UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Revisions to Forms, Statements, and Reporting Requirements for Natural Gas Pipelines	**)** **)**	**RM07-9-000**

COMMENTS OF THE
INTERSTATE NATURAL GAS ASSOCIATION OF AMERICA

Pursuant to the Commission's Notice of Proposed Rulemaking ("NOPR") in this proceeding, 120 FERC ¶ 61,256 (September 20, 2007), the Interstate Natural Gas Association of America ("INGAA") submits the following comments on the Commission's proposal to amend its forms, reports and statements for natural gas companies (i.e., Forms 2, 2-A, and 3-Q) filed pursuant to 18 CFR §§ 260.1 and 260.2. The Commission's proposal will require INGAA's interstate natural gas pipeline members to provide additional and more detailed information regarding their sources of revenue and amounts included in rate base, and to identify costs related to affiliate transactions, incremental facilities, and discounted and negotiated rates.

In general, INGAA does not object to the Commission's proposed changes. While INGAA has a concern related to the timing of the final rule and the burdens that may result due to the need for midyear accounting modifications, INGAA's substantive comments are confined to two discrete issues: INGAA requests that the Commission (1) reconsider removing the $250,000 threshold for reporting unaffiliated outside professional and consultative services, and (2) revise the proposed requirements for new pages 521a and 521b regarding quarterly reporting of shipper-supplied gas. INGAA submits that amending the Commission's proposals to address these two relatively minor issues will preserve the integrity of the Commission's overall goals while avoiding unnecessary and unreasonable reporting burdens.

A. Timing. The Commission's implementation date for its proposed changes to Forms 2, 2-A and 3-Q is January 1, 2008. Companies subject to the new requirements would file their new Form 3-Q beginning with the first quarter of 2009 and new Forms 2 and 2-A in 2009 for calendar year 2008. While INGAA does not object to the Commission's proposed effective date, INGAA requests that the Commission appreciate that meeting the 2008 compliance date may be difficult for some pipelines.

The practical problem presented by the January 1, 2008, effective date is that pipelines will be required to modify their internal accounting and record keeping systems and processes to capture the large volume of new information required in the proposed forms. While the proposed effective date will not require pipelines to file their new annual Forms 2 and 2-A (reflecting the changes for calendar year 2008) until 2009, pipelines will need to have modifications to their accounting and computer systems in place on January 1, 2008, to capture the required data for the full year 2008. Pipelines will not know, however, the precise information and formats until the Commission issues a final order in this docket. This will impose a tight turn-around time for companies to modify their reporting systems and records in order to comply with the new requirements. Further, if the Commission is unable to finalize the reporting requirements by the end of the year, the processes and the accounting and reporting systems needed to reflect the data required in the forms may have to be implemented retroactively to capture all the required 2008 data for revised Forms 2 and 2-A.

In light of these potential implementation problems, INGAA requests that the Commission be prepared to entertain petitions for waiver, premised on a "good cause" showing, of the first year deadline. INGAA requests that the Commission finalize the changes in Form 2 as expeditiously as possible to minimize the burden of last minute, or mid-year changes, in existing accounting and reporting systems.

B. Removing the $250,000 Threshold for Reporting Services. Currently, the instructions for Form 2, page 357, require pipelines to report certain information "for all charges made during the year included in any account (including plant accounts) for outside consultative and other professional services." The instructions specify:

> These services include rate, management, construction, engineering, research, financial, valuation, legal, accounting, purchasing, advertising, labor relations, and public relations, rendered for the respondent under written or oral arrangement, for which aggregate payments were made during the year to any corporation partnership, organization of any kind, or individual (other than for services as an employee or for payments made for medical and related services) *amounting to more than $250,000*, including payments for legislative services, except those which should be reported in Account 426.4 Expenditures for Certain Civic, Political and Related Activities.

The Commission proposes to exclude from page 357 charges for outside professional and other consultative services provided by affiliated companies (now to be reported on new page 358, which is devoted to affiliate transactions), and to remove the $250,000 threshold for reporting services. The Commission proposes to add this revised Form 2 schedule as a new addition to Form 2-A. See NOPR P 44.

INGAA asks that the Commission reconsider its proposal to remove the $250,000 threshold for reporting the non-affiliated transactions that remain the subject of page 357. There are several reasons for doing so. First, removing the threshold entirely is likely to produce a degree of "granularity" far beyond what either the Commission or other form users need or want. The elimination of the threshold will add a significant burden to preparers of Form 2 without adding significant value to the users of Form 2. Informal reports by INGAA members indicate that removing the $250,000 threshold and reporting all vendors will produce reams of paper. For example, one company reported that eliminating the $250,000 limit would increase the number of reported vendors from 65 to over 1,000 vendors. At 45 lines per page, that would increase this schedule from 2 pages to more than 22 pages. Another company reports that in 2006 they reported 40 vendors totaling $40.6 million, an average of $1.0 million per vendor. Without the $250,000 threshold, they would have had to report an additional 238 vendors totaling $6.4 million, an average of only $27,000 per vendor.

Second, the Commission's and commenters' principal focus in the context of reporting vendors was on a perceived need for more reporting of affiliated transactions. See NOPR at PP 43-44. As proposed, however, the affiliate transactions previously reported on page 357 will now be reported separately on new page 358, and there will be *no monetary threshold* for affiliate transactions. The proposed new page 358 reporting will therefore meet the need for affiliate transaction information. There does not appear to be any legitimate need to require the reporting of *all* unaffiliated vendors. INGAA respectfully requests that the Commission reconsider its proposal, and reinstate the $250,000 threshold for non-affiliated vendor reporting on revised page 357.

C. Shipper Supplied Gas For the Current Quarter.

In order to provide increased reporting transparency, the NOPR proposes to create a new schedule entitled "Shipper Supplied Gas for the Current Quarter" to Forms 2, 2-A, and

3-Q (pages 521a and 521b). See NOPR at P 39. This schedule requires a month-by-month breakdown of gas transactions that is inconsistent with the quarterly disclosure format of the rest of the schedule. Additional detailed disclosure in Forms 2, 2-A, and 3-Q may result in confusion with respect to the reporting/tracking of out-of-period adjustments between these financial reports and any fuel tracker data that a pipeline may file. INGAA requests that the Commission revise this schedule (pages 521a and 521b) to remove the monthly reporting requirement and replace it with a quarterly reporting requirement.

This new schedule also appears to require a discrete categorization of the disposition or acquisition of any excess or deficiency of shipper supplied gas and the resulting offsetting gas transactions. Because gas is fungible and each pipeline's gas balance is driven by many factors other than just shipper supplied gas, the specific source and disposition of specific individual molecules can not be determined. Rather, it is a function of the pipeline's total gas account, which must reflect all of the items currently listed on page 520 ("Gas Account – Natural Gas"). As proposed, this new schedule (i.e., pages 521a and 521b) would result in an incomplete reconciliation of the gas balance information that is already provided on page 520. INGAA requests that the Commission revise its proposal to remove the requirement that pipelines categorize the discrete offsetting gas transactions of any excess or deficiency related to shipper supplied gas. As revised, pages 521a and 521b would reflect a full and transparent reporting of pipeline operational purchases and sales activity without regard to the specific source or disposition of such gas volumes.

CONCLUSION

INGAA urges the Commission to finalize changes to Forms 2, 2-A, and 3-Q as expeditiously as possible to facilitate a smooth transition. INGAA further requests that the Commission make the two minor modifications discussed above.

Respectfully submitted,

Joan Dreskin
General Counsel
Timm Abendroth
Attorney
Interstate Natural Gas
Association of America
10 G Street, N.E. Suite 700
Washington, D.C. 20002
(202) 216-5928
Fax: (202) 216-0874
jdreskin@ingaa.org

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