

Supporting Statement for

FERC Form No. 6-Q, "Quarterly Financial Report of Oil Pipeline Companies"

The Federal Energy Regulatory Commission (Commission) requests Office of Management and Budget (OMB) review and approval of **FERC Form 6-Q, "Quarterly Financial Report of Oil Pipeline Companies"** (1902-0206) an existing information collection whose current expiration date is June 30, 2007. The Commission seeks a three year extension or through June 30, 2010.

A. Justification

1. CIRCUMSTANCES THAT MAKE THE COLLECTION OF INFORMATION NECESSARY

Background

Under the existing regulations FERC jurisdictional entities subject to its Uniform System of Accounts must annually file with the Commission a complete set of financial statements, along with other selected financial and non financial data through the submission of FERC Annual Report Form Nos. 1, 1-F, 2, 2-A and 6. The FERC Annual Report Forms provide the Commission, as well as others, with an informative picture of the jurisdictional entities financial condition along with other relevant data that is used by the Commission, as well as others, in making economic judgments about the entity or its industry.

Although the Commission requires jurisdictional entities to file financial information, a general weakness in this reporting program has been the frequency with which the financial reports are required. In a rapidly changing business environment, annual reporting is simply insufficient. Financial accounting and reporting provides needed information concerning a company's past performance and its future prospects. Without reliable financial statements prepared in accordance with the Commission's Uniform System of Accounts and related regulations, the Commission would be unable to accurately determine the costs that relate to a particular time period, service, or line of business. Additionally, it would be difficult to determine whether a given entity has previously been given the opportunity to recover its costs through rates, or to compare how the financial performance and results of operations of one regulated entity relates to that of another. The need for current and better disclosures in financial statements drives the increasing demand for timely, relevant and reliable financial information.

Notice of Proposed Rulemaking (Docket No. RM03-8-000)

On June 26, 2003, the Commission issued a Notice of Proposed Rulemaking (NOPR) in Docket No. RM03-8-000 regarding "**Quarterly Financial Reporting and**

Revisions to the Annual Reports." The purpose of the NOPR was to improve financial transparency of the financial information related to FERC jurisdictional entities. The NOPR would allow the Commission, as well as others, to identify and evaluate financial trends and emerging issues facing the energy industry. More frequent financial reporting would give the Commission and the public another tool to improve decision making. It would aid the Commission in assessing the economic consequences of transactions and events on jurisdictional entities, measuring the effects of regulatory initiatives, evaluating the adequacy of existing traditional cost-based rates and aid in the development of needed changes to existing regulatory initiatives in a parallel fashion.

In the NOPR, the Commission proposed that public utilities and licensees, natural gas companies and oil pipeline companies be required to file a set of financial statements on a quarterly basis. The financial statements were to be developed using the Commission's Uniform System of Accounts and were to be presented in a similar manner as those already filed with the Commission on an annual basis. The proposed financial statements would show the activity for the current quarter as compared to the same quarter of the prior year. As the Commission justified in the NOPR, this data would aid the Commission in monitoring the business conditions and changing events in these industries. The supplementary schedules also would provide the Commission with valuable financial information on a timelier basis and allow for additional transparency into the financial activities of the entity. The financial statements proposed to be included in the quarterly reports included the Comparative Balance Sheet, the Statement of Income and Retained earnings, the Statement of Cash Flows, and the Statement of Other Comprehensive Income and Hedging Activities.

Final Rule (Docket No. RM03-8-000)

On February 11, 2004, the Commission issued a final rule in Docket No. RM03-8-000, Order No. 646, regarding "**Quarterly Financial Reporting and Revisions to the Annual Reports.**" The final rule allowed as noted in the NOPR above, the Commission, as well as others, the ability to identify and evaluate financial trends and emerging issues facing the energy industry. More frequent financial reporting gives the Commission and the public another tool to improve decision making. It aids the Commission in assessing the economic consequences of transactions and events on jurisdictional entities, measuring the effects of regulatory initiatives, evaluating the adequacy of existing traditional cost-based rates and aid in the development of needed changes to existing regulatory initiatives in a parallel fashion. The two new quarterly financial reports created by the Final Rule act as a supplement to the existing FERC Annual Reports by collecting basic financial related information from jurisdictional entities. To alleviate the burden of jurisdictional entities the Commission modified the filing dates, the

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requirements for notes to the financial statements, and the corporate officer certification statement.

FERC Form No. 6 – “Annual Report of Oil Pipeline Companies”, the Interstate Commerce Act (ICA) (49 U.S.C.) authorizes and empowers the Commission to make investigations and collect and record data to the extent the Commission considers necessary or useful for the purpose of carrying out the provisions of the ICA. The ICA also authorizes the Commission to prescribe rules and regulations as necessary or appropriate for purposes of administering the ICA. 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. The Commission collects Form Nos. 6 information as prescribed in 18 C.F.R. 357.2.

FERC Form No. 6Q - "Quarterly Financial Report of Oil Pipeline Companies" requires companies to file with the Commission a complete set of quarterly financial statements. Most of the information contained in these forms is the same information currently submitted on an annual basis on the FERC Form No. 6.

As noted above, quarterly reporting of financial information permits the Commission to have a better understanding of trends and other factors that may affect an entity's liquidity position, its commitments of capital expenditures, and its sources of financing, along with changes in the amount of assets, liabilities, debt and equity used in its business. Transparent accountings and more frequent financial reporting play an important role in achieving vigilant oversight of market participants. More frequent financial reporting provides needed insight into the opportunities and risks facing the energy industry as the Commission considers and assesses the affects of its regulatory initiatives. The Commission shares the view that quarterly reporting enhances its overall decision making process by providing more timely, useful and relevant data to the decision making process.

It should be noted that Congress granted the Commission authority to prescribe periodic financial and nonfinancial reporting.¹ All jurisdictional entities subject to the Commission's accounting and financial reporting regulations are required to keep their books and records in such a manner as to permit the preparation of financial and operating statements directly from such records at the end of each accounting period according to the prescribed accounts. Furthermore, the accounting period described by

¹ Authority granted to the Commission pursuant to sections 4, 304 and 309 of the Federal Power Act, Sections 10(a) and 16 of the Natural Gas Act and section 20 of the Interstate Commerce Act. See 16 U.S.C. §§ 797, 825c and 825h; 15 U.S.C. §§ 717i(a) and 717o; and 49 App. U.S.C. §§ 1-85 (1988).

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the Uniform System of Accounts is a calendar month.² Consequently, the Commission's existing regulations require jurisdictional entities to have accounting and financial reporting systems in place to readily prepare financial and operating statements summarized on a monthly basis. Therefore, it should not be unduly burdensome for these entities to prepare and report on account activity on a monthly, quarterly, or annual basis when required to do so by this Commission.

The supplemental schedules provide important details regarding the types and sources of revenues, the category and types of costs incurred, the assets and utility investments made by the respondent, significant new borrowings incurred during the period, as well as information about the establishment and disposition of regulatory assets and liabilities during the period. The reporting of this detailed information allows Commission staff to better understand emerging trends experienced by the respondents, and the economic impact that significant transactions, events, and regulatory initiatives have on regulated operations. Additionally, this level of detailed reporting helps to ensure that emerging financial trends are not masked due to the consolidation of various account balances. Finally, this level of detail along with the related notes contained in the reports allows the Commission to better monitor the adequacy of cost based rates on a timelier basis, and to monitor the respondents' overall compliance with Commission regulations.

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

For FERC Form Nos. 1 & 1-F, FERC Form nos. 2 & 2-A and FERC Form No. 6, these forms primarily collect general corporate information. This includes summary financial information; balance sheet and income statement supporting information and electric plant, sales operating, and expenses. The information collected in the forms is used by Commission staff, state regulatory agencies and others in the review of the financial condition of regulated companies. The information is also used in various rate proceedings, industry analyses and in the Commission's audit programs and as appropriate, for the computation of annual charges based on certain schedules contained on the forms. The Commission provides the information to the public, intervenors and all interested parties to assist in the proceedings before the Commission.

The FERC Annual Report Forms provide the Commission, as well as others, with an informative picture of the jurisdictional entities' financial condition along with other

² See 18 C.F.R. Parts 101 and 201, General Instruction 3(c) and 4, for the accounting period and financial statement requirements of public utilities and licensees, and natural gas companies, and 18 C.F.R Part 352, General Instruction 1-3, for the accounting period and financial statement requirements of oil pipeline companies.

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relevant data that is used by the Commission in making economic judgments about the entity or its industry. For financial information to be useful to the Commission, it must be understandable, relevant, reliable and timely. As financial reporting has evolved over the years, users of financial information have been willing to forgo some precision in reliability for the ability to obtain the information on more timely intervals, such as quarterly reporting.

Quarterly reporting of financial information provides the Commission, as well as customers, investors and others an important tool to help identify emerging trends and issues affecting jurisdictional entities within the energy industry. It also provides timely disclosures of the impacts that new accounting standards or changes in existing standards have on jurisdictional entities, as well as the economic effects of significant transactions, events and circumstances. The reporting of this information by jurisdictional entities assists the Commission in its analysis of profitability, efficiency, risk and in its overall monitoring effect.

The use of a uniform chart of accounts permits public utilities and licensees, natural gas companies and oil pipeline companies to account for similar transactions and events in a consistent manner, and communicate those results to the Commission on a periodic basis.

Additionally, the uniformity helps to present accurately the entity's financial condition and produces comprehensive data related to the entity's financial history helping to act as a guide for future action. The uniformity provided by the Commission's chart of accounts and related accounting instructions permits comparability and financial statement analysis of data provided by jurisdictional entities. Comparability of data and financial statement analysis for a particular entity from one period to the next, or between entities, within the same industry, would be difficult to achieve if each company maintained its own accounting records using dissimilar accounting methods and classifications to record similar transactions and events.

In summary, without this information the Commission will not be able to respond and make decisions in a timely manner particularly to rapidly changing financial conditions of entities subject to its jurisdiction.

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

The Commission made available to all FERC Form No. 1, FERC Form No. 2, FERC Form No. 2-A and FERC Form No. 6 respondents, a web-based, Windows 95/98/2000ME/NT submission software necessary to file electronically through a

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doorway found on the FERC web site at

<http://www.ferc.gov/docs-filing/eforms/form-6/elec-subm-soft.asp>. This availability was expanded to include the FERC Forms 3-Q and 6-Q. Presently, all respondents (with the exception of FERC Form No. 1-F) are using this software and doorway access. The Commission has adopted user friendly electronic filing formats and software to facilitate these required formats and software in order to generate the required electronic filings. In 2003 all of the Commission's financial annual reports are filed electronically (with the exception of Form 1-F, which is currently under review). (See Section 385.2011 of the Commission's regulations.)

To improve access to FERC-held financial information, the Commission has made it easier for users to electronically access financial information filed with the Commission.

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

The Commission's filings and data requirements are periodically reviewed in conjunction with OMB clearance expiration dates. This includes a review of the Commission's regulations and data requirements to identify any duplication. The Commission's staff is continuously reviewing its various filings in an effort to alleviate duplication.

While some jurisdictional entities may file similar information with the Securities and Exchange Commission (SEC), the level of detail concerning assets, liabilities, stockholders' equity along with the revenues, expenses, gains and losses is different for the Commission and the SEC. The financial statements filed with the SEC are on a consolidated, or parent company basis. The Commission notes that a majority of the jurisdictional entities that it regulates file financial information with the SEC that consolidates their assets, liabilities and profits with their parent company, or combine the regulated and unregulated operations in the reports to the SEC.

While consolidation is appropriate for SEC reporting, the Commission requires more detailed information concerning the results of operations, and the financial position of each jurisdictional entity in order to meet its regulatory needs. Therefore, the

Commission has required jurisdictional entities to file financial information on a jurisdictional entity level basis using a uniform system of accounts.

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

The Commission believes that the reporting requirements do not create significant burdens to industry. The Commission believes that the benefits of greater transparency and understandability of financial statements to both the Commission and the public far outweigh the costs to an individual company. The Commission finds that the burden should be minimal. It is standard practice for companies to compile and summarize accounting transactions on a monthly basis, or even more frequently depending on the operational need for selected data. Therefore, the information needed to compile quarterly financial statements is readily available. However, if the reporting requirements represent an undue burden on small businesses, the affected entity may seek a waiver of the disclosure requirements from the Commission. The Commission believes that the information specified is the minimum necessary to provide a meaningful review of financial conditions and would impose the least possible burden on entities. Any Commission decision to grant a waiver from all or part of the reporting requirements contained in Order No. 646 will depend on the particular facts and circumstances affecting a respondent's operations. A jurisdictional entity with a waiver from filing a FERC Annual Report Form No. 1, 1-F, 2, 2-A, or 6 is exempt from filing quarterly financial reports. However, those entities that do not have a waiver will be required to file FERC Annual Reports and supplement them with quarterly financial reports as provided for in the Commission's regulations.

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

Quarterly reporting is not a new requirement for public corporations. It began in 1902 when the United States Steel Corporation first published financial quarterly financial information and by 1910 the New York Stock Exchange added quarterly reporting financial reporting to its listing requirements. Additionally, over the decades public companies have been expanding their financial disclosures to meet the needs of the user community.

The trend toward more frequent and better financial disclosures has increased in reaction to highly publicized corporate scandals, business failures and the resulting losses incurred by investors and others. In 2002 Congress passed the Sarbanes-Oxley Act to require public companies disclose on rapid and current basis additional information on material changes in the financial condition or operations. This information has to be disseminated to the public and investors in language they would clearly understand. As a result of this legislation, dates for periodic reporting of financial information have been accelerated, and principal executive and financial officers must each attest to the validity

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of the financial and other information contained in the financial reports.

Annual reporting is consistent with the companies' own reporting to their management, the Internal Revenue Service, state and other Federal agencies' (including Office of Management and Budget) (OMB) requirements. Likewise, the reporting requirements for quarterly reports are consistent with and compatible to the reporting of companies to their own management. Further, OMB's guidelines also states at 5 CFR 1320.5(d) (2) (1) that agencies should require respondents to report information no more than quarterly and these requirements meet that guideline.

7. EXPLAIN ANY SPECIAL CIRCUMSTANCES RELATING TO THE INFORMATION COLLECTION

The requirements of FERC Form No. 6-Q meets all of OMB's section 1320.5 requirements.

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

The Commission's procedures require that a rulemaking notice be published in the Federal Register, thereby allowing all jurisdictional entities, state commissions, federal agencies, and other interested parties an opportunity to submit comments, or suggestions concerning the proposal. The rulemaking procedures also allow for public conferences to be held as required.

On December 15, 2006 a notice of the proposed information collection and request for comments was published a notice in the Federal Register (72 FR 75524).

The Commission did not receive any comments concerning the FERC Form No. 6-Q. However, as the information on FERC Form No. 6-Q is derived from the FERC Form No. 6, we repeat the comments of the sole commenter on the FERC Form No. 6, the Bureau of Economic Analysis (BEA), U.S. Department of Commerce. BEA fully endorsed the continued used of the information contained in the FERC Form No. 6, stating that:

“Data from the FERC Form No. 6 is used by BEA’s Annual Industry Accounts (AIA) for estimating gross output, intermediate input, and value added in the U.S. economy at the industry level for GDP. In the AIA pipeline transportation industry, the primary output indicator is from the September issue of the Oil and Gas Journal which focuses on pipeline economics. One of their primary sources is the FERC Form 6 which collects financial and operational information from oil pipeline companies subject to the

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jurisdiction of the Commission. Without FERC Form No. 6 information for use in the Oil and Gas Journal, it is likely the data provided to BEA by the Journal would be significantly impaired or simply become unavailable. This would require BEA to rely on data of lesser quality. Therefore, BEA supports continuation of the FERC Form 6 data collection program.”

The Commission is appreciative of BEA’s continued support of the Commission’s information collections.

9. EXPLAIN ANY PAYMENTS OR GIFTS TO RESPONDENTS

There are no payments or gifts to respondents in the proposed rule.

10. DESCRIBE ANY ASSURANCE OF CONFIDENTIALITY PROVIDED TO RESPONDENTS

The Commission considers both its annual and quarterly reporting systems to be public information and, therefore, generally not confidential. The benefits of a standardized and uniform accounting system would not be realized if the financial information once compiled were withheld from public view. To ensure that these benefits are realized, and to provide transparency of economic consequences to all affected interests, the Commission has prescribed a program of periodic financial reporting that makes financial and non-financial information publicly available to all interested parties.

However, the Commission will entertain specific requests for confidential treatment to the extent permitted by law pursuant to 18 C.F.R. ' 388.112.

11. PROVIDE ADDITIONAL JUSTIFICATION FOR ANY QUESTIONS OF A SENSITIVE NATURE THAT ARE CONSIDERED PRIVATE

There are no questions of a sensitive nature associated with the data requirements.

12. ESTIMATED BURDEN COLLECTION OF INFORMATION

The Commission estimates that on average it will take respondents 150 hours to comply with the quarterly report requirements. This will result in the total hours for the following collection of information:

Data Collection (a)	No. of respondents (b)	No. of Hours	Filing Periods (d)	Total Annual Hours
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FERC Form 6Q	138	150	3	62,100
Totals				62,100

**CURRENT OMB NEW
 DATA REQUIREMENT Form 6-Q INVENTORY OMB INV.**

Estimated No. of respondents	:	159	138
Estimated No. of responses per respondent:		3	3
Estimated No. of responses per year	:	477	414
Estimated No. of hours per response	:	150	150
Total estimated burden (hrs. per year)	:	71,550	62,100

Program change in industry burden hours :
 Adjustment change in industry burden hours : - 9,450*

*See item 15 for an explanation of the change in the reporting burden.

13. ESTIMATE OF THE TOTAL ANNUAL COST BURDEN TO RESPONDENTS

The estimated annualized filing cost to respondents related only to the reporting requirements as proposed are as follows:

Data Requirement Number	Total Hours Respondent Burden	Employee Hours Per Year	Estimated Salary³ Per Year	Total Cost
FERC Form No. 6-Q	62,100	2,080	\$122,137	\$3,646,494.

Cost per respondent = \$ 26,424

14. ESTIMATED ANNUALIZED COST TO FEDERAL GOVERNMENT

Data Requirement Number	Analysis of Data⁴ (FTEs)	Estimated Salary Per Year	FERC Forms Clearance Per Year	Total Cost One Year's Operation
FERC Form 6-Q	2.5	\$122,137	\$ 6,039	\$311,382.

³/ The "salary" per employee with entities regulated by the Commission is assumed to be the same as per Commission program staff based on its appropriated budget for fiscal year 2007.

⁴/ An "FTE" is a "Full time Equivalent" employee that works the equivalent of 2,080 hours per year.

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

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The decrease in the number of hours from OMB's inventory to that of this submission is due to a decrease in the number of filers. Several filers are now exempt because their annual jurisdictional operating revenues have been less than \$500,000 for each of the three previous calendar years. Therefore they do not have to file the Form 6-Q. (see FERC Form No. 6)

16. TIME SCHEDULE FOR PUBLICATION OF DATA

The Commission has not published the information contained on FERC Form Nos. 1, 1-F, 2, 2-A and 6, 3Q & 6-Q. The publication of energy data became the responsibility of the Energy Information Administration when the Commission succeeded the Federal Power Commission per the Department of Energy Organization Act in October 1977. The primary purpose of the information collected on these forms is to support the Commission's regulatory activities as noted above. However, copies of the forms submitted to the Commission are available on its Internet web site or through its Public Reference Room.

17. DISPLAY OF EXPIRATION DATE

All forms display both the OMB control number and the expiration date. This information is displayed in the upper right-hand corner of the cover page in the appropriate electronic versions for these forms.

18. EXCEPTIONS TO THE CERTIFICATION STATEMENT

There is an exception to the Paperwork Reduction Act submission certification. Because the data collected on these forms is not used for statistical purposes, the Commission does not as stated in item no. 19(j) use "effective and efficient statistical survey methodology." The information collected is case specific to each respondent.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

These are not as noted above, collections of information employing statistical methods.