Capital Structure Ratio for Long Term Debt (proposed line 6a), (2) Rate of Return—Adjusted Capital Structure Ratio for Proprietary Capital (proposed line 6b). The NOPR further proposed to add information related to the cost of debt and the cost of equity, specifically: (1) Rate of Return—Cost of Long Term Debt Capital (proposed line 6c) and (2) Rate of Return—Real Cost of Proprietary Capital (proposed line 6d). This additional information forms the basis for the Rate of Return—Weighted Average Cost of Capital (the sum of the product of line 6a x line 6c added to the product of line 6b x line 6d), which is now reported as Rate of Return on line 6 on Page 700 and which the NOPR proposed to move to line 6e.

2. Comments

13. AOPL seeks clarification as to proposed lines 6b and 6d. AOPL notes that the term Proprietary Capital is not defined and does not appear in any Commission regulations governing oil pipelines.\textsuperscript{16} Therefore, to the extent the Commission determines it is appropriate to provide additional information regarding the weighted average cost of capital, AOPL requests that the Commission “clarify line 6b is to provide the adjusted equity capital ratio computed in a manner consistent with the Commission’s prior findings in Opinion No. 351–A, and that line 6d is to provide the allowed real return on equity referenced in the Commission’s policy statement regarding the determination of oil pipeline equity return.”\textsuperscript{17}

14. In contrast, A4A and the NPGA submitted comments agreeing that the proposed information is necessary to

\textsuperscript{8} Revisions to Page 700 of FERC Form No. 6, 77 FR 59343 (Sept. 9, 2012), FERC Stats. & Regs. ¶ 32,692 (2012) (NOPR).

\textsuperscript{9} AOPL is a trade association that represents the interests of common carrier oil pipelines. AOPL’s members transport almost 85 percent of the crude oil and refined petroleum products shipped through oil pipelines in the U.S.

\textsuperscript{10} AAA is an airline trade association whose members account for more than 90 percent of the passenger and cargo traffic carried by U.S. airlines.

\textsuperscript{11} NPGA is a trade association of the U.S. propane industry with a membership of about 3,000 companies, including 38 affiliated state and regional associations representing members in all 50 states.

\textsuperscript{12} NOPR, FERC Stats. & Regs. ¶ 32,692 at P 9 n.13 (citing ARCO Pipe Line Co., Opinion No. 351–A, 53 FERC ¶ 61,398 at 62,388–89 (1990)).

\textsuperscript{13} NOPR Comments at 21.

\textsuperscript{14} Id. at 22 (citing Opinion No. 351–A, 53 FERC at 62,388–89: Composition of Proxy Groups for Determining Gas and Oil Pipeline Return on Equity, 123 FERC ¶ 61,048, at P 62 (2008)).
understand both the return on rate base composition and an oil pipeline’s actual rate of return on equity. However, A4A and NPGA propose that the Commission revise its Rate of Return—Real Cost of Proprietary Capital of 14.25 percent that appears in proposed line 6d, “because the figure seems anomalously large as a real rate of return on equity.”

3. Commission Determination

15. The Commission adopts the NOPR proposal to enhance the rate of return information on Page 700 by adding to line 6 of Page 700, as modified below. The NOPR’s use of the term Proprietary Capital was not meant to create a new ratemaking concept. The Commission borrowed the term Proprietary Capital from the listing of balance sheet chart of accounts in the Uniform System of Accounts (USofA) for the natural gas and electric industries. The corresponding title for the oil industry as shown in account 797, Form of Balance Sheet Statement is Stockholder’s Equity.

16. To be consistent with the language of the USofA for the oil pipeline industry, the Commission will change the term Proprietary Capital in the line 6 series to Stockholder’s Equity. The Commission also grants AOPL’s clarification that the adjusted equity capital ratio should be calculated in a manner consistent with the Commission’s prior findings in Opinion No. 351–A. Likewise, the Commission notes that AOPL is correct that line 6d is intended to provide the allowed real return on equity referenced in the Commission’s Return on Equity Policy Statement.

17. The Commission adopts the NOPR proposal to enhance the rate of return information on Page 700 by adding data to line 6 of Page 700. The new line 6 series will reflect a wording change as clarified above and will include additional information related to debt and equity capital structure ratios in the following manner: (1) Rate of Return—Adjusted Capital Structure Ratio for Long Term Debt (line 6a), (2) Rate of Return—Adjusted Capital Structure Ratio for Stockholder’s Equity (line 6b). The Commission further adds information related to the cost of debt and the cost of equity, specifically: (1) Rate of Return—Cost of Long Term Debt Capital (line 6c), (2) Rate of Return—Real Cost of Stockholder’s Equity (line 6d). This additional information forms the basis for the Rate of Return—Weighted Average Cost of Capital (the sum of the product line 6a and line 6c added to the product of line 6b and 6d), which is now reported as Rate of Return on line 6 on Page 700 and which the Commission proposes to move to line 6e, and label Rate of Return—Weighted Average Cost of Capital—(line 6a × line 6c + line 6b × line 6d).

18. The Commission denies A4A’s and NPGA’s request to change the 14.25 percent figure in Appendix B. The inputs contained in Appendix B were solely used for illustrative purposes and should not be viewed as having any precedential value.

C. Return on Rate Base

1. NOPR

19. The NOPR proposed to require oil pipelines to report additional information related to the Return on Rate Base in line 7. The Return on Rate Base currently reported on line 7 combines the oil pipeline’s real return on equity and the portion of the oil pipeline’s return allocated to paying its cost of debt. The NOPR proposed to require the oil pipeline to include on Page 700 the Return on Rate Base—Debt Component (proposed line 7a) and to require the oil pipeline to report its weighted average cost of capital consisting of debt and equity to one rate base. The real cost of capital excludes the inflationary component of the nominal return that is added to the Net Deferred Earnings and subsequently amortized pursuant to the TOC methodology. Proposed line 7b is the Return on Rate Base—Equity Component. The NOPR proposed that oil pipelines report on proposed line 7c the Total Return on Rate Base—(line 7a + line 7b), which is the same information currently reported on line 7.

2. Comments

20. A4A and NPGA request that instructions to Page 700 recognize that the Return on Rate Base—Debt Component (line 7a) will equal the product of the Trended Original Cost Rate Base (proposed line 5d) and the weighted average cost of debt (itself the product of proposed lines 6a and 6c), while the Return on Rate Base—Equity Component (line 7b) will equal the product of the Trended Original Cost Rate Base (proposed line 5d) and the weighted average cost of equity (product of proposed lines 6b and 6d).

3. Commission Determination

21. The Commission adopts the NOPR proposal and grants the requested clarifications. The Commission will change the proposed wording for lines 7a and 7b to include a parenthetical formula as described by A4A and NPGA. The title for the new line 7a will read “Return on Rate Base—Debt Component—(line 5d × line 6a × line 6c)” and the title for line 7b will read “Return on Rate Base—Equity Component—(line 5d × line 6b × line 6d).”

D. Composite Income Tax Rate

1. NOPR

22. The NOPR proposed to modify Page 700 to include the Composite Tax Rate used to determine the Income Tax Allowance. The NOPR proposed to add a new line 8a which will require an oil pipeline to report its Composite Tax Rate Percentage. The NOPR defined the Composite Tax Rate Percentage as the sum, adjusted consistent with Commission policy, of (a) the applicable state income tax rate and (b) a federal income tax rate. As filed on Page 700, the NOPR stated the Composite Tax Rate Percentage should reflect the income tax rate used pursuant to Commission policy to determine the Income Tax Allowance reported on line 8.

23. The NOPR surmised “[t]he Composite Tax Rate Percentage will create a better understanding of the differential between an oil pipeline’s Total Interstate Operating Revenues (line 10) and the oil pipeline’s Total Cost of Service (line 9).” Specifically, the NOPR predicted the Composite Tax Rate Percentage may be used to determine the portion of this differential that is attributable to income taxes under Commission policy, and the

...
portion that may be treated as part of an oil pipeline’s actual return on equity.

2. Comments

24. Several entities filed comments. AOPL requests the Commission clarify what is represented by the Composite Tax Rate to be included in proposed line 8a (combined federal and state tax rate or something different). ConocoPhillips requests the Commission clarify how the income tax allowance reported on line 8 of the illustrative Page 700 provided as Appendix B to the NOPR was calculated.

25. A4A and NPGA request that the Commission provide guidance in its order that will ensure oil pipelines include a reasonably calculated income tax allowance on Page 700. A4A and NPGA note that the Commission may want to consider requiring the oil pipeline to report the income taxes associated with the collection of equity for fund-based during construction (AFUDC) depreciation as a separate row to allow parties to be able to more easily gauge the reasonableness of the Income Tax Allowance calculation, or alternatively, shippers can use 50 percent of the Adjusted Capital Structure ratio for Proprietary Capital (row 6b) as an imperfect proxy for the equity portion of the AFUDC depreciation reported in line 3. A4A and NPGA also request that the Commission clarify how comparable rate of return comparisons should be performed.

3. Commission Determination

26. The Commission adopts the NOPR’s proposal with AOPL’s requested clarification. The Commission clarifies that what is represented by the Composite Tax Rate to be included in line 8a is the combined federal and state tax rate as adjusted consistent with Commission policy. The Commission simply seeks the tax rate that represents the amount of additional taxes the oil pipeline would be required to pay if it earned its exact weighted average cost of capital as reported on line 6e and it collected an additional dollar of revenue. 27. As to ConocoPhillips’ request to show how the income tax allowance depicted on line 8 of the illustrative Page 700 provided in Appendix B was calculated, the Commission declines to do so. As ConocoPhillips’ acknowledges, Appendix B was included merely for illustrative purposes and is not precedentual.

28. Lastly, the Commission declines to require oil pipelines to report on a separate row the income taxes associated with the collection of equity AFUDC depreciation. There has been no showing the separate identification of this subcomponent of the total income tax allowance will enhance the usefulness of Page 700 in the preliminary screening process. Review of an oil pipeline’s calculation of an income tax allowance is done in a ratemaking proceeding, and the additional data provided by the Final Rule is sufficient for a shipper or interested entity to use Page 700 as a preliminary screening tool.

E. Calculation of Actual Rate of Return on Equity

1. NOPR

29. The NOPR proposed modifications to Page 700 that will provide information that may be used to calculate an oil pipeline’s actual rate of return on equity. The NOPR detailed that, for Page 700 purposes, the actual rate of return on equity is determined by dividing (a) the actual return on equity by (b) the equity portion of Trended Original Cost Rate Base reported on line 5d. The NOPR further pointed out for Page 700 purposes, the actual return on equity is the sum of three components that can be derived using the proposed modifications: (a) the return on equity embedded in an oil pipeline’s Page 700 Total Cost of Service (line 7b); (b) the difference, adjusted for taxes, between an oil pipeline’s Total Interstate Operating Revenues (line 10) and an oil pipeline’s Total Cost of Service (line 9); and (c) the current year’s inflation related earnings that are deferred for subsequent collection, e.g., the contribution to Net Deferred Earnings, which is calculated by multiplying the equity portion of the Trended Original Cost Rate Base (line 5d) by the current year’s Department of Labor’s consumer price index for all urban areas (CPI–U).

30. Once the actual return on equity has been derived, the NOPR suggested that for Page 700 purposes, it may be divided by the equity portion of TOC rate base. Finally, the NOPR stated the equity portion of the TOC rate base consists of the TOC rate base (proposed line 5d) multiplied by the equity component of capital structure (proposed line 6b).

2. Comments

31. AOPL requests that the Commission clarify that the methodology set forth in the NOPR for calculating the actual rate of return on equity will have no precedentual effect, and that the proposed calculation is not intended to demonstrate whether oil pipeline rates are just and reasonable on the merits within the meaning of the ICA. AOPL points out, “the Commission has consistently emphasized the original, limited purpose of Page 700” in that Page 700 is only a “preliminary screening tool and is not to be used to demonstrate the justness and reasonableness of oil pipeline rates.”28 AOPL also observes the Commission has stated Form 6 “provide[s] sufficient information to allow shippers to file a complaint requesting a determination of the justness and reasonableness of an oil pipeline’s rates.”29 Therefore, AOPL contends that shippers already have enough information with what is already available on Page 700.

32. AOPL argues Form 6 includes historic accounting data that (1) does not contain the forward-looking adjustments made during ratemaking; (2) may include non-recurring items that should be excluded for ratemaking purposes; and (3) might not properly allocate the oil pipeline’s overhead costs from parent to affiliated companies.30

33. AOPL further states it is concerned that the ratemaking formula discussed in the NOPR does not reflect Commission precedent and established ratemaking principles for oil pipelines.31 For example, AOPL claims that in Opinion No. 351, the Commission found that the regulatory methodology for determining a company’s return allowance is based on a weighted cost of capital applied to a single rate base, yet the NOPR purportedly references a separate debt and equity rate base component for purposes of computing an actual return on equity, which claims is inconsistent with prior Commission findings. Likewise, AOPL disagrees with the statement that “the current year’s contribution to Net Deferred Earnings represents equity return the carrier has collected in its current rates.”32 To this end, AOPL suggests that under the TOC methodology the current year’s contribution to deferred earnings is not collected in the current period, but is instead accrued in rate base and amortized over the remaining life of the asset.

34. AOPL asserts that the additional information is not necessary or
appropriate for ensuring that Page 700 can be used for its intended purpose of allowing a shipper to make a threshold determination as to whether to challenge an oil pipeline’s rates. AOPL states that the proposed additional line items do not further the Commission’s objective of ensuring that page 700 is a useful preliminary screening tool.

35. Mr. Gooch states that the NOPR’s calculation of the actual return on equity allows for an income tax allowance prior to the calculation of a profit, to which Mr. Gooch strongly objects. Mr. Gooch states that consumers would essentially be paying the income taxes that might be incurred on unlawful and prohibited revenues, violating the ICA.

3. Commission Determination

36. The Commission will adopt the NOPR’s use of a calculation of an actual rate of return on equity. As the NOPR reasoned, the actual rate of return on equity is particularly useful information when using Page 700 as a preliminary screen to evaluate whether additional proceedings may be necessary to challenge rates consistent with the Commission’s mandate under the ICA.

37. The proposed formula for calculating the actual return on equity in the NOPR does not have precedent effect for ratemaking purposes nor does it demonstrate alone whether a pipeline’s rates are just and reasonable. Consistent with the historic purpose of Page 700 as a preliminary screening tool, the Commission affirms the NOPR’s method for calculating the actual rate of return on equity for preliminary screening purposes only. The proposal does not establish a formula for setting oil pipeline rates in a particular rate case.

38. Accordingly, the calculation of the actual rate of return formula on Page 700 does not change the Commission’s ratemaking policies. The Commission agrees with AOPL that Opinion No. 351 outlined how the total return on equity should be calculated for the purpose of setting oil pipeline rates.33 Here, in contrast, the proposed calculation is for the calculation of an actual return on equity only. The Commission’s actions in this Final Rule do not change the Commission’s ratemaking policies in Opinion No. 351. Nor does the formula, which is for preliminary screening purposes only, alter the Commission’s ratemaking policies regarding test period adjustments, net deferred earnings,34 or the calculation of an oil pipeline’s return. Nor do the changes to Page 700 alter the standards and burdens of proof applied by the Commission when it rules on complaints, petitions, or other requests for relief based on a full record and substantial evidence. Finally, the Commission emphasizes that the additions to Page 700 neither affect existing rates nor change any rate on file. Rather, the requested data provide the Commission and interested entities with information that will help them make a reasonable assessment of an oil pipeline’s actual rate of return on equity for preliminary screening purposes at any particular time.

39. The Commission rejects Mr. Gooch’s contention that the NOPR’s calculation of the actual return on equity inappropriately adjusts for income taxes. The difference between an oil pipeline’s Total Interstate Operating Revenues (line 10) and an oil pipeline’s Total Cost of Service (line 9) may be subject to income taxes. Any portion of this differential attributable to income taxes is an expense and is not part of the return to the oil pipeline’s owners. Thus, the NOPR correctly removed the portion attributable to income taxes from the calculation of the oil pipeline’s actual return on equity.

40. In discussing the NOPR’s estimate of an actual return on equity, AOPL states that Page 700 may not properly reflect the allocation of overhead costs from parent and affiliated companies.35 The instructions to Page 700 state that reported information “shall be computed consistent with the Commission’s Opinion No. 154–B et al. methodology.” The Commission expects Form 6 respondents to properly populate each entry to reflect Commission precedent.

F. Miscellaneous Recommendations

1. Comments

41. Commenters raised a number of additional issues. Mr. Gooch advocates compelling oil pipelines to report excess profits in footnotes to Page 700. Mr. Gooch also advocates that the oil pipelines be required to state, under oath, that all of their rates are just and reasonable under the Commission’s definition.

42. All the commenters except AOPL advocate for companies that file Form 6 for multiple oil pipeline systems to file separate Page 700s for each segment, service, or rate schedule.36 Similarly, several commenters advocate for the Commission to require oil pipelines to file or make available workpapers.37 CAPP also asked the Commission to clarify the relationship between the entity that files Page 700 and the oil pipeline services for which a return on equity is intended to be generated. A4A and NPGA also request that the Commission require oil pipelines to file Form 6 before they can file for an index rate increase.38 Valero requests that Page 700 be amended to include Jurisdictional Allowance Oil Revenue, storage, demurrage revenue, rental revenue, and incidental revenue. Valero also requests that an oil pipeline identify and justify the exclusion of any such revenue as non-jurisdictional.39

43. Parties also raised issues not involving Form 6. For example, Mr. Gooch raises issues related to alleged over-recoveries by certain oil pipelines.40 A4A and NPGA as noted above request that the Commission require oil pipelines to file Form 6 before they can file for an index rate increase; they also ask that the interest rate applicable to refunds and reparation reflect the oil pipeline’s rate of return as reported on page 700.41

44. In its reply comments, AOPL objects that many of the comments are beyond the scope of the NOPR. AOPL adds that many of the proposed revisions have been raised in other proceedings such as (1) proposals to segregate Form 6 and Page 700 data by oil pipeline system and (2) proposals to require oil pipelines to file their Page 700 workpapers with Form 6, and the Commission has rejected them.42 As to the proposals to add workpapers, AOPL further suggests that the commenters have not raised any new arguments and the Commission should again reject the proposals.43 Finally, AOPL asks the


34 In a rate proceeding to set oil pipeline rates, the Commission recognizes that the inflation related return is earned in the current period but the collection thereof is deferred to later periods through an amortization process over the remaining life of an oil pipeline. This is similar to the calculation of a regulatory asset, which may be recognized for financial purposes in the current period but included in rate base and collected over the life of the asset for ratemaking purposes.

35 AOPL Comments at 13–15.
Commission to reject Valero’s proposed changes because Valero is attempting to relitigate the outcomes of previous index rate proceedings.44

2. Commission Determination

45. In this Final Rule, the Commission modifies Page 700 to require entities to provide additional information regarding rate base, rate of return, return on rate base, and income tax allowance on Page 700. These revisions provide increased transparency and information to assist the Commission and the public in calculating an oil pipeline’s return on equity for preliminary screening purposes. Given the limited nature of the NOPR, the Commission is not adopting additional changes to Form 6, such as the segregation of data or changing Commission policy to make available oil pipeline cost-of-service workpapers. Other issues, such as the Commission’s indexing policies, may be addressed as they arise in actual proceedings.

G. Conclusion

46. As discussed herein, the proposed modifications will facilitate the calculation of the actual rate of return on equity based upon Page 700 data. The actual rate of return on equity is particularly useful information when using Page 700 to conduct a preliminary evaluation of an oil pipeline’s rates. The additional information proposed to be reported will impose almost no additional burden on oil pipelines because oil pipelines already must develop cost of service supporting the information reported on Page 700.

H. Effective Date

47. The changes to Form 6 are to be effective for reporting in the 2013 Form 6. The 2013 Form 6 must be filed on or before April 18, 2014.45 The new schedule appearing on Page 700 therefore will be required for Form 6 filings as of April 18, 2014, for the reporting year ending December 31, 2013.

V. Information Collection Statement

A. The NOPR

48. In the NOPR, in accordance with the Paperwork Reduction Act and the requirements of the Office of Management and Budget (OMB), the Commission solicited comment on the Commission’s need for this information, whether the information will have practical utility, the accuracy of provided burden estimates, ways to enhance the quality, utility, and clarity of the information to be collected, and any suggested methods for minimizing the respondent’s burden, including the use of automated information techniques.46 The Commission also informed respondents that they will not be penalized for failing to respond to this collection of information unless the collection displays a valid OMB control number.

49. The Commission estimated the additional average annual Public Reporting cost imposed on oil pipelines providing interstate services related to line 5a–5c, 6a–6e, 7a–7c, and 8a of Page 700 for 2013 and future years, to be 0.5 hours per person per respondent. The Commission estimated there are 153 filers that will be affected each year by the change in filing requirements.48 The number of filers is reduced from 166 to 153 through 2012 filers and exclusion of TAPS oil pipelines.

B. Comments

50. No entity directly commented on the Commission’s initial burden estimates that were included in the NOPR.

C. Commission Determination

51. The Commission has reviewed the burdens imposed by this Final Rule. The Commission did not impose any additional filing requirements as proposed by various commenters to require the oil pipelines to file additional information beyond that included in the NOPR. The additional lines included in the NOPR and final rule are needed steps to calculate information already reported in the Form 6. Therefore, there is no additional Public Reporting Burden associated with the Final Rule. The Commission’s estimate of the Public Reporting Burden imposed on oil pipelines by this Final Rule is the same as shown in the NOPR and copied in the table below.

<table>
<thead>
<tr>
<th>RM12–18–000, FERC Form 6</th>
<th>Annual number of filers</th>
<th>Estimated additional burden per filer (hr.)</th>
<th>Total estimated additional burden (hr.)</th>
<th>Estimated additional cost per filer ($)</th>
<th>Total estimated additional cost ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Filing new proposed lines on page 700</td>
<td>153</td>
<td>0.5</td>
<td>77</td>
<td>$34.51</td>
<td>$2,657.88</td>
</tr>
</tbody>
</table>

Title: FERC Form 6, Annual Report of Oil Pipeline Companies.

Action: Revisions to the FERC Form 6.

OMB Control No: 1902–0022.

Respondents: Oil pipelines.

Frequency of Responses: Annual.

Necessity of the Information: This action ensures the availability of data consistent with the Commission’s obligation to regulate interstate oil and petroleum product oil pipeline rates and the intent of Page 700, to enable the Commission and shippers to monitor and analyze interstate oil pipeline costs.

Internal Review: The Commission has reviewed the changes and has determined that the changes are necessary. These requirements conform to the Commission’s need for efficient and sufficient information collection, communication, and management with regard to the oil pipeline sector of the energy industry. The Commission has, by means of internal review, assured itself that there is specific, objective support for the burden estimates associated with the information collection requirements.

Interested persons may obtain information on the reporting requirements by contacting: Federal Energy Regulatory Commission, 888 First Street NE., Washington, DC 20426 [Attention: Ellen Brown, Office of the Executive Director, email: DataClearance@ferc.gov, Phone: (202) 502–8663, fax: (202) 273–0873].

Comments on the requirements of this final rule should be submitted to the FERC’s Office of the Executive Director by June 17, 2013. Comments on the requirements of this final rule should be submitted to the FERC’s Office of the Executive Director by June 17, 2013.

44 Id. at 24.
45 18 CFR 357.1.
47 Id.
48 The TAPS oil pipelines are exempt from filing Page 700. Section 1804(2)(B) of the Energy Policy Act of 1992 excludes from the provisions of the Act, for ratemaking purposes, TAPS and any oil pipeline delivering oil directly or indirectly to TAPS. Therefore, the Commission exempted the TAPS entities from having to submit the information required on Page 700. Order No. 571, FERC Stats. & Regs. ¶ 31,006 at 31,175.

49 Based on an estimated average cost per employee for 2012 (including salary plus benefits) of $143,540, the estimated average hourly cost per employee is $69.01. The average work year is 2,080 hours.
Final Rule.

As explained above, the respondents to the requirements in the rule may also be sent to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, DC 20503 [Attention: Desk Officer for the Federal Energy Regulatory Commission]. For security reasons, comments should be sent by email to OMB at oira_submission@omb.eop.gov. Please reference OMB Control No. 1902–0022, FERC–6 and the docket number of this rulemaking in your submission.

VI. Environmental Analysis

52. 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. The actions taken here fall within categorical exclusions in the Commission’s regulations for information gathering, analysis, and dissemination.59 Therefore, an environmental assessment is unnecessary and has not been prepared in this rulemaking.

VII. Regulatory Flexibility Act

53. The Regulatory Flexibility Act of 1980 (RFA) generally requires agencies to prepare certain statements, descriptions, and analyses of proposed rules that will have a significant economic impact on a substantial number of small business entities.51 Agencies are not required to make such an analysis if a rule would not have such an effect.

54. The Commission does not believe that this Final Rule will have an adverse impact on small entities, nor will it impose upon them any significant costs of compliance. The Commission identified 29 small entities as respondents to the requirements in the Final Rule.52 As explained above, the Commission estimates that the change to Page 700 will increase the paperwork burden of preparing Page 700 by approximately $34.51 per respondent.

The Commission does not estimate that there are any other regulatory burdens associated with this rule. Therefore the Commission certifies that the proposed rule will not have a significant impact on a substantial number of small entities. Accordingly, no regulatory flexibility analysis is required.

VIII. Document Availability

55. In addition to publishing the full text of this document in the Federal Register, the Commission provides all interested persons an opportunity to view and/or print the contents of this document via the Internet through FERC’s Home Page (http://www.ferc.gov) and in FERC’s Public Reference Room during normal business hours (8:30 a.m. to 5:00 p.m. Eastern time) at 888 First Street NE., Room 2A, Washington DC 20426.

56. From FERC’s Home Page on the Internet, this information is available on eLibrary. The full text of this document is available on eLibrary in PDF and Microsoft Word format for viewing, printing, and/or downloading. To access this document in eLibrary, type the docket number excluding the last three digits of this document in the docket number field.

57. User assistance is available for eLibrary and the FERC’s Web site during normal business hours from FERC Online Support at (202) 502–6652 (toll free at 1–866–208–3676) or email at ferconlinesupport@ferc.gov, or the Public Reference Room at (202) 502–8371, TTY (202) 502–8659. Email the Public Reference Room at public.referenceroom@ferc.gov.

IX. Effective Date and Congressional Notification

58. In the NOPR the Commission proposed that the changes to Form 6 to be effective for reporting in the 2013 FERC Form No. 6. The 2013 Form 6 must be filed on or before April 18, 2014.53 The new schedule appearing on Page 700 therefore would not be required for Form 6 filings until April 18, 2014, for the reporting year ending December 31, 2013. The Final Rule is effective sixty (60) days after the rule is published in the Federal Register.

59. The Commission has determined, with the concurrence of the Administrator of the Office of Information and Regulatory Affairs of OMB that this rule is not a major rule as defined in section 351 of the Small Business Regulatory Enforcement Fairness Act of 1996.

By the Commission.

Kimberly D. Bose,
Secretary.

Note: Appendix A will not be published in the Code of Federal Regulations.

Appendix A—Summary of Proposed Changes to FERC Form 6, Page 700

Line 5a is added to read as follows:
Rate Base—Original Cost
Line 5b is added to read as follows:
Rate Base—Unamortized Starting Rate Base
Write-Up
Line 5c is added to read as follows:
Rate of Return—Adjusted Capital Structure Ratio for Long Term Debt
Line 5d is added to read as follows:
Total Rate Base—Trended Original Cost—(line 5a + line 5b + line 5c)
Line 6a is added to read as follows:
Rate of Return—Adjusted Capital Structure Ratio for Stockholders’ Equity
Line 6b is added to read as follows:
Rate of Return—Cost of Long Term Debt Capital
Line 6d is added to read as follows:
Rate of Return—Real Cost of Stockholders’ Equity
Line 6e is added to read as follows:
Rate of Return—Weighted Average Cost of Capital—(line 6a × line 6c + line 6b × line 6d)
Line 7 is edited to read as follows:
Return on Trended Original Cost Rate Base
Line 7a is added to read as follows:
Return on Rate Base—Debt Component—(line 5d × line 6a × line 6c)
Line 7b is added to read as follows:
Return on Rate Base—Equity Component—(line 5d × line 6b × line 6d)
Line 7c is added to read as follows:
Total Return on Rate Base—(line 7a + line 7b)
Line 8a is added to read as follows:
Composite Tax Rate % (37.50%–37.75%)

Note: Appendix B will not be published in the Code of Federal Regulations.

Appendix B: Revised Page 700 to Form 6
The Food and Drug Administration (FDA) is amending the animal drug regulations to reflect a change of sponsor for two approved new animal drug applications (NADAs) from Alstoe, Ltd., Animal Health, to Sogeval S.A., and a change of sponsor for an NADA from Nexcyon Pharmaceuticals, Inc. to Elanco Animal Health, A Division of Eli Lilly & Co.

DATES: This rule is effective July 24, 2013.

FOR FURTHER INFORMATION CONTACT: Steven D. Vaughn, Center for Veterinary Medicine (HFV–100), Food and Drug Administration, 7520 Standish Pl., Rockville, MD 20855, 240–276–8300, email: steven.vaughn@fda.hhs.gov.

SUPPLEMENTARY INFORMATION: Alstoe, Ltd., Animal Health, Pera Innovation Park, Nottingham Rd., Melton Mowbray, Leicestershire, England LE13 0PB has informed FDA that it has transferred ownership of, and all rights and interest in, NADA 099–667 for IMPOSIL (iron dextran complex) Injection and NADA 110–399 for GLEPTOSIL (gleptoferron) Injection to Sogeval S.A., 200 Avenue de Mayenne, 53000 Laval, France.

Nexcyon Pharmaceuticals, Inc., 644 W. Washington Ave., Madison, WI 53703 has informed FDA that it has transferred ownership of, and all rights and interest in, NADA 141–337 for RECUVYRA (fentanyl) Transdermal Solution to Elanco Animal Health, A Division of Eli Lilly & Co., Lilly Corporate Center,