

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**Revisions to Forms, Statements and Reporting) Docket No. RM07-9-003
Requirements for Natural Gas Pipelines)**

**COMMENTS OF THE NATURAL GAS SUPPLY ASSOCIATION,
THE INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA,
THE ELECTRIC POWER SUPPLY ASSOCIATION, AND
THE PROCESS GAS CONSUMERS GROUP**

The Natural Gas Supply Association (“NGSA”), the Independent Petroleum Association of America (“IPAA”), the Electric Power Supply Association (“EPSA”), and the Process Gas Consumers Group (“PGC”) (collectively, the “Associations”) hereby submit comments in support of Federal Energy Regulatory Commission’s (“FERC” or “the Commission”) Notice of Proposed Rulemaking (“NOPR”) proposing to improve pipeline financial reporting Forms 2, 2-A and 3-Q by improving the reporting of fuel data.¹

I. IDENTITY OF ASSOCIATIONS

NGSA represents integrated and independent companies that produce and market domestic natural gas. Established in 1965, NGSA encourages the use of natural gas within a balanced national energy policy, and promotes the benefits of competitive

¹ *Revisions to Forms, Statements, and Reporting Requirements for Natural Gas Pipelines*, Notice of Proposed Rulemaking, 131 FERC ¶ 61,245 (2010).

markets to ensure reliable and efficient transportation and delivery of natural gas and to increase the supply of natural gas to U.S. consumers.

IPAA represents thousands of American independent oil and natural gas producers and associated service companies. Independent producers drill 90 percent of the wells in the United States and produce approximately 82 percent of the nation's natural gas and over 68 percent of the country's domestic crude oil supply (well above that amount in the Lower-48 states). IPAA members ship natural gas on hundreds of pipelines throughout the United States and the result of this proceeding will have a significant impact on IPAA.

EPSA is the national trade association representing competitive power suppliers, including generators and marketers. These suppliers, who account for 40 percent of the installed generating capacity in the United States, provide reliable and competitively priced electricity from environmentally responsible facilities. EPSA seeks to bring the benefits of competition to all power customers.²

PGC is a trade association of industrial consumers of natural gas, organized to promote the development and adoption of coordinated, rational, and consistent federal and state policies with respect to gas service to industrial gas users. PGC members own and operate hundreds of plants in virtually every state in the nation. PGC members

² The comments contained in this filing represent the position of EPSA as an organization, but not necessarily the views of any particular member with respect to any issue.

own and operate manufacturing facilities that consume natural gas delivered through the interstate natural gas pipeline systems throughout the U.S.

II. COMMUNICATIONS

Notices and communications concerning these comments should be addressed as follows:

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III. THE ASSOCIATIONS SUPPORT THE COMMISSION'S PROPOSAL TO REQUIRE ADDITIONAL DETAIL PERTAINING TO FUEL IN FORM 2

The Associations are pleased that the Commission recognizes the importance of detailed and accurate fuel data and support the proposals in the NOPR to improve fuel reporting in Form 2. Pipeline fuel revenues can constitute a substantial percentage of a pipeline's total system revenues and therefore, ensuring that shippers are not paying excessive fuel rates or percentages is extremely important. Providing shippers access to

detailed fuel information on a monthly basis, such as functionalized fuel data by rate type on Form 2, would allow the Commission and shippers alike to ensure that fuel rates remain just and reasonable. Better information would also help the Commission and shippers to develop a case for a Section 5 rate case if the need arises and it would further allow them to confirm pipelines' fuel tracker reports. The Commission proposes useful changes in its NOPR to require pipelines to report: 1) fuel rates and volumes by function, and 2) the amounts and volumes of fuel waived, discounted or otherwise reduced by the pipeline.

A. Reporting Fuel Data by Function Allows Shippers to Better Assess Whether Fuel Rates Remain Just and Reasonable

Shippers would benefit from having functionalized fuel data reported on Form 2 for several reasons. First, reporting fuel volumes and revenues by function would allow shippers to ensure that rates are just and reasonable. Functionalizing fuel data on Form 2 would provide shippers with a greater level of detail, allowing them to better assess whether pipelines are substantially overrecovering fuel from their shippers.

Second, functionalized fuel reporting would allow a shipper to assess whether it is subsidizing another. Functionalized reporting would show the sources and uses of a pipeline's fuel by service type on Form 2. For example, functionalized fuel reporting would show all of a pipeline's shippers the amount of fuel that storage users provided to the pipeline, as well as how much of that fuel the pipeline actually used for storage services. If storage users in this example provided less fuel than the pipeline used for storage services, shippers using other pipeline services might want to take a closer look at the pipeline's fuel to determine whether they were subsidizing the storage shippers'

fuel. In this way, functionalized fuel data would allow shippers to confirm that they are providing the appropriate amount of fuel to the pipeline and are not subsidizing other shippers.

B. Reporting Fuel Volumes and Revenues by Rate Type Would Enhance the Usefulness of Form 2

Breaking fuel volumes and revenues out into rate types – discounted rates, negotiated rates or recourse rates – would provide shippers and the Commission with information regarding pipeline fuel that will be useful in assessing fuel rates. Reporting fuel volumes and revenues by rate type would help shippers to ensure: 1) prevention of inappropriate subsidization, 2) the accuracy of pipeline fuel trackers, and 3) pipeline compliance with fuel discounting policies.

First, requiring pipelines to report fuel data by rate type would prevent subsidization of some shippers by allowing FERC and shippers to distinguish between those fuel discounts that would be eligible for a discount adjustment in a rate case and those that would not. It is the Commission's policy that all shippers pay pipelines' fuel charges with only a limited number of exceptions. These exceptions include certain transportation services, such as backhaul, which does not use fuel and therefore the pipeline does not need to collect fuel from those shippers using backhaul. Another exception is fuel that is discounted by pipelines as part of negotiated rates. FERC policy does not allow pipelines to claim discount adjustments in a rate case for fuel charges discounted as part of a negotiated rate. Since the new Form 2 would require pipelines to identify discounted fuel volumes and revenues as either "discounted," "negotiated," or "recourse," shippers could use this data to distinguish between those fuel discounts

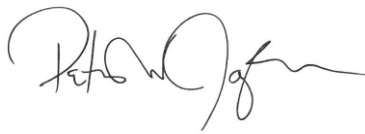
that are appropriately included as adjustments in a rate case (*e.g.* backhauls) and those that are not (*e.g.* discounts that are part of a negotiated rate.) Moreover, this detail gives shippers a better indication of what appropriate fuel rates should be, allowing them to determine if fuel rate changes are warranted.

Finally, reporting fuel data by rate type could provide an added check on fuel tracker calculations and on pipelines' compliance with fuel discounting policies. The monthly reporting of fuel data by rate type provides shippers with a source of fuel volumes data to confirm pipeline fuel tracker calculations. In addition, reporting fuel data by rate type would provide an added check that fuel is being discounted only in the circumstances that Commission policy allows, such as in backhaul transactions or as part of negotiated rates.

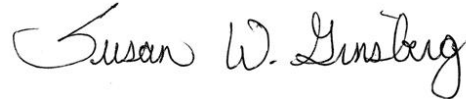
IV. CONCLUSION

For the reasons above, the Associations support the changes to pipeline fuel reporting in Form 2 proposed in the NOPR and ask the Commission to move forward with these needed changes.

Respectfully Submitted,



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