DEPARTMENT OF ENERGY

Federal Energy Regulatory Commission

18 CFR Parts 352, 357, and 385

[Docket No. RM99–10–000]

Revisions to and Electronic Filing of the FERC Form No. 6 and Related Uniform Systems of Accounts

Issued July 27, 2000.

AGENCY: Federal Energy Regulatory Commission.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Federal Energy Regulatory Commission (Commission) proposes to amend parts 352, 357, and 385 of its regulations. The Commission proposes to revise Form 6 schedules and instructions to better meet current and future regulatory requirements and industry needs, update Uniform Systems of Accounts (USofA) requirements to be more consistent with current Generally Accepted Accounting Principles (GAAP), and amend its regulations to provide for the electronic filing of Form 6 commencing with reporting year 2000, due on or before March 31, 2001. The Commission is also testing the software and related elements of the electronic filing mechanism prior to its formal implementation.

DATES: Comments on the proposed rulemaking are due on or before October 16, 2000.

ADDRESSES: File comments on the notice of proposed rulemaking with the Office of the Secretary, Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426. Comments should reference Docket No. RM99–10–000.

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I. Introduction

The Federal Energy Regulatory Commission (Commission or FERC) proposes to amend Parts 352, 357, and 385 of its regulations to revise its FERC Form No. 6: Annual Report of Oil Pipeline Companies (Form 6) schedules and instructions to better meet current and future regulatory requirements and industry needs; update Uniform Systems of Accounts (USofA) requirements to be more consistent with current Generally Accepted Accounting Principles (GAAP); and amend its regulations to provide for the electronic filing of Form 6 commencing with reporting year 2000, due on or before March 31, 2001. The Commission also continues to test the software and related elements of the electronic filing mechanism prior to formal implementation. This proposed rule is part of the Commission's ongoing program to update and eliminate burdensome and unnecessary accounting and reporting requirements and if adopted, these changes would reduce by about 24.7 percent the burden on regulated companies for maintaining and reporting information under the Commission's regulations.

II. Background

In 1977, the responsibility to regulate oil pipeline companies was transferred to the Commission from the Interstate Commerce Commission (ICC).[1] In accordance with the transfer of authority, the Commission was delegated the responsibility under section 1 of the Interstate Commerce Act (49 U.S.C. 1) to regulate the rates and charges for transportation of oil by pipeline and establish valuation of those pipelines, and under section 20 of that Act to require pipelines to file annual reports of information necessary for the Commission to exercise its statutory responsibilities.[2]

The ICC developed the Form P to collect information on an annual basis to enable it to carry out its regulation of oil pipeline companies under the Interstate Commerce Act. A comprehensive review of the reporting requirements for oil pipeline companies was performed on September 21, 1982, when the Commission issued Order 260 revising the former ICC Form P, ''Annual Report of Carriers by Pipeline'' and redesignating it as FERC Form No. 6, ''Annual Report of Oil Pipeline

[1] Section 402(b) of the Department of Energy Organization Act (DOE Act), 42 U.S.C. 7172, provides that: ''[t]here are hereby transferred to, and vested in, the Commission all functions and authority of the Interstate Commerce Commission or any officer of component of such Commission where the regulatory function establishes rates or charges for the transportation of oil by pipeline or established the valuation of any such pipeline.''

[2] The Secretary of Energy delegated to the Commission the authority under the Interstate Commerce Act which was formerly vested in the ICC, as that statute relates ''to the transportation of oil pipeline to the extent that such . . . [statute is] not transferred to, and vested in, FERC by Section 402(b) of the DOE Act . . .'' (Delegation Order No. 0204–1, Oct. 1, 1977).

Companies.'' In 1994, the Commission addressed additional revisions to the Form 6 in Order Nos. 571 and 571–A, including adding a new page 700. The information included in the Form 6 was determined at that time to be the minimum necessary for Shippers to assess filed rate changes under Order 561.

The current oil pipeline regulations call for the Commission and its Staff to play a less active role in monitoring and overseeing pipeline rates and practices. Consequently, the oil pipeline Shippers have to play a more active role in monitoring and alerting the Commission to rate and tariff abuses. Unlike Shippers in the natural gas and electric industries regulated by the Commission, oil pipeline Shippers bear a greater burden in proving that proposed rate changes are unjust and unreasonable. Moreover, when a Shipper attempts to justify a complaint against an existing or grandfathered rate, it must satisfy a substantial evidentiary burden before a hearing and formal discovery rights are granted. This burden requires an in-depth analysis of oil pipelines' cost and revenue data.

As a result of the shift in responsibilities and the specific information requirements outlined in Commission Rule 206 for a protest or complaint, the Commission is proposing the following changes to Form 6 information collection in this NOPR.

On September 21, 1999, Commission Staff conducted a technical conference to solicit comments and discuss potential changes to Form 6 to better meet current and future regulatory requirements and industry needs.[3] Based on comments received during the staff technical conference and written comments filed with the Commission, this notice of proposed rulemaking proposes to revise the current Form 6 reporting requirements for oil pipeline companies to better meet current and future regulatory requirements and industry needs and updates related Uniform Systems of Accounts accounting requirements to be more consistent with current GAAP. The NOPR also proposes to amend the regulations to provide for the electronic filing of Form 6 commencing with reporting year 2000, due on or before March 31, 2001. The Commission is also testing the software and related elements of the electronic filing mechanism prior to formal implementation.

[3] 64 FR 42623 (Aug. 5, 1999) and 64 FR 45931 (Aug. 23, 1999).

III. Proposed Revisions to Form 6

The Commission is proposing to revise Part 357—Annual Special or Periodic Reports: Carriers Subject to Part I of the Interstate Commerce Act for pipeline carriers subject to the provisions of section 20 of the Interstate Commerce Act. For the most part, these proposed changes will revise the annual filing requirements for Form 6, and raise the minimal filing threshold for the Form 6. The Commission is also proposing to revise the Form 6 instructions and schedules to clarify definitions and general instructions, eliminate duplicate reporting requirements, remove and consolidate schedules, update current schedules, and revise current schedules. The changes are intended to lower the reporting burden on relatively small companies and clarify the Form 6 reporting requirements to promote consistent reporting practices among pipeline carriers. Also, since the Form 6 is intended to be both a financial and ratemaking document,[4] these changes will ensure that the Commission will have the financial, operational, and ratemaking information needed to carry out its regulatory responsibilities to monitor the oil pipeline industry in a dynamically changing environment.

A. Changes to the Form 6 Reporting Threshold

Current Requirements. The Commission's regulations currently require each pipeline carrier subject to the provisions of section 20 of the Interstate Commerce Act whose annual jurisdictional operating revenues have been more than $350,000 for each of the three previous calendar years to prepare and file a Form 6 with the Commission on or before March 31st of each year for the previous calendar year. Carriers exempt from filing the Form 6, however, must prepare and file page 700 ''Annual Cost of Service Based Analysis Schedule'' and page 1 ''Identification and Attestation'' schedule of the Form 6 on or before March 31 of each year.[5]

Industry Comments. The Association of Oil Pipe Lines (AOPL) proposed that the Commission raise the operating revenues reporting threshold for Form 6 reporting from $350,000 to $1,000,000 to lower the reporting burden on relatively small companies.

Sinclair Oil Corporation shares the AOPL's concerns but argues their research indicates that the AOPL's recommendation to increase the reporting threshold level from $350,000 to $1,000,000 would exclude too many pipelines from filing the report and recommends raising the reporting threshold level from $350,000 to $500,000.

[4] Cost of Service Reporting and Filing Requirements for Oil Pipelines, FERC Stats., & Regs. [Regs. Preambles, 1991–1996] ¶ 31,006 at 31,169 and FERC Form No. 6, p. i, Roman Numeral I.

[5] 18 CFR 357.2 and FERC Form No. 6: Annual Report of Oil Pipeline Companies, OMB No. 1902–0022, p. i, Roman Numeral II (expires Jan. 31, 2002).

Various Shipper Interests object to raising the operating revenues reporting threshold for Form 6 reporting since such a modification would result in inconsistencies in the statistics compiled by the Commission.

Commission's Proposal. The Commission reviewed the oil pipeline company operating revenues reported in their 1996, 1997, and 1998 Forms 6 to determine the impact of raising the Form 6 reporting threshold from $350,000 to $500,000 or $1,000,000 for calendar year 1999 reporting. We determined that for calendar year 1999, of the 149 pipeline companies that filed a complete Form 6 for 1998: s

- 137 pipelines would file complete Forms 6 if the $350,000 reporting threshold was retained. We determined 12 out of the 149 oil pipeline companies that filed a complete Form 6 in 1998, roughly 8% of the jurisdictional pipeline companies, would not be required to file a complete Form 6 if the current $350,000 reporting threshold was retained.
- 134 pipelines would file complete Forms 6 if the reporting threshold was raised to $500,000. Thus, if the reporting threshold was raised from $350,000 to $500,000 as proposed by Sinclair Oil Corporation, only 3 of the 149 oil pipeline companies that filed a complete Form 6 in 1998, approximately 2% of the jurisdictional pipeline companies, would not be required to file a complete Form 6 for 1999.
- 129 pipelines would file complete Forms 6 if the reporting threshold was raised to $1,000,000. We determined that 8 out of the 149 oil pipeline companies that filed a complete Form 6 in 1998, roughly 6% of the jurisdictional pipeline companies, would not be required to file a complete Form 6 if the reporting threshold increased from $350,000 to $1,000,000 as proposed by AOPL.

Based on the results of our review, the Commission is proposing to raise the operating revenues reporting threshold for Form 6 reporting from $350,000 to $1,000,000. The Commission understands the need to reduce the reporting burden on relatively small companies and concludes that exempting the eight oil pipeline companies from filing the Form 6 will not cause major inconsistencies in the statistics compiled by the Commission or compromise the Commission's ability to gather meaningful data upon which to base its regulation of the oil pipeline industry.

The Commission currently assesses jurisdictional oil pipeline companies annual charges if their annual jurisdictional operating revenues are greater than $350,000 in any of the three calendar years immediately preceding the fiscal year for which the Commission is assessing annual charges.[6] Consequently, the Commission is also proposing to require jurisdictional oil pipeline companies with annual jurisdictional operating revenues greater than $350,000 but less than $1,000,000 for each of the three previous calendar years to prepare and file pages 1 ''Identification and Attestation,'' 301 ''Operating Revenue Accounts (Account 600),'' and 700 ''Annual Cost of Service Based Analysis Schedule'' of the Form 6 on or before March 31 of each year. This will enable the Commission to continue to obtain the information it needs to assess jurisdictional oil pipeline companies' annual charges as it has in the past.

Additionally, the Commission is proposing to require oil pipeline companies with annual jurisdictional operating revenues of $350,000 or less for each of the three previous calendar years to prepare and file with the Commission pages 1 ''Identification and Attestation'' and 700 ''Annual Cost of Service Based Analysis Schedule'' of FERC Form No. 6 on or before March 31 of each year for the previous calendar year. This will enable the Commission to continue to obtain the information reported on page 700 of the Form 6 since this page is an integral part of the Commission's data collection efforts to ensure that the index prescribed by Order No. 561[7] properly tracks industry costs.

B. Form 6 Revisions

1. General Instructions (Page 1–ii).[8]

Current Requirements. The Commission's regulations currently require jurisdictional oil pipeline companies to enter on the Form 6 whole numbers (dollars) only, except where otherwise noted. Oil pipeline companies would enter cents for averages where cents are important.[9]

Industry Comments. The AOPL recommends the Commission revise the standard Form 6 reporting unit (page ii, II) from whole numbers (dollars) to thousands of dollars. AOPL states reporting in thousands of dollars rather than dollars as currently required, is more widely used in the financial world and would alleviate a reporting burden on companies that provides little or no benefit.

Commission's Proposal. The Commission is proposing to continue to require reporting of dollar amounts on the basis of whole dollars i.e., rounding cents to the nearest dollar. One reason is that rounding dollars to the nearest thousand may inaccurately reflect the operations of smaller companies. Also, if a number is currently not reported in the Form 6, the Commission knows the value is zero. If oil pipeline companies are permitted to round to the nearest $1,000 the Commission will not know whether a number is not reported because the value is zero or the value is rounded down to zero. In addition, dollar amounts are rounded to the nearest dollar in other Commission filings including Forms 1 and 2; therefore, rounding to the nearest dollar should be retained in the Form 6 for consistency. This is especially important since more companies are beginning to operate in cross-industry operations.

The Commission, however, is planning to perform a comprehensive review of the FERC's data collection requirements and believes this recommendation needs to be looked at during this review. The Commission believes revising the requirement to report dollar amounts on the basis of whole dollars prior to the comprehensive review would be premature. Therefore, the Commission is proposing that oil pipeline companies continue to report dollar amounts on the basis of whole dollars in order to continue providing consistent reporting across industries and between various filings and reports.

2. Definitions (Page iii)

Current Requirements. The Commission defines select terms commonly used throughout the oil industry to facilitate consistent reporting of information in the Form 6 between oil pipeline companies.[10] Currently, the Commission does not define ''system property'' in the Form 6.

The Commission defines ''crude oil'' in the Form 6; however, the term is inconsistently defined throughout the form. The Commission defines crude oil on page iii as ''oil in its natural state, not altered, refined, or prepared for use by any process.''[11] However, the Commission instructs oil pipeline companies to classify and report natural gasoline or other similar products, whenever blended with crude oil in transit as crude oil on page 600.[12]

a. System Property

Industry Comments. The AOPL recommends the Commission define system property as a company's interest in an undivided joint interest company. The AOPL recommends the Commission should not incorporate a geographic interpretation of the word (e.g., the east system, the west system) which can change over time and is used more for operational than financial reasons.

Refinery Holding Company, L.P., recommends the Commission define system property geographically as defined by the Commission in case law.[13]

Sinclair Oil Corporation, however, recommends the Commission define a pipeline system as a single trunk line or a group of trunk pipelines and all associated lines that are connected with each other.

Commission's Proposal. The Commission researched interpretations of the term ''system property'' and determined the industry and the Commission do not have a common understanding of the definition of system property. Some companies define system property as undivided joint interest property; where all the companies involved own a percentage of all the property rather than one company owning the entire pipeline or a company owning a discrete piece of the pipeline, such as the pump station, etc. (e.g., Trans Alaskan Pipeline). Other companies define system property as a geographically independent pipeline which comprises part of a company's entire pipeline ownership (e.g., the east system, the west system). To date, the Commission has not defined each company's pipeline geographically and does not currently have a need for oil pipeline companies to report property in this detail. To change this requirement would create additional burden on the Commission requiring it

[6] 18 CFR 382.102(c).

[7] Revisions to Oil Pipeline Regulations Pursuant to the Energy Policy Act of 1992, Order No. 561, 58 FR 58753 (Nov. 4, 1993) FERC Stats. & Regs. [Regulations Preambles January 1991–June 1996] ¶ 30,985 (Oct. 22, 1993); Order No. 561–A, 59 FR 40243 (Aug. 8, 1994) FERC Stats. & Regs. [Regulations Preambles January 1991–June 1996] ¶ 30,1006 (1994).

[8] **Note:** The page numbers referred to throughout the NOPR reference the page numbers in the revised Form 6 at Appendix C.

[9] FERC Form No. 6, p. ii, Instruction II.

[10] FERC Form No. 6, p. iii.

[11] FERC Form No. 6, p. iii, Definition No. 8.

[12] FERC Form No. 6, p. 600, Instruction No. 2.

[13] SFPP, L.P., 80 FERC ¶ 63,189 (1997).

to classify all pipeline property geographically and would increase the reporting burden on the industry.

For these reasons, the Commission is proposing to eliminate the term ''system property'' entirely since there is confusion as to its intended definition among the industry and Commission staff. The Commission is also proposing to replace the term ''system property'' with the term ''undivided joint interest property.'' The Commission proposes to define ''undivided joint interest property'' as ''carrier property owned as part of an undivided joint interest pipeline.'' [14] Further, the Commission is proposing to define an ''undivided joint interest pipeline'' as ''a common carrier by pipeline controlled by more than one common carrier.'' [15]

b. Crude Oil

Industry Comments. Sinclair Oil Corporation recommends redefining crude oil to exclude contaminants such as natural gasoline since quality-of-crude-oil issues have become increasingly important to Shippers in view of regulations imposed by the Environmental Protection Agency (EPA).

Commission's Proposal. The purpose of the Form 6 is to collect financial, operational, and ratemaking information [16] on an annual basis to enable the Commission to carry out its regulatory requirements under the Interstate Commerce Act. The Commission recognizes that Shippers have numerous requirements imposed on them by other government agencies, but currently has no plans to add reporting requirements to its Form 6 in support of EPA or other outside agency requirements if the additional information is not necessary for the Commission to meet its regulatory responsibility. For this reason, the Commission is not proposing to add crude oil reporting requirements to the Form 6. The Commission does agree, however, the different definitions of crude oil in the Form 6 are confusing and is proposing to revise the definition of crude oil on page iii. Definition eight will be revised to include natural gasoline and other similar natural constituents whenever blended with crude oil in transit as is currently required on page 600, Instruction No. 2. The Commission also proposes to delete the definition of crude oil defined in Instruction No. 2 on page 600 to eliminate redundancy and so the revised crude oil definition on page iii is used consistently throughout the Form 6.

c. Jurisdictional and Non-Jurisdictional

Industry Comments. ARCO Products Company, a Division of Atlantic Richfield Company, Tosco Corporation, and Ultramar Inc., state the Form 6 allows vertically integrated companies to subjectively allocate jurisdictional and non-jurisdictional costs and revenues.

Sinclair Oil Corporation agrees with ARCO and recommends redefining the terms ''jurisdictional'' and ''non-jurisdictional'' to prevent reporting discrepancies.

Commission's Proposal. The Interstate Commerce Act (ICA) provides guidance regarding what the Commission has jurisdiction over as it relates to oil pipeline companies. The determination of jurisdiction under the ICA depends on the specific facts of the individual case.[17] Attempting to further define the terms jurisdictional and non-jurisdictional beyond the guidance of the ICA could result in definitions which are too narrow and not all encompassing, and could create additional reporting discrepancies. For these reasons, the Commission is proposing that the industry and Shippers continue to rely on the ICA's jurisdictional parameters, and is not proposing to further define these terms at this time.

3. Receivables From Affiliated Companies (Page 200)

Current Requirements. The Commission's regulations currently require jurisdictional oil pipeline companies to report receivables from affiliated companies in excess of $500,000. For debtors whose balances are less than $500,000, a single entry may be made under a caption ''Minor accounts, each less than $500,000.'' [18]

Industry Comments. The AOPL recommends the Commission modify item 2 of the instructions to increase the threshold for reporting receivables from affiliated companies to $1,000,000.

Commission's Proposal. The Commission reviewed the 149 oil pipeline companies that filed the entire Form 6 with the Commission in 1998 and determined 29 companies reported receivables from affiliated companies less than or equal to $1,000,000. Of those 29 companies, 17 companies reported receivables from affiliated companies less than or equal to $500,000. Therefore, increasing the reporting threshold from $500,000 to $1,000,000 would eliminate 12 (29–17) companies from filing page 200 in detail. Since a significant amount of data would be lost by increasing the reporting threshold to $1,000,000, the Commission is proposing to retain the reporting threshold in Instruction No. 2 at $500,000. The Commission, however, is proposing to revise Instruction No. 2 to read as follows: In column (a), list every item amounting to $500,000 or more. For debtors whose balances were less than $500,000, a single entry may be made under a caption ''Minor accounts, less than $500,000.''

4. Instructions for Schedules 212–215 (New Title—Instructions for Schedules 212–217 (Page 211)

Current Requirements. The Commission currently provides instructions for completing pages 212 through 215 of the Form 6 on page 211.

Industry Comments. The AOPL recommends the Commission modify the instructions as necessary based on changes made to pages 212–215.

The AOPL recommends the Commission modify the instructions for column (e) on page 213 to make clear that this will generally be a positive number, so that the calculation in column (f) works properly. Carriers have interpreted the use of the word ''credit'' to have opposite meanings.

The AOPL also recommends the first instruction for pages 215 and 217 should make clear that undivided joint ownership information should be reported on these pages, one page for each undivided joint ownership. In other words, a company with multiple undivided joint ownership interests would file a 215a, 215b, 215c, and so on. A company with different depreciation rates on different parts of one system would be free to file additional sheets for those system parts.

Commission's Proposal. The Commission is proposing to revise page 211, Instruction No. 2 for pages 212–213, to make it clear that the information reported in column (e) on page 213 will generally be a positive number, so that the calculation in column (f) works properly. Additionally, the Commission is also proposing to delete the instructions on page 211 for the schedules on pages 214–215 and replace them with instructions for the revised schedule on

[14] FERC Form No. 6, p. iii, New Instruction No. 14.

[15] FERC Form No. 6, p. iii, New Instruction No. 13.

[16] Cost of Service Reporting and Filing Requirements for Oil Pipelines, FERC Stats., & Regs. [Regs. Preambles, 1991–1996] ¶31,006 at 31,169 and FERC Form No. 6, p. i, Roman Numeral I.

[17] SFPP, L.P., *et al.*, 80 FERC ¶61,200 (1997).

[18] FERC Form No. 6, p. 200, Instruction No. 2.

pages 214–215.[19] The Commission is also proposing to revise page 211 so the first instruction for pages 214–215 and 216–217 makes clear that undivided joint ownership information should be reported on pages 214–215 and 217, one page for each undivided joint ownership. In other words, a company with multiple undivided joint ownership interests would file a 214a, 215a; 214b, 215b; and so on. The Commission is also proposing to add instructions for completing pages 216–217. The Commission believes these changes will provide jurisdictional oil pipelines clearer instructions for more consistent industry reporting of property information on the Form 6.

5. Carrier Property (Pages 212–213)

Current Requirements. The Commission's regulations currently require jurisdictional oil pipeline companies to report carrier property by gathering, trunk, and general facilities. Additionally, the Commission requires companies to report property changes during the year showing its expenditures for new construction and existing property, and property sold or retired.

Industry Comments. The AOPL recommends the Commission condense the gathering, trunk, and general facility classifications into one category because this breakout of categories seems to require unnecessary detail of no known regulatory value, and the distinction is not made for any other reporting requirements.

Also, the AOPL recommends the Commission modify the heading of column (e) to make clear that this will generally be a positive number, so that the calculation in column (f) works properly. Carriers have interpreted the use of the word ''credit'' to have opposite meanings.

Commission's Proposal. The Commission is proposing to continue to require pipeline companies to report carrier property by gathering, trunk, and general facilities. The Commission believes these categories should not be combined because different classes of property have different rate designs, depreciation rates, and tariff rates. Further, each account reflects different service lives and different depreciation rates. Gathering lines generally are tied to one reserve, have a shorter depreciation life, and use units of property depreciation whereas trunk lines have many sources of life and use straight line depreciation. The Commission needs carrier property data as currently required to conduct depreciation studies. Additionally, the Commission uses this information to perform cost of service analysis. Generally, trunk lines and general facilities are used in the cost of service calculation and if this information is condensed, it will be difficult for the Commission to perform cost of service analysis.

The Commission, however, is proposing to modify column (e) on page 213 by deleting the words ''Credits for'' from the heading to eliminate confusion over whether the number should be positive or negative. Additionally, the Commission is proposing to revise column headings (c) , (e), and (h) to be consistent with the instructions on page 211 and clarify what information is required to be reported. The Commission proposes to revise column headings (c), (e), and (h) to read as follows:

(c)—Expenditures for New Construction, Additions, and Improvements
(e)—Property Sold, Abandoned, or Otherwise Retired During the Year
(h)—Increase or Decrease During the Year (*f*±*g*) (*In dollars*).

The Commission believes these changes will clarify the carrier property reporting requirements eliminating the confusion pipelines have experienced in the past and facilitate more consistent industry reporting.

6. Depreciation Base and Rates—Carrier Property (Page 214) and Depreciation Base and Rates—System Property (Page 215)

Current Requirements. Currently the Commission requires jurisdictional oil pipeline companies to report the beginning, ending, and average depreciation base and the annual composite/component rates for carrier and system property on pages 214 and 215, respectively. The current instructions require oil pipeline companies to report information on page 215 only when specifically directed by the Commission.[20]

Industry Comments. AOPL recommends the Commission eliminate page 214 and carry forward the depreciation rate information from page 214, column (e) to a new column on page 216, Accrued Depreciation—Carrier Property. The information on page 214 is virtually the same as shown on pages 212–213.

AOPL also recommends the Commission eliminate page 215. This page is rarely completed and appears to require unnecessary detail. To the extent carriers need to report this information, it could be accomplished through supplements(s) to pages 212 and 213, Carrier Property.

Subsequent to the Staff Technical Conference, AOPL submitted additional comments recommending the Commission eliminate page 215 and require carriers to report this information on page 214 instead. This combination will eliminate the filing of redundant and unnecessary information.

Various Shipper Interests oppose eliminating pages 214 and 215. They argue that eliminating these pages would severely hamper and restrict the ability of a Shipper on an oil pipeline to file a 154–B rate case in protest to an oil pipeline's rates, as allowed by the Commission in Order Nos. 561 and 571.

Commission's Proposal. The Commission is proposing to eliminate the schedules on pages 214 and 215 and carry forward the depreciation rate information reported in column (e) on both schedules to a new column (g) on pages 216 and 217, respectively. The Commission also proposes to revise column heading (g) on page 217 to read as ''Annual Composite/Component Rates (*In Percent*).'' The deletion of these schedules will not eliminate any information that the Commission and other users of the Form 6 cannot calculate from other information reported in the Form 6. For example, the Commission and users of the Form 6 can calculate the average balance for the year currently reported on pages 214 and 215 by dividing the amount reported in Account 540 on pages 216 and 217, column (c) by the annual composite/component rates reported in the new column (g) on pages 216 and 217, respectively. The Commission is proposing to transfer the annual composite/component rates to pages 216 and 217 since this information is not provided anywhere in the Form 6 and will centrally locate all the carrier and undivided joint interest property depreciation information on separate pages in the Form 6.

Additionally, the Commission is proposing to delete the instructions on page 211 for the current schedules on pages 214–215 and replace them with revised instructions for the revised schedule on pages 214–215. Instruction No. 1 for pages 214–215 would make it clear that undivided joint ownership information should be reported on these pages, one page for each undivided joint ownership.[21]

[19] See NOPR, Roman Numeral III, Section B—Form 6 Revisions, No. 6.

[20] Form 6, Page 215, Instruction No. 1.

[21] See NOPR, Roman Numeral III, Section B—Form 6 Revisions, No. 4.

7. Depreciation Base and Rates—Carrier Property (Page 214) and Depreciation Base and Rates—System Property (Page 215) (New Title—Undivided Joint Interest Property) (Pages 214–215)

Current Requirements. Currently the Commission requires jurisdictional oil pipeline companies to report the beginning, ending, and average depreciation base and the annual composite/component rates for carrier and system property on pages 214 and 215, respectively. The current instructions require oil pipeline companies to report information on page 215 only when specifically directed by the Commission.[22]

Industry Comments. AOPL states although the current instructions require that system property pages should only be used when specifically instructed by the Commission, carriers have frequently used this page to report information on pipelines that form part of the parent company's ''system.''

AOPL and Sinclair Oil Corporation recommend pipeline companies that own part of an undivided joint interest in a pipeline should be required to file data separately for each pipeline system.

Commission's Proposal. The Commission is proposing to revise pages 214–215 for companies to report their interest(s) in Undivided Joint Interest Property. The Commission is proposing to revise these pages because the Commission currently does not receive detailed financial information on Undivided Joint Interest Property from another source of information. The Commission is proposing the revised pages have the same cost categories and format required for Carrier Property reported on pages 212–213. Additionally, the Commission is proposing to delete the instructions on page 211 for the current schedules on pages 214–215 and replace them with instructions for the revised schedule on pages 214–215. Instruction No. 1 for pages 214-215 would make it clear that undivided joint ownership information should be reported on these pages, one page for each undivided joint ownership.[23] The Commission believes that revising this page in combination with eliminating the term system property, defining undivided joint interest property,[24] deleting previous page 215,[25] and revising page 217 [26] will eliminate the confusion oil pipeline companies currently experience when reporting property information on the Form 6.

8. Accrued Depreciation-Carrier Property (Page 216)

Current Requirements. Currently the Commission requires jurisdictional oil pipeline companies to report details on the credits and debits to Account No. 31, Accrued Depreciation—Carrier Property.

Industry Comments. AOPL recommends the Commission eliminate the distinction between gathering and trunk lines. AOPL also recommends the Commission eliminate page 214 and carry forward the depreciation rate information from page 214, column (e) to a new column on page 216, Accrued Depreciation—Carrier Property.[27]

Commission's Proposal. The Commission is proposing to retain the distinction between gathering, trunk, and general. The Commission uses this information to calculate depreciation per account and to conduct depreciation studies, cost allocation, and trend analysis.[28] The Commission, however, is proposing to add a new column (g) on page 216 to report the annual composite/component rates currently reported on page 214.[29] The Commission is proposing to transfer this information to page 216 since it is not provided anywhere in the Form 6 and will centrally locate carrier property depreciation information on one page in the Form 6.

Additionally, the Commission is proposing to revise column headings (c) and (d) to replace the terms ''Charged'' and ''Charge'' with ''Debits'' and ''Debit.'' This proposed change will ensure the terms debits and credits are consistently used throughout the Form 6. The Commission proposes to revise column headings (c) and (d) to read as follows:

(c)—Debits to Account No. 540 of USofA (In dollars)

(d)—Net Debit From Retirement of Carrier Property (In dollars)

The Commission believes these changes will continue to provide the accrued depreciation information it needs to regulate carrier property and will clarify the Form 6 reporting requirement by uniformly using the terms debits and credits.

9. Accrued Depreciation—System Property (New Title—Accrued Depreciation—Undivided Joint Interest Property) (Page 217)

Current Requirement. The Commission requires jurisdictional oil pipeline companies to annually report accrued depreciation for system property. Currently, this page is only required to be used when specifically directed by the Commission.

Industry Comments. AOPL recommends the Commission eliminate page 217 and the information collected on this page be collected on page 216 because this page is rarely completed and appears to require unnecessary detail. It is also unclear to AOPL what is to be gained by having authorized ''System Property'' reported on page 217 instead of 216 with supplements filed as necessary if carrier normally reports information on these pages. Although the current instructions state that this page should only be used when specifically instructed by the Commission, carriers have frequently used this page to report information on pipelines that form part of the parent company's ''system.'' Requiring all carriers to report carrier property on pages 212 and 213 and accrued depreciation on page 216, supplemented as necessary, should result in more consistent industry reporting.

Subsequent to the Staff Technical Conference, AOPL submitted additional comments recommending the Commission modify page 217 so it includes the same cost categories as on page 216. AOPL asks that Instruction No. 1 to page 217 clarify that undivided joint ownership information should be reported on these pages, one page for each undivided joint ownership. A company with different depreciation rates on different parts of one system would be free to file additional sheets for those system parts.

Commission's Proposal. The Commission is proposing to add a new column (g) on page 217 to retain the annual composite/component rates currently reported on page 215. The Commission proposes the header for column (g) to read as follows: Annual Composite/Component Rates (In percent). The Commission is proposing to transfer this information to page 217 since it is not provided anywhere in the Form 6 and will centrally locate carrier property depreciation information for undivided joint interest pipelines on one page in the Form 6.

The Commission is proposing to eliminate the requirement that companies only report information on this page when directed by the

[22] Form 6, Page 215, Instruction No. 1.

[23] See NOPR, Roman Numeral III, Section B—Form 6 Revisions, No. 4.

[24] See NOPR, Roman Numeral III, Section B—Form 6 Revisions, No. 2.

[25] See NOPR, Roman Numeral III, Section B—Form 6 Revisions, No. 6.

[26] See NOPR, Roman Numeral III, Section B—Form 6 Revisions, No. 9.

[27] See NOPR, Roman Numeral III, Section B—Form 6 Revisions, No. 6.

[28] See NOPR, Roman Numeral III, Section B—Form 6 Revisions, No. 5.

[29] See NOPR, Roman Numeral III, Section B—Form 6 Revisions, No. 6.

Commission. The Commission is also proposing to revise the page title to eliminate the term ''System'' in the Form 6.[30] Additionally, the Commission is proposing to delete Instruction Nos. 1 through 3 on page 217 and add instructions for completing page 217 on page 211. Instruction No. 1 for pages 216–217 would make clear that undivided joint ownership information should be reported on page 217, one page for each undivided joint ownership.[31]

10. Noncarrier Property (Page 220)

Current Requirements. The Commission's regulations currently require jurisdictional oil pipeline companies to report noncarrier property of $250,000 or more. Items less than $250,000, may be combined in a single entry titled ''Minor items, each less than $250,000.'' [32]

Industry Comments. The AOPL recommends the Commission modify item 2 of the instructions to increase the threshold for reporting noncarrier property to $1,000,000.

Kaneb Pipeline Company, L.P. proposes that the disclosure of noncarrier property items be limited to a single line entry in the Balance Sheet since the Commission, by definition, does not have regulatory authority over noncarrrier activities. Kaneb Pipeline Company, L.P. suggests that the detail required on page 220 appears to be more than required and lacks some standard format.

Commission's Proposal. The Commission is proposing to continue to require jurisdictional oil pipeline companies to report noncarrier property annually on page 220. However, the Commission is proposing to raise the noncarrier property reporting threshold in Instruction No. 2 from $250,000 to $1,000,000. The data reported with a higher threshold should be sufficient for Commission purposes and the new threshold should further reduce respondent burdens. If the Commission should require a more detailed breakdown of the noncarrier property reported for a ratemaking proceeding, settlement, or hearing the Commission could request additional information at this time during discovery. The Commission is not proposing to revise page 220 to create a standard format for reporting noncarrier property. A standard format would be too cumbersome since the term ''noncarrier'' includes anything that is not carrier.

11. Other Deferred Charges (Page 221)

Current Requirements. The Commission requires jurisdictional oil pipeline companies to provide an analysis of Account No. 44, Other Deferred Charges, annually showing in detail each item or subaccount of $250,000 or more. Items less than $250,000 may be combined in a single entry designated Minor Items, Each Less Than $250,000.

Industry Comments. AOPL proposes to replace 28 out of the 43 pages in the Form 6 with GAAP financial statements and modify other pages to reflect these changes. One of the pages the AOPL proposes to eliminate is page 221 since adequate detail would be provided in the GAAP financial statements and Notes.

Commission's Proposal. The Commission is proposing to continue to require jurisdictional oil pipeline companies to file the Form 6 in lieu of GAAP financial statements.[33] As such, the Commission is proposing to continue to require jurisdictional oil pipeline companies to file page 221 because it is the only source of information on deferred charges that the Commission receives from all reporting companies. However, the Commission is proposing to raise the other deferred charges reporting threshold from $250,000 to $500,000. The data reported with a higher threshold should be sufficient for Commission purposes and the new threshold should further reduce reporting burden. If the Commission should require a more detailed breakdown of the other deferred charges reported during an audit, rate proceeding, settlement, or hearing the Commission could request additional information at this time during discovery.

12. Payables to Affiliated Companies (Page 225)

Current Requirements. The Commission's regulations currently require jurisdictional oil pipeline companies to report payables from affiliated companies in excess of $250,000. For creditors whose balances were less than $250,000, a single entry may be made under a caption ''Minor Accounts, Each Less Than $250,000.'' [34]

Industry Comments. The AOPL recommends the Commission eliminate this page because the information is available in GAAP financial statements and notes.

Commission's Proposal. The Commission compared the information reported in the Form 6 to that reported in the GAAP financial statements and notes. Although the GAAP financial statements and notes contain much of the same type of financial information as the Form 6, the Commission noted material differences in the detail of information reported. GAAP financial statements contain less detailed reporting and lack a standard format. The current standard format allows anyone to collect and analyze data with relative ease. Performing an analysis in the future without some sort of standard format could be cumbersome and time consuming. For these reasons, the Commission is proposing to retain this page in lieu of accepting GAAP financial statements and notes.

The Commission, however, reviewed the possibility of raising the $250,000 reporting threshold currently required for oil pipeline companies to report payables to affiliated companies to $500,000 or $1,000,000. The Commission reviewed the 149 oil pipeline companies that filed the entire Form 6 with the Commission in 1998 and determined 43 companies reported payables from affiliated companies less than or equal to $1,000,000. Of those 43 companies, 26 companies reported payables from affiliated companies less than or equal to $250,000 and 34 reported payables from affiliated companies less than or equal to $500,000. Therefore, increasing the reporting threshold from $250,000 to $500,000 would eliminate 8 (34–26) companies from filing page 225 in detail. Based on the results of our review, the Commission is proposing to raise the reporting threshold from $250,000 to $500,000. The Commission is also proposing to delete Instruction No. 3 and to revise Instruction No. 2 to read as follows: In column (a), list every item amounting to $500,000 or more. For creditors whose balances were less than $500,000, a single entry may be made under a caption ''Minor accounts, less than $500,000. Raising the reporting threshold to $500,000 will provide consistent reporting requirements in the future for both payables from and receivables to affiliated companies. The data reported with a higher threshold should be sufficient for Commission purposes and the new threshold should further reduce respondent burdens. If there is a need for a more detailed breakdown of affiliated company payables for a rate proceeding, settlement, or hearing the Commission

[30] See NOPR, Roman Numeral III, Section B—Form 6 Revisions, No. 2.

[31] See NOPR, Roman Numeral III, Section B—Form 6 Revisions, No. 4.

[32] FERC Form No. 6, p. 220, Instruction No. 2.

[33] See NOPR, Roman Numeral III, No. 19 (b)—Form 6 Reporting Alternatives.

[34] FERC Form No. 6, Page 225, Instruction Nos. 2 and 3.

or its Staff could request additional information at that time.

13. Analysis of Federal Income and Other Taxes Deferred (Pages 230–231)

Current Requirements. The Commission's regulations currently require jurisdictional oil pipeline companies to annually report Federal Income and Other Taxes Deferred data on the Form 6. The instructions on page 230, however, currently require pipelines to follow outdated Accounting Principles Board Opinion No. 11 (APB 11) requirements when reporting this data.

Industry Comments. The AOPL recommends the Commission eliminate this page since pipelines would adequately disclose this information on the GAAP financial statements and notes of taxable entities.

Various Shipper Interests oppose eliminating this page because this page contains essential elements for the ratemaking process. Additionally, since some of the reporting pipelines are not taxable entities, their information need 43 companies reported payables from affiliated companies less than or equal to $1,000,000. Of those 43 companies, 26 companies reported payables from affiliated companies less than or equal to $250,000 and 34 reported payables from affiliated companies less than or equal to $500,000. Therefore, increasing the reporting threshold from $250,000 to $500,000 would eliminate 8 (34–26) companies from filing page 225 in detail. Based on the results of our review, the Commission is proposing to raise the reporting threshold from $250,000 to $500,000. The Commission is also proposing to delete Instruction No. 3 and to revise Instruction No. 2 to read as follows: In column (a), list every item amounting to $500,000 or more. For creditors whose balances were less than $500,000, a single entry may be made under a caption ''Minor accounts, less than $500,000. Raising the reporting threshold to $500,000 will provide consistent reporting requirements in the future for both payables from and receivables to affiliated companies. The data reported with a higher threshold should be sufficient for Commission purposes and the new threshold should further reduce respondent burdens. If there is a need for a more detailed breakdown of affiliated company payables for a rate proceeding, settlement, or hearing the Commission or its Staff could request additional information at that time.

13. Analysis of Federal Income and Other Taxes Deferred (Pages 230–231)

Current Requirements. The Commission's regulations currently require jurisdictional oil pipeline companies to annually report Federal Income and Other Taxes Deferred data on the Form 6. The instructions on page 230, however, currently require pipelines to follow outdated Accounting Principles Board Opinion No. 11 (APB 11) requirements when reporting this data.

Industry Comments. The AOPL recommends the Commission eliminate this page since pipelines would adequately disclose this information on the GAAP financial statements and notes of taxable entities.

Various Shipper Interests oppose eliminating this page because this page contains essential elements for the ratemaking process. Additionally, since some of the reporting pipelines are not taxable entities, their information ??l tariff may apply to the movements of only one Shipper, or it may be a tariff used by multiple Shippers. All Shippers are in competition with each other. For this reason, section 15(13) of the Interstate Commerce Act makes it illegal for a pipeline to divulge any information regarding a Shipper's volumes, routing, or other information that would constitute sensitive business information. To do so can be rewarded with fines and/or jail time.

Refinery Holding Company, L.P. recommends the following information be added to page 700 to assist Shippers in accurately assessing the justness and reasonableness of a rate under the 154–B methodology: Composite depreciation rate and base, last approved rate of return, debt-equity ratio, operations and maintenance expense actually incurred (not including reserves created), capital structure, SRB write-up and annual amortization, inflation adjustment rate used if different from the FERC index rate. Now that revised complaint procedures require a complainant to make detailed allegations in the original petition and support them with calculations and documentation this information is needed so a complaint is not rejected by the Commission. Rule 206(4) now requires a complaining party to ''make a good faith effort to quantify the financial impact or burden created for the complainant as a result of the action or inaction'' complained of. It is no longer adequate to allege in the complaint that the pipeline is overcharging.

AOPL states the revenue and cost of service information Shippers need to challenge a pipeline company's application of the index is filed on page 700 of the Form 6. Shippers, however, have access to information necessary to contest every pipeline filing without having to resort to information in the Form 6. If a Shipper or potential Shipper disagrees with a ''negotiated'' rate, it may file a statement with the Commission stating the pipeline must withdraw the rate or defend it using a cost-of-service methodology. Additionally, the public version of a pipeline filing requesting market-based rate treatment and requests for cost service treatment are supplied to all Shippers.

Sinclair Oil Corporation; ARCO Products Company, Tosco Corporation and Ultramar Inc.; and Various Shipper Interests also recommend page 700 be revised to correct the existing mismatch in reporting of revenues and expenses. They recommend the operating revenues be revised to report total company revenues to match total company cost of service.

Additionally, Sinclair Oil Corporation and ARCO Products Company, Tosco Corporation and Ultramar Inc. recommend the workpapers showing the derivation of the cost of service be included in the Form 6 or made available to customers upon request. Such a requirement would impose almost no additional burden on pipeline companies since they already must perform cost of service supporting calculations. The inclusion of this data, however, would help Shippers greatly in analyzing a pipeline's cost of service.

Commission's Proposal. The current state of oil pipeline regulation calls for the Commission and its Staff to play a less active role in terms of monitoring and oversight regarding pipeline rates and practices, and for oil pipeline Shippers to play a more active role in monitoring and alerting the Commission to rate and tariff abuses.[48] Given the shift in responsibilities, it is imperative that oil pipeline Shippers have the information they need in order to make

[48] Order No. 561, Revisions to Oil Pipeline Regulations Pursuant to the Energy Policy Act of 1992, FERC Stats. & Regs [Regs. Preambles, 1991–1996] ¶ 30,985 at 30,947–48 (1993) (it is expected that data will be available to the public and to the Commission which will allow determinations to be made as to the reasonableness of increases produced by the application of the index; cost data included in Form No. 6 can be used by an interested person to form the basis of a complaint or protest that the increase sought under any of the methodologies is not justified), and 30,955–56 (a protest must allege reasonable grounds for believing that the discrepancy between the actual cost increase to the pipeline and the proposed change in rate is so substantial that the proposed rate change is not just and reasonable within the meaning of the ICA; Form No. 6 data are available to all parties to challenge a pipeline's rate increase).

informed analyses and judgements regarding the pipelines they use (or may use). This is particularly true given the fact that many oil pipeline companies have affiliates who ship over the pipeline's capacity and affiliates who compete directly with other Shippers over that same line.

The burden upon Shippers to perform their own assessments, and thus their need for Form 6 information, has not abated since Order Nos. 561 and 571. If anything, the need for information has increased. The Commission has begun interpreting what is required for Shippers to demonstrate the ''substantial change in economic circumstances'' necessary to challenge rates.[49] For example, in *SFPP*, the Commission refers to the need for Shippers to address the ''economic basis'' of the rates they challenge, and suggests that the rate elements ???initions 30 (g) and ???e they are aggregated, and separately analyze rates. Specific functionalization issues arose in the *Williams*[37] and *SFPP* would not appear on the GAAP financial statements of taxable entities.

Sinclair Oil Corporation supports revising page 230 to adopt Statement of Financial Accounting Standards No. 109 (SFAS 109) use of the liability method for deferred taxes.

Commission's Proposal. The Commission is proposing to continue to require jurisdictional oil pipeline companies to file the Form 6 in lieu of GAAP financial statement.[35] As such, the Commission is proposing to continue to require jurisdictional oil pipeline companies to file pages 230–231. The Commission uses the data on the page for auditing comparisons among various companies, and for decisionmaking in its rate proceedings. However, the Commission is proposing to update page 230 to include the current SFAS 109 reporting requirements. SFAS 109 adopted a liability approach for determining deferred income taxes rather than the previously used deferral method under APB 11. The structure of page 230 is generally consistent with the liability approach used for accounting for income taxes under GAAP, however, the Commission is proposing to revise the terminology which still refers to the deferral method of accounting for income taxes.

Additionally, the Commission is proposing to revise the following 18 CFR Part 352 accounting regulations to make them consistent with the SFAS 109 liability method of accounting for income taxes: Definition No. 30, Income Taxes; General Instruction 1–12, Accounting for Income Taxes; Account 19–5, Deferred Income Tax Charges; Account 45, Accumulated Deferred Income Tax Charges; Account 59, Deferred Income Tax Credits; Account 64, Accumulated Deferred Income Tax Credits; Account 671, Provision for Deferred Taxes; Account 695, Income Taxes on Extraordinary Items; and Account 696, Provision for Deferred Taxes—Extraordinary Items.[36]

As a result of these changes, the Commission is also proposing to revise the Form 6 titles for Balance Sheet Accounts 19–5 and 45 and Income Statement Accounts 59 and 64 on pages 110–114.

14. Operating Revenue Accounts (Account 600) (Page 301)

Current Requirement. The Commission's regulations currently require jurisdictional oil pipeline companies to report revenue by crude and products and to identify whether the revenue is associated with gathering, trunk, or delivery services.

Industry Comments. The AOPL recommends the Commission eliminate the distinction between crude and products revenue and provide comparative disclosure (i.e., current year versus prior year and variance). AOPL states the distinction dates back to the Department of Justice Consent Decree which allowed different rates of return for the two types of pipelines and is no longer needed with today's Commission methodologies. Also, those companies that manage systems on crude and products basis should already capture this information in GAAP financial statements according to SFAS 131.

Sinclair Oil Corporation opposes eliminating the distinction between crude oil and products services. Although pipelines may not always differentiate between crude oil and petroleum product lines for the purposes of their financial record keeping, the distinction between the two types of lines is reasonable and necessary in an operational sense. Crude oil and product lines have different operating costs and characteristics. They are usually physically distinct, serve entirely different markets, and each type of line has different costs associated with it. Additionally, the Commission's regulations require Shippers to file complaints and protests against an individual tariff. Pipeline operational data that distinguishes between crude oil and petroleum product lines serves as a useful tool for Shippers in evaluating the reasonableness of a tariff. This information is beneficial to Shippers who must evaluate the operating revenues incurred by different pipeline companies. The data must be maintained to preserve the ability of complainants to support their case using Form 6 data.

Sinclair Oil Corporation, however, recommends the Commission aggregate the trunk, gathering, and delivery services distinctions currently appearing on Form 6. These particular categories have rarely been relevant to an analysis of the pipeline industry.

Commission's Proposal. The Commission is proposing to continue to require jurisdictional oil pipeline companies to report operating revenues by crude and products and identify whether the revenue is associated with gathering, trunk, or delivery services. Keeping the revenue accounts reported by crude and products and between gathering, trunk, and delivery services coincides with the carrier property and expense accounts, and enables the Commission and other interested parties to match costs with revenues. Lumping all pipeline expenses into one category or function in the Form 6 would make it very difficult to properly separate the costs, functionalize them once they are aggregated, and separately analyze rates. Specific functionalization issues arose in the *Williams*[37] and *SFPP*[38] cases. Moreover, this type of distinction in information is useful for analyzing and making jurisdictional determinations, such as occurred in *Texaco Refining and Marketing v. SFPP,* 80 FERC ¶ 61,200 (1997), *Lakehead Pipe Line Co.,* 71 FERC ¶ 61,338 at 62,324–26 (1995), and *SFPP, supra* at 61,074. Issues concerning the propriety of pipeline functionalizations are not uncommon to oil pipelines, and this information should continue to be available to Shippers in the Form 6.

Additionally, the Commission does not see the benefit of revising page 301 to require pipelines to report the prior year revenues next to the current year revenues and report the variance. This will not provide the Commission any additional information it doesn't already have. If the Commission needs to compare the current and prior year revenues of a company it can retrieve

[35] See NOPR, Roman Numeral III, No. 19 (b)—Form 6 Reporting Alternatives.

[36] See NOPR, Roman Numeral IV, A—Changes in the Application of GAAP, No. 5.

[37] *See,* Williams Pipe Line Co., 84 FERC ¶ 61,022 at 61,109–110 (1998).

[36] See NOPR, Roman Numeral IV, A—Changes in the Application of GAAP, No. 5.

[37] *See,* Williams Pipe Line Co., 84 FERC ¶ 61,022 at 61,109–110 (1998).

[38] SFPP L.P., 86 FERC ¶ 61,022 at 61,080 (1999).

the company's prior year Form 6 filing and perform the calculation.

The Commission, however, is proposing to add a separate table to the bottom of page 301 to provide a standard format for pipelines to report interstate and intrastate revenue information which is currently reported as a footnote. The Commission believes a standard format will make it easier for the pipelines to report this information in the proposed electronic format.[39]

15. Operating Expense Accounts (Account 610) (Pages 302–304)

Current Requirements. The Commission's regulations currently require jurisdictional oil pipeline companies to report operating expenses by Operations, Maintenance, and General classes of operating costs.

Additionally, the Commission requires operating cost to be reported by crude and products and to identify whether the expense is associated with Gathering, Trunk, or Delivery services.

Industry Comments. The AOPL and Kaneb Pipe Line Company, L.P. recommend the Commission consolidate FERC Accounts 300 (Operations), 400 (Maintenance), and 500 (General). Additionally, the AOPL suggests that one account series be chosen for reporting purposes and these numbers should be reported on page 304. The only reported line items that would be affected are salaries and wages (300, 400, 500), supplies and expenses (310, 410, 510), and outside services (320, 420, 520). All other Operating Expense Accounts line items are unique, so that rolling them into one category would have no impact. The breakdown of operating expenses is burdensome, of no apparent regulatory use, and forces companies to engage in an artificial allocation that would not be made absent the FERC requirement. Consolidating these operating cost codes would greatly simplify the reporting process, accounting systems, and provide more relevant information on a company's total operating costs.

Sinclair Oil Corporation recommends consolidating the operating and maintenance accounts and dividing the expenses into two basic categories: direct and indirect, with appropriate subcategories in each grouping. This will provide a more accurate division of expenses between direct operating and maintenance expenses as opposed to indirect or overhead expenses. However, if the Commission wishes to retain the operations, maintenance and general categories, Sinclair Oil Corporation recommends the cost line items be standardized across these categories so that they match.

The AOPL recommends the Commission eliminate the distinction between crude and products and between gathering, trunk, and delivery services but proposes to add a comparative disclosure of the prior year's numbers and exclude from the pages amounts already specified on GAAP financial statements, such as depreciation and power.

Sinclair Oil Corporation agrees with aggregating the trunk, gathering, and delivery services distinctions currently appearing on Form 6. These particular categories have rarely been relevant to an analysis of the pipeline industry.

Sinclair Oil Corporation and various Shippers, however, oppose eliminating the distinction between crude oil and products. Although pipelines may not always differentiate between crude oil and petroleum product lines for the purposes of their financial record keeping, the distinction between the two types of lines is reasonable and necessary in an operational sense. Crude oil and product lines have different operating costs and characteristics. They are usually physically distinct and serve entirely different markets in practical usage. Additionally, each type of line has differing costs associated with it. Also, the Commission's regulations require Shippers to file complaints and protests against an individual tariff. Consequently, pipeline operational data that distinguishes between crude oil and petroleum product lines serves as a very useful tool for Shippers in evaluating the reasonableness of a tariff. This information is beneficial to Shippers that must evaluate the operating expenses incurred by different pipeline companies and must be maintained to preserve the ability of complainants to bring a rate case using the Form 6.

Commission's Proposal. The Commission is proposing to continue to require jurisdictional oil pipeline companies to report operating cost by crude and products and among gathering, trunk, and delivery services. However, the Commission is proposing to delete column (f) on page 303 because companies don't typically gather products at the refinery. The Commission is also proposing to delete page 304, but add column (i) to page 303 for companies to report the grand total of their operating expense accounts. The Commission is also proposing to consolidate the operating and maintenance accounts and revise the operating expense accounts as follows:

a. Eliminate Accounts 400, 410, 420, and 430;

b. Redefine the definitions for Accounts 300, 310, and 320 to include both operations and maintenance expenses;

c. Rename Account 310 ''Materials and Supplies'' and redefine its definition to include the items previous reported in Accounts 310, 410, and 430 except other expenses (i.e., the expenses of aircraft and vehicle operations; travel and other expenses of operating employees; and other related operations and maintenance expenses).

d. Add Accounts 350 Rentals and 390 Other Expenses. The Commission is proposing to include only those rental expenses related to operations and maintenance in Account 350. This should enable oil pipeline companies to more accurately report their operating and maintenance expenses. The Commission is proposing to create Account 390 to record the other expense items that are currently reported in Accounts 310 and 410 (i.e., the expenses of aircraft and vehicle operations; travel and other expenses of operating employees; and other related operations and maintenance expenses). These other expenses no longer apply to the renamed Account 310 so the Commission is proposing to report these expenses separately.

e. Rename Account 510 ''Materials and Supplies'' and redefine its definition to include materials and the items previously reported in Account 510 except other expenses (i.e., the expenses of aircraft and vehicle operations; travel and other expenses of operating employees; and other related operations and maintenance expenses).

f. Redefine Account 530. The Commission is proposing to include only those rental expenses related to general operations in Account 530.

g. Rename Account 550 ''Employee Benefits'' to better reflect the information reported in this account.

h. Add Account 590 Other Expenses. The Commission is proposing to create this account to record the other expense items that are currently reported in Account 510 (i.e., the expenses of aircraft and vehicles used for general purposes; travel and other expenses of general employees and offices; utilities services; and all other incidental general expenses). These other expenses no longer apply to renamed Account 510 so the Commission is proposing to report these expenses separately.

The Commission believes revising the operations, maintenance, and general operating expenses as proposed above will eliminate the interpretations problems companies have had in the past categorizing expenses between operations and maintenance. It will also

[39] See NOPR, Roman Numeral III, Section B—Form 6 Revisions, No. 19(a).

greatly simplify both the reporting process and accounting systems.

Also, keeping the expense accounts reported by crude and products and between gathering, trunk, and delivery services coincides with the carrier property and revenue accounts, and enables the Commission and other interested parties to match costs with revenues. Moreover, Commission policy generally requires that cost incurrence follow cost responsibility.[40] Lumping all pipeline expenses into one category or function in the Form 6 would make it very difficult to properly separate the costs, or to functionalize them once they are aggregated, in order to separately analyze rates. Moreover, this type of distinction in information is useful for analyzing and making jurisdictional determinations.

16. Income From Noncarrier Property (Page 335), Interest and Dividend Income (Page 336), and Miscellaneous Items in Income and Retained Income Accounts for the Year (Page 337)

Current Requirements. The Commission's regulations currently require jurisdictional oil pipeline companies to report detailed information about income from noncarrier property, interest and dividend income, and miscellaneous items in income and retained income accounts for the year on separate pages of the Form 6.

Industry Comments. AOPL proposes the Commission aggregate pages 335–337 to support other income (expenses) already reported on GAAP financial statements. The Commission could require further detail as necessary through the use of supplement sheets.

Kaneb Pipeline Company, L.P. proposes the disclosure of noncarrier property items on page 335 be limited to a single line entry in the Income Statement since the Commission, by definition, does not have regulatory authority over noncarrrier activities. The detail required on page 335 appears to be more than required and lacks a standard format.

Commission's Proposal. The Commission is proposing to continue to require jurisdictional oil pipeline companies to file the Form 6 in lieu of GAAP financial statements.[41] The Commission is proposing to continue to require jurisdictional oil pipeline companies to report the information on pages 335, 336, and 337 as currently required. The Commission is not proposing to revise page 335 to create a standard format for reporting income from noncarrier property. A standard format would be too cumbersome since the term ''noncarrier'' includes anything that is not carrier.

Unlike Shippers in the natural gas and electric industries regulated by the Commission, oil pipeline Shippers bear the burden in most instances of proving that proposed rate changes are unjust and unreasonable. Moreover, any time a Shipper attempts to justify a complaint against an existing or grandfathered rate, it must satisfy a substantial evidentiary burden before it will even be granted a hearing and formal discovery rights. This burden requires an in-depth analysis of an oil pipeline's cost and revenue data. Thus, since most of the relevant information is not presented elsewhere, sufficient information must be made available in the Form 6.

The information provided on page 335 is useful to the Commission, and vital to Shippers in order to evaluate the proper separation of carrier and non carrier revenues and expenses. This information is required to allow Shippers to properly analyze proposed or existing rates.

In addition, pages 336 and 337 provide the Commission and Shippers with a detailed analysis of certain income and retained earnings accounts not provided on any other pages. The information on these pages provides data essential to Shippers when analyzing an oil pipeline's financial statement. The data required to be filed on page 336 becomes a key element in any complaint when used to assess a pipeline's profitability as measured by its earned equity return. It is particularly important to know whether income other than operating income is from sources in which the subject pipeline has some control, such as income from Securities Investments in Affiliated Companies.

Similarly, the data on page 337 is useful in order to determine gains or losses on reacquired debt in order to compute debt costs. All the information described above is essential to conducting the kind of thorough analyses which the Commission requires of any oil pipeline Shipper who attempts to contest an existing rate, or proposed rate.

17. Statistics of Operations (Pages 600–601) and Miles of Pipeline Operated at End of Year (Pages 602–603)

Current Requirements. The Commission's regulations currently require undivided joint interest oil pipeline companies to report information inconsistently between pages 600–601 and 602–603. The instructions on pages 602–603 indicate that mileage for undivided joint interest pipelines is not to be included where the pipeline is operated by another entity. No such limitation applies to pages 600 and 601.

Industry Comments. Sinclair Oil Corporation recommends the Commission revise pages 600–603 so each individual owner of an undivided interest pipeline report its volumes and pipeline mileage separately on both pages to ensure that the data reported in barrel miles and miles of pipeline are reported uniformly. Sinclair states that the instructions on pages 600–601 do not state on pages 602–603 that the volumes of crude oil and other liquids shipped on undivided interest pipelines are not to be included where the pipeline is operated by another entity.

Commission's Proposal. Based on the proposed changes to definitions of ''crude oil'' and ''system property,''[42] the Commission is proposing to eliminate Instruction No. 2 on page 600 and on pages 600–603 delete the word ''system'' entirely or replace the term ''system'' with ''pipeline'' as appropriate.

The Commission is also proposing to renumber Instruction No. 3 on page 600 to No. 2 and add the sentence ''Any barrels received into a pipeline owned by the respondent, but operated by others, should not be included on this schedule.'' Additionally, the Commission is proposing to renumber Instruction No. 4 on page 600 to No. 3 and add the sentence ''Any barrels delivered out of a pipeline owned by the respondent, but operated by others, should not be included on this schedule.'' If a pipeline owns several undivided joint interest pipelines, it would be required to separately submit volumes for each entity. Many undivided joint interest pipelines already file this information separately so this clarification should only apply to a few companies.

The Commission believes these changes will clarify how pipelines should report the volumes of crude oil and other liquids shipped on undivided interest pipelines on pages 600–601 so there is less redundancy and improved industry reporting.

18. Annual Cost of Service Based Analysis Schedule (Page 700)

Current Requirements. The Commission addressed revisions to the Form 6 in Order Nos. 571 and 571–A,[43]

[40] *See*, Williams Pipe Line Co., 84 FERC ¶ 61,022 at 61,109–110 (1998).

[41] See NOPR, Roman Numeral III, No. 19(b)—Form 6 Reporting Alternatives.

[42] See NOPR, Roman Numeral III, Section B—Form 6 Revisions, No. 2(a) and (b).

[43] Cost of Service Reporting and Filing Requirements for Oil Pipelines, 59 FR 59137 (Nov.

including adding a new page 700.[44] Page 700 of the Form 6 currently requires that a pipeline only provide single amounts for total annual cost of service (as calculated under the Order No. 154–B methodology), operating revenues, throughput in barrels and throughput in barrel-miles.[45] At that time, many of the requirements formerly included in the Form 6 were reduced or eliminated and the information now required to be included in the Form 6 was determined to be the minimum necessary ''to provide at least a preliminary basis for Shipper assessments of filed rate changes under Order No. 561.'' [46] Recently, however, the Commission revised Rule 206 of its Rules of Practice and Procedure outlining specific minimal information requirements complainants must now file before a protest or complaint will be reviewed by the Commission.[47]

Industry Comments. Sinclair Oil Corporation and Refinery Holding Company, L.P. recommend that page 700 be changed to report cost of service, revenue, and volume information on a tariff by tariff assessment, system-by-system, or segmented basis rather than a single company-wide computation. This will enable Shippers to file a complaint against a specific rate rather than all rates charged by a pipeline company since the burden of proof falls on Shippers when challenging a pipeline's rate that falls within the applicable index ceiling.

AOPL opposes reporting data on a tariff by tariff assessment, system-by-system, or segmented basis. AOPL states that to break information down in this way would be extremely costly and burdensome and/or illegal. An individual pipeline may have hundreds of rates. Some may be negotiated rates or market based rates, and set so that revenues do not exceed Opinion No. 154–B revenue requirements. An individual tariff may apply to the movements of only one Shipper, or it may be a tariff used by multiple Shippers. All Shippers are in competition with each other. For this reason, section 15(13) of the Interstate Commerce Act makes it illegal for a pipeline to divulge any information regarding a Shipper's volumes, routing, or other information that would constitute sensitive business information. To do so can be rewarded with fines and/or jail time.

Refinery Holding Company, L.P. recommends the following information be added to page 700 to assist Shippers in accurately assessing the justness and reasonableness of a rate under the 154–B methodology: Composite depreciation rate and base, last approved rate of return, debt-equity ratio, operations and maintenance expense actually incurred (not including reserves created), capital structure, SRB write-up and annual amortization, inflation adjustment rate used if different from the FERC index rate. Now that revised complaint procedures require a complainant to make detailed allegations in the original petition and support them with calculations and documentation this information is needed so a complaint is not rejected by the Commission. Rule 206(4) now requires a complaining party to ''make a good faith effort to quantify the financial impact or burden created for the complainant as a result of the action or inaction'' complained of. It is no longer adequate to allege in the complaint that the pipeline is overcharging.

AOPL states the revenue and cost of service information Shippers need to challenge a pipeline company's application of the index is filed on page 700 of the Form 6. Shippers, however, have access to information necessary to contest every pipeline filing without having to resort to information in the Form 6. If a Shipper or potential Shipper disagrees with a ''negotiated'' rate, it may file a statement with the Commission stating the pipeline must withdraw the rate or defend it using a cost-of-service methodology. Additionally, the public version of a pipeline filing requesting market-based rate treatment and requests for cost service treatment are supplied to all Shippers.

Sinclair Oil Corporation; ARCO Products Company, Tosco Corporation and Ultramar Inc.; and Various Shipper Interests also recommend page 700 be revised to correct the existing mismatch in reporting of revenues and expenses. They recommend the operating revenues be revised to report total company revenues to match total company cost of service.

Additionally, Sinclair Oil Corporation and ARCO Products Company, Tosco Corporation and Ultramar Inc. recommend the workpapers showing the derivation of the cost of service be included in the Form 6 or made available to customers upon request. Such a requirement would impose almost no additional burden on pipeline companies since they already must perform cost of service supporting calculations. The inclusion of this data, however, would help Shippers greatly in analyzing a pipeline's cost of service.

Commission's Proposal. The current state of oil pipeline regulation calls for the Commission and its Staff to play a less active role in terms of monitoring and oversight regarding pipeline rates and practices, and for oil pipeline Shippers to play a more active role in monitoring and alerting the Commission to rate and tariff abuses.[48] Given the shift in responsibilities, it is imperative that oil pipeline Shippers have the information they need in order to make informed analyses and judgements regarding the pipelines they use (or may use). This is particularly true given the fact that many oil pipeline companies have affiliates who ship over the pipeline's capacity and affiliates who compete directly with other Shippers over that same line.

The burden upon Shippers to perform their own assessments, and thus their need for Form 6 information, has not abated since Order Nos. 561 and 571. If anything, the need for information has increased. The Commission has begun interpreting what is required for Shippers to demonstrate the ''substantial change in economic circumstances'' necessary to challenge rates.[49] For example, in *SFPP*, the Commission refers to the need for Shippers to address the ''economic basis'' of the rates they challenge, and suggests that the rate elements that affect the economic basis for most rates are volumes, asset base, operating, and perhaps capital costs. A Shipper must

16, 1994), FERC Stats. & Regs. [Regs. Preambles, 1991–1996] ¶ 31,006 (Oct. 28, 1994); 60 FR 356 (Jan. 4, 1995), FERC Stats. & Regs. [Regs. Preambles, 1991–1996] ¶ 31,012 (Dec. 28, 1994).

[44] *Id.* at 31,168–70.

[45] Order No. 571 at 31,168.

[46] Cost of Service Reporting and Filing Requirements for Oil Pipelines, 59 FR 59137 (Nov. 16, 1994), FERC Stats. & Regs. [Regs. Preambles, 1991–1996] ¶ 31,006 at 31,169 (Oct. 28, 1994); 60 FR 356 (Jan. 4, 1995), FERC Stats. & Regs. [Regs. Preambles, 1991–1996] ¶31,012 (Dec. 28, 1994).

[47] Complaint Procedures, Order No. 602, 64 FR 17087 (Apr. 8, 1999), III FERC Stats. & Regs. ¶ 31,072 at pages 21–23 and 50–52 (Mar. 31, 1999); Order 602–A, 64 FR 43600 (Aug. 11, 1999) III FERC Stats. & Regs. ¶ 31,076 (July 28, 1999); Order No. 602–B, 64 FR 53959 (Oct. 5, 1999), III FERC Stats. & Regs. ¶ 31,083 (Sept. 29, 1999).

[48] Order No. 561, Revisions to Oil Pipeline Regulations Pursuant to the Energy Policy Act of 1992, FERC Stats. & Regs [Regs. Preambles, 1991–1996] ¶ 30,985 at 30,947–48 (1993) (it is expected that data will be available to the public and to the Commission which will allow determinations to be made as to the reasonableness of increases produced by the application of the index; cost data included in Form No. 6 can be used by an interested person to form the basis of a complaint or protest that the increase sought under any of the methodologies is not justified), and 30,955–56 (a protest must allege reasonable grounds for believing that the discrepancy between the actual cost increase to the pipeline and the proposed change in rate is so substantial that the proposed rate change is not just and reasonable within the meaning of the ICA; Form No. 6 data are available to all parties to challenge a pipeline's rate increase).

[49] *See*, Santee Distribution Co. v. Dixie Pipeline Co., 75 FERC ¶ 61,254 at 61,821 (1996); SFPP L.P., 86 FERC ¶ 61,022 at 61,063–072 (1999).

not only show that a substantial change has occurred in at least one of these elements, but it must also explain why this change is likely to have rendered the existing rate unjust and unreasonable.[50] In *SFPP*, although the Shippers had access to much information in addition to that provided in the Form 6, and the Commission recognized that:

> [i]n the instant case it would have been difficult for a complaining party to attack an existing rate based on a settlement without access to information about the costs, revenues, and volumes that underlie SFPP's settlement rates.[51]

Additionally, recent revisions to Rule 206 [52] outline specific information a Shipper must now file before a complaint or protest will be reviewed by the Commission.

Shippers need more information than that contained in the Form 6 to sustain a complaint or protest, not less. For these reasons, the Commission is proposing to revise Instruction No. 3 on page 700 to require oil pipeline companies to report total company revenues to be consistent with the total cost of service currently required. This should eliminate the confusion caused by companies comparing the operating revenues of the pipeline service to the total company cost of service.

The Commission is not proposing to require oil pipelines companies to provide information on a system-by-system, tariff by tariff, or segmented basis as this would be extremely burdensome for the industry and in some instances would make the Form 6 voluminous. However, the Commission is proposing to add the following reporting requirements: Operating and maintenance expenses, depreciation expense, AFUDC depreciation, amortization of deferred earnings, rate base, rate of return, return on rate base, and income tax allowance.

The Commission believes these additional requirements are merely a change in the number of line items reported on page 700 and could be provided with little or no additional burden since companies already calculate the data to determine the total cost of service reported. The Commission is also proposing to add Instruction No. 7 to page 700 which states subject to Commission discretion (e.g., under certain circumstances in a complaint proceeding), a pipeline company may need to make its cost of service work papers available for inspection upon request.

The Commission believes, in light of the burden placed upon oil pipeline Shippers to identify unreasonable rates and practices, the Form 6 should contain the additional information proposed on page 700. Such information would be invaluable in assisting Shippers to understand and evaluate how the cost of service was prepared and provide the additional information Shippers need to satisfy the minimum filing requirements now required to file a protest or complaint considered by the Commission.

19. Miscellaneous Items

a. Electronic Filing of Form 6

Current Requirements. The Commission, in the exercise of its authority under the Interstate Commerce Act,[53] collects data pertaining to the oil industry in the United States. One of the principal forms used for collection of this information is Form 6, which is submitted annually by about 159 oil pipeline companies. The Form 6 is currently submitted in a paper or hardcopy format. Form 6 respondents must file an original and three hard copies annually with the Office of the Secretary.[54]

During the course of the past year, the Commission has worked to develop procedures for filing the Form 6 electronically. During the Staff Technical Conference on September 21, 1999, several oil pipeline companies volunteered to participate in an electronic filing pilot program. The volunteers have been extremely supportive and responsive in providing the Commission comments as it continues to develop the appropriate software package to provide electronic filing for Form 6.

Industry Comments. The AOPL supports the FERC's efforts to develop a version of the Form 6 that may be filed electronically and is amenable to filing in both paper and electronic format for the first year, with the goal of only filing electronically in future years.

Sinclair Oil Corporation supports electronic filing as it will simplify Form 6 reporting by the industry, increase public accessibility of Form 6 data, and decrease the amount of data entry errors that have appeared in the Form 6 in the past.

Chevron Pipe Line Company also supports the electronic filing of the Form 6, if it can be accomplished without requiring oil pipeline companies to invest in costly new software solely for the purpose of the Form 6 filing.

Commission's Proposal. The Commission is proposing to require electronic filing of the Form 6 in addition to the currently required number of paper copies commencing with the report for calendar year 2000, due on or before March 31, 2001. To facilitate a smooth transition for industry, the Commission is inviting any additional parties interested in participating in the pilot program to contact Bolton Pierce in the Office of the Chief Information Officer at (202) 255–5465 or bpierce@ferc.fed.us.

The Commission is proposing to use a Windows 95/98/NT version software and to provide software distribution, set-up, updates, and submission of the electronic filing via the Internet. The Commission is also proposing to provide access to the Form 6 filings for viewing and printing via the Internet.

In order to disseminate information on the software and to keep interested parties aware of development status, the Commission is proposing to create a point-of-contact list for companies that file Form 6, other federal agencies, and state commissions. The Commission is proposing the point-of-contact information include: name, company/agency, address, phone number, and e-mail address, and be submitted via the Internet by accessing a form on the Commission's web site or by filing a paper copy.

Additionally, the Commission is proposing that persons who submit Form 6 either for their company, or as an agent for another company, register to get an Access Number(s) in order to file using the software. Federal and state agencies and others who access or use the data would not need an Access Number. The Commission is also proposing to add instructions to pages i and ii for filing the Form 6 electronically.[55] The Commission invites comments on the implementation of electronic filing for the revised Form 6. The Commission believes that the automation of Form 6 filing will yield significant benefits, including more timely analysis and publication of data, increased data analysis capability, reduced cost of data entry and retrieval, simplification of form design, and overall reduction of reporting burden.

[50] *Id.* at 61,066–067.

[51] *Id.* at 61,072.

[52] Complaint Procedures, Order No. 602, 64 FR 17087 (Apr. 8, 1999), III FERC Stats. & Regs. ¶ 31,072 at pages 21–23 and 50–52 (Mar. 31, 1999); Order 602–A, 64 FR 43600 (Aug. 11, 1999) III FERC Stats. & Regs. ¶ 31,076 (July 28, 1999); Order No. 602–B, 64 FR 53959 (Oct. 5, 1999), III FERC Stats. & Regs. ¶ 31,083 (Sept. 29, 1999).

[53] 49 U.S.C. 20.

[54] FERC Form 6, p. i, Instruction Nos. II and III.

[55] FERC Form 6, Pages i and ii, Roman Numerals III and VIII.

b. Form 6 Reporting Alternatives

Current Requirements. The Commission's regulations currently require each pipeline carrier subject to the provisions of section 20 of the Interstate Commerce Act whose annual jurisdictional operating revenues have been more than $350,000 for each of the three previous calendar years to prepare and file a Form 6 with the Commission on or before March 31st of each year for the previous calendar year. Carriers exempt from filing the Form 6, however, must prepare and file page 700 ''Annual cost of Service Based Analysis Schedule'' and page 1 ''Identification and Attestation'' schedule of the Form 6 on or before March 31 of each year.[56] Additionally, the Commission currently authorizes carriers to prepare and publish financial statements in reports to stockholders and others, except in reports to the Commission, based on generally accepted accounting principles.[57]

Industry Comments. The AOPL and Chevron recommend the Commission move toward reporting data in accordance with GAAP, rather than the current Uniform Systems of Accounts (USofA) prescribed for oil pipelines. AOPL believes the bulk of the information now collected through the Form 6 would continue to be available by companies filing their financial statements and those pages of the Form 6 not covered by the financial statements. This change would substantially reduce the reporting burden on oil pipelines, since they would not have to contend with two often diametrically opposed accounting conventions. It would also reduce or eliminate additional regulatory burdens the industry incurs seeking approval to record transactions in accordance with GAAP.

AOPL proposes to replace 28 out of the 43 pages in the Form 6 with GAAP financial statements and modify other pages to reflect these changes. AOPL states that at one time the Form 6 conformed to GAAP accounting, but was not modified as GAAP accounting conventions changed over time creating a costly and unnecessary differentiation between GAAP and USofA accounting.

Sinclair Oil Corporation strongly opposes replacing the Form 6 reporting pages with GAAP financial statements certified by external accountants. The USofA statements require a standard reporting format and consistent definitions for all items reported by the pipeline companies. Filing reports in GAAP format would eliminate any standard, uniform format increasing the analytical burden on Shipper, Commission Staff, and pipeline companies themselves to compare financial data across companies and within one company over time.

Kaneb Pipe Line Operating Partnership, L.P. states that while the SEC Form 10–K requires much of the same financial information as the Form 6, it lacks a standard form. One of the benefits of the Form 6 has been its standard format. Analysis without some sort of standard format could be cumbersome and time consuming.

Commission's Proposal. The Commission compared the Form 6 of a company to its GAAP financial statements to determine the feasibility of accepting GAAP financial statements in lieu of the Form 6. During our review, the Commission noted several differences between the information reported in each report. Information is reported in dissimilar categories and several detailed line items on the Form 6 are rolled up into larger, less specific line items on the GAAP financial statements. These differences make it difficult to correlate and compare data between reports for the same year.

Additionally, not all pipeline companies currently produce externally audited financial reports. The Commission reviewed each jurisdictional company's structure to determine if the pipeline's financial statements would be certified by external accountants. Often the pipeline's operations are small and its financial information is rolled into the reporting company's financial statements. When this occurs, only the reporting company's financial statements are certified by the external accountants. The external accountants do not separately certify the pipeline's financial statements.

Based on our review, we determined 93 of the 172 (54%) jurisdictional companies in 1998 were either integrated or joint venture (integrated) pipelines and may not have financial statements currently certified by the external accountants. If the Commission were to accept GAAP financial statements in lieu of the Form 6, these 93 oil pipeline companies would incur an additional regulatory burden to produce externally audited financial reports.

For these reasons, the Commission is proposing to continue to require jurisdictional oil pipeline companies to file the Form 6 in lieu of GAAP financial statements. The Commission, however, does recognize the need to clarify and simplify the Form 6 and has proposed many changes to the Form 6 pages in this NOPR.[58] Additionally, the Commission is proposing to update the USofA regulations to reflect the current Statements of Financial Accounting Standards.[59]

The Commission believes the proposed Form 6 page changes will simplify the Form 6, reduce the overall reporting burden on pipeline companies, and result in more consistent industry reporting while providing the Commission the information it needs to regulate the oil industry.

IV. Revisions to the Uniform Systems of Accounts Regulations

The Commission is also proposing to revise Part 352— Uniform Systems of Accounts (USofA) for Oil Pipeline Companies subject to the provisions of the Interstate Commerce Act. These proposed changes will either clarify or update the Commission's accounting regulations in light of changes in standards issued by the Financial Accounting Standards Board (FASB) over the years. The changes are intended to promote consistency in accounting practices, while ensuring that the Commission will continue to have the information needed to carryout its regulatory responsibilities. Other proposed changes will streamline the aggregation of certain expense data because of changes in the Commission's monitoring efforts of the oil pipeline industry.

A. Changes in the Application of Generally Accepted Accounting Principles (GAAP)

The Commission generally maintains its USofA in conformity with the standards issued by FASB. However, in cases where there are conflicts between FASB's standards and Commission ratemaking and oversight responsibilities, the Commission's USofA regulations differ from those standards.

The Commission is proposing several changes to either clarify or update its USofA regulations in light of changes in standards issued by FASB over the years. Specifically, the Commission is proposing to revise its accounting regulations related to: (1) prior period adjustments; (2) contingent assets and liabilities; (3) accounting for improvements; (4) allowance for uncollectible accounts and (5) deferred income taxes.

[56] 18 CFR 357.2 and FERC Form 6, Page i, Roman Numeral II.

[57] 18 CFR 351.1.

[58] See NOPR, Section B—Form 6 Revisions, Nos. 1–19.

[59] See NOPR, Roman Numeral IV, Section A—Changes in the Application of GAAP.

1. Prior Period Adjustments

Current Requirements. Under General Instruction 1–6(d), Prior Period Adjustments, the correction of an error in the financial statements of a prior period is required to be reported as a prior period adjustment. In addition, a change in certain accounting principles may be reflected as prior period adjustments with the approval of the Commission.

Industry Comments. AOPL states the USofA only allows for the use of prior period adjustments for material correction of an error in a prior period financial statement. AOPL recommends that the Commission revise the USofA to allow for the recording of prior period adjustments under the additional criteria specified in GAAP.

Commission's Proposal. Under GAAP, an adjustment of previously issued financial statements is required if there is a correction of an error in the financial statements of a prior period, a change in certain accounting principles or if an enterprise realizes the income tax benefits of a preacquisition loss carryforward of a purchased subsidiary. General Instruction 1–6(d) does not address recording a prior period adjustment for the income tax benefits of a preacquisition loss carryforward of a purchased subsidiary. Therefore, the Commission proposes to revise General Instruction 1–6(d) to clarify that carriers can record a prior period adjustment for the income tax benefits of a preacquisition loss carryforward of a purchased subsidiary.

2. Contingent Assets and Liabilities

Current Requirements. Balance Sheet Account Instruction No. 2–7, Contingent assets and liabilities, currently requires that contingent assets and liabilities not be shown in the balance sheet but be explained in a footnote or supplementary statement.

Industry Comments. AOPL states that GAAP allows for the accrual of contingent liabilities if certain conditions are met, while the USofA does not allow for such accruals. AOPL recommends that the Commission revise the USofA to allow for the accrual of contingent liabilities under the conditions specified in GAAP.

Commission's Proposal. Under SFAS 5, Accounting for Contingencies, a loss contingency should be accrued if it is probable that an asset had been impaired or a liability incurred and the amount of the loss can be reasonably estimated. SFAS 5 requires disclosure of loss contingencies not meeting both those conditions if there is a reasonable possibility that a loss may have been incurred. The accounting provisions of SFAS 5 are consistent with the Commission's requirement that carriers keep their accounts using the accrual method of accounting. Therefore, the Commission is proposing to revise the instructions in Balance Sheet Account Instruction No. 2–7 to allow the accrual of loss contingencies if the conditions described in SFAS 5 are met.

3. Accounting for Improvements.

Current Requirements. Carrier Property Instruction 3–5, Improvements, currently requires that property improvements be accounted for by charging the cost of the improvement to the appropriate property account, except that any labor expense is to be charged to maintenance expense.

Industry Comments. AOPL states that GAAP allows for the capitalization of labor associated with improvements, while the USofA does not. AOPL recommends that the Commission revise the USofA to allow for the capitalization of labor associated with improvements.

Commission's Proposal. According to Definition 18 of the USofA, improvements are alterations or changes in structural design of property which result in increased service life or efficiency. Under GAAP, expenditures to improve the efficiency or extend the life of an asset, including labor expense, are capitalized since the expenditures benefit the operations of more than one period. The capitalization of labor costs associated with property improvements allows for the proper recognition of these expenses to future periods. Therefore, the Commission is proposing to revise Carrier Property Instruction 3–5 to allow for the capitalization of labor associated with improvements.

4. Allowance for Uncollectible Accounts

Current Requirements. Current USofA regulations provide for the write-off of uncollectible accounts at the time a specific account or note has definitely been established as uncollectible.

Industry Comments. AOPL states that the USofA should allow the use of the allowance method of recognizing uncollectible accounts as provided for by GAAP. AOPL recommends that the Commission revise the USofA to allow the allowance method of recognizing uncollectible accounts.

Commission's Proposal. GAAP requires companies, for financial statement purposes, to deduct asset valuation allowances [60] for losses such as those on receivables from the assets or groups of assets to which the allowances relate, with appropriate disclosure. The use of a valuation allowance allows for a proper matching of revenues and expenses in the period in which revenue is earned. Therefore, the Commission is proposing to allow carriers the flexibility to use either the allowance method of recognizing uncollectible accounts or continuing to use the approach to write-off uncollectible accounts at the time they are determined to be uncollectible. Further, the Commission is proposing to create a new account entitled Account 14–5, Accumulated Provision for Uncollectible Accounts, to record allowances for uncollectible accounts.

5. Deferred Income Taxes

Current Requirements. The current accounting instructions in the USofA require carriers to use comprehensive interperiod income tax allocation. The Commission's accounting and ratemaking treatment of income taxes is consistent with the liability approach of accounting for income taxes. However, some of the terminology in the USofA regulations still refer to the deferral method of accounting for income taxes.

Industry Comments. AOPL states that the USofA uses the deferred tax method of accounting for income taxes, while GAAP requires the use of the liability method for accounting for income taxes. AOPL recommends that the Commission revise the USofA to allow the liability method for accounting for income taxes.

Commission's Proposal. SFAS 109, Accounting for Income Taxes, significantly changed the manner in which enterprises account for income taxes. SFAS 109 superseded Accounting Principles Board Opinion No. 11, Accounting for Income taxes (APB 11). SFAS 109 adopted a liability approach for determining deferred income taxes rather than the previously used deferral method under APB 11. Under SFAS 109's liability approach, deferred income taxes are recognized for the deferred tax consequences of all events that have been recognized in the financial statements or tax returns, measured on the basis of enacted tax law. Under the deferral method, deferred tax consequences were recognized based on the differences between the periods in which transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

[60] FASB Concepts Statement No. 6, Elements of Financial Statements, in paragraphs 34 and 43, defines a valuation allowance as a separate item that reduces or increases the carrying amount of an asset or liability. Valuation allowances are part of the related assets or liabilities and are neither assets nor liabilities in their own right.

The current USofA requires carriers to use comprehensive interperiod income tax allocation. In addition, the Commission adopted normalization as the standard for oil pipeline ratemaking in Opinion No. 154–B.[61] The Commission also allows carriers to compute the income tax component in its cost of service by making provision for any excess or deficiency in deferred taxes. Consequently, the Commission's current accounting and ratemaking treatment of income taxes is generally consistent with the liability approach used for accounting for income taxes under GAAP. However, some terminology in the USofA regulations still refer to the deferral method of accounting for income taxes. Therefore, the Commission proposes to revise its accounting regulations to make them consistent with the liability method of accounting for income taxes by amending the following: (1) Definition No. 30, Income Taxes; (2) General Instruction 1–12, Accounting for Income Taxes; Account 19–5, Deferred Income Tax Charges; Account 45, Accumulated Deferred Income Tax Charges; Account 59, Deferred Income Tax Credits; Account 64, Accumulated Deferred Income Tax Credits; Account 671, Provision for Deferred Taxes; Account 695, Income Taxes on Extraordinary Items; and Account 696, Provision for Deferred Taxes—Extraordinary Items.

B. Other Accounting Changes

Aggregation of Operations and Maintenance Expenses

Current Requirements. The Commission's current accounting regulations require carriers to account for expenses related to operations and maintenance separately.

Industry Comments. The AOPL and Kaneb Pipe Line Operating Partnership, L.P., recommend the Commission consolidate the operations, maintenance, and general classes of operating expenses because the classifications are burdensome, of no apparent regulatory use, and inconsistently applied by companies because they do not understand the reason for this cost division.

The AOPL recommends the Commission eliminate the distinction between crude oil and products.

Various Shipper Interests oppose eliminating the distinction between crude and products because of the difference in operating costs and characteristics of the crude and products line.

[61] *See* 31 FERC ¶ 61,377, at p. 61,833.

Commission's Proposal. The Commission believes that aggregation of operations and maintenance expenses is no longer needed for its regulatory oversight in light of changes in the Commission's regulation of the oil pipeline industry. Therefore, the Commission proposes to revise its operations expense accounts to eliminate the separate aggregation of operations and maintenance expenses and group them in accounts of a similar nature. The Commission proposes to revoke Account 400, Salaries and Wages; Account 410, Supplies and Expenses; and Account 420, Outside Services. Expenses previously classified in these accounts will now be classified in Account 300, Salaries and Wages; Account 310, Materials and Supplies; and Account 320, Outside Services; respectively. The Commission proposes to redesignate Account 430, Maintenance Materials as Account 310 and revoke Account 430. The Commission is also proposing to add Account 350, Rentals and Accounts 390 and 590, Other Expenses. Additionally, the Commission is proposing to rename and redefine Account 510, Materials and Supplies; redefine Account 530, Rentals; and rename Account 550, Employee Benefits. The proposed changes will not diminish the Commission's ability to obtain the necessary information, as needed, to determine the reasonableness of a carrier's expense levels either through a rate proceeding or an audit.

V. Environmental Statement

Commission regulations require that an environmental assessment or an environmental impact statement be prepared for any Commission action that may have a significant adverse effect on the human environment.[62] No environmental consideration is necessary for the promulgation of a rule that is clarifying, corrective, or procedural or that does not substantially change the effect of legislation or regulations being amended,[63] and also for information gathering, analysis, and dissemination.[64] The proposed rules changes do not substantially change the effect of the underlying legislation or change the Forms, and also involve information gathering. Accordingly, no environmental considerations are necessary.

[62] Regulations Implementing National Environmental Policy Act, 52 FR 47897 (Dec. 17, 1987); FERC Stats. & Regs. ¶ 30,783 (Dec. 10, 1987).

[63] 18 CFR 380.4(a)(2)(ii).

[64] 18 CFR 380.4(a)(5).

VI. Regulatory Flexibility Act

The Regulatory Flexibility Act (RFA)[65] requires rulemakings to contain either a description and analysis of the effect that the proposed rule will have on small entities or a certification that the rule will not have a significant economic impact on a substantial number of small entities.

In *Mid-Tex Elect. Coop.* v. *FERC,* 773 F. 2d 327 (D.C. Cir. 1985), the court found that Congress, in passing the RFA, intended agencies to limit their consideration ''to small entities that would be directly regulated'' by proposed rules. *Id.* at 342. The court further concluded that ''the relevant 'economic impact' was the impact of compliance with the proposed rule on regulated small entities.'' *Id.* at 342. The Commission does not believe that this proposed rule will have an adverse impact on small entities, nor will it impose upon them any significant costs of compliance. Most filing entities regulated by the Commission do not fall within the RFA's definition of a small entity.[66] Therefore, the Commission certifies that this rule will not have a significant economic impact on a substantial number of small entities.

VII. Information Collection Statement

The following collection of information contained in this proposed rule is being submitted to the Office of Management and Budget (OMB) for review under Section 3507(d) of the Paperwork Reduction Act of 1995.[67] FERC identifies the information provided under Part 352 and § 357.2 as FERC Form No. 6.

Comments are solicited on the Commission's need for this information, whether the information will have practical utility, the accuracy of the provided burden estimates, ways to enhance the quality, utility, and clarity of the information to be collected , and any suggested methods for minimizing respondents' burden, including the use of automated information techniques.

Public Reporting Burden: Estimated Annual Burden

The proposed rule, if adopted, would establish new reporting requirements, modify existing reporting requirements and eliminate those requirements that are no longer applicable. The Commission seeks to simplify and

[65] 5 U. S. C. 601–612.

[66] 5 U.S.C. 601(3), citing to section 3 of the Small Business Act, 15 U.S.C. 632. Section 3 of the Small Business Act defines a ''small-business concern'' as a business which is independently owned and operated and which is not dominant in its field of operation.

[67] 44 U.S.C. 3507(d).

streamline its requirements to reduce the burden on oil pipelines. The current public reporting burden for these information collections is estimated to average the following number of hours per response: 159 respondents, 130.9 hours (rounded off) per response for total annual hours of 20,811 hours.[68] These estimates include the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

The burden estimates for complying with this proposed rule are as follows:

Data collection	Number of respondents	Number of responses	Hours per response	Total annual hours
FERC Form 6	129	1	119	15,351
(Pages 1 & 700)	11	1	10	110
(Pages 1, 301 & 700)	19	1	11	209
Totals	159	1	99	15,670

Total Annual Hours for collections: (Reporting + Record keeping, (if appropriate)) = 15,670 hours

The simplified filing requirements under the proposed regulations and projected reduced number of filings per year would result in a reduction of 5,141 hours per year from the revised OMB burden inventory for the above data collection.

Information Collection Costs: The Commission seeks comments on the costs to comply with these requirements. It has projected the average annualized cost for all respondents to be:

Data collection	Annualized capital/start-up costs	Annualized costs (operations & maintenance)	Total annualized costs
FERC Form No. 6	$0.00	$840,341	$840,341

(For 129 respondents completing the FERC Form No. 6, the cost per company would be $6,382, pages 1 & 700 = $536 and pages 1, 301 & 700 = $590)

To consider the impact on the persons affected by this rulemaking, the Commission would like specific comments on the impact of this rule on individual oil pipeline companies. Both estimates of current burden and impact should be in work hours and dollar costs in sufficient detail to demonstrate methodology and assumptions.

The OMB regulations require OMB to approve certain information collection requirements imposed by agency rule.[69] Accordingly, pursuant to OMB regulations, the Commission is providing notice of its proposed information collections to OMB.

Title: FERC Form No. 6, Annual Report of Oil Pipeline Companies.

Action: Proposed Data Collection.

OMB Control No.: 1902–0022.

The regulated entity shall not be penalized for failure to respond to this collection of information unless the collection of information displays a valid OMB control number.

Respondents: Businesses or other for profit.

Frequency of Responses: Annually.

Necessity of Information: The proposed rule revises the Commission's requirements contained in 18 CFR parts 352, 357, and 385. As explained in this NOPR, the proposed rule revises Form 6 schedules and instructions to better meet current and future regulatory requirements and industry needs; updates the USofA requirements to be more consistent with current GAAP accounting; and amends regulations to provide for the electronic filing of Form 6 commencing with reporting years 2000, due on or before March 31, 2001. The Commission uses the information for administration of the Interstate Commerce Act and in various rate proceedings.

Internal Review: The Commission has assured itself, by means of its internal review, that there is specific, objective support for the burden estimates associated with the information requirements. The Commission's staff will use the data for compliance reviews on the financial conditions of regulated companies. These requirements conform to the Commission's plan for efficient information collection, communication, and management within the oil pipeline industry. Data will contribute to well-informed decision-making and streamlined workload processing. Interested persons may obtain information on the reporting requirements by contacting the following: Federal Energy Regulatory Commission, 888 First Street, NE, Washington, DC 20426, Attention: Michael Miller, Office of the Chief Information Officer, Phone: (202) 208–1415, fax: (202)273–0873, email: *mike.miller@ferc.fed.us*

For submitting comments concerning the collections of information and the associated burden estimates, please send your comments to the contact listed above and to the Office of Management and Budget, Office of Information and Regulatory Affairs, Washington DC, 20503. Attention: Desk Officer for the Federal Energy Regulatory Commission, phone (202)395–3087, fax: (202)395–7285.

VIII. Public Comment Procedures

The Commission invites interested persons to submit written comments on the matters and issues proposed in this notice to be adopted, including any related matters or alternative proposals that commenters may wish to discuss.

The original and 14 copies of such comments must be received by the Commission before 5:00 p.m. October 16, 2000. Comments should be submitted to the Office of the Secretary, Federal Energy Regulatory Commission, 888 First Street, N.E., Washington D.C. 20426 and should refer to Docket No. RM99–10–000.

In addition to filing paper copies, the Commission encourages the filing of comments either on computer diskette

[68] OMB's current inventory identifies FERC Form No. 6 as having 20,622 hours based on the filing by 148 respondents on the Form 6 in its entirety and 5 respondents filing the Page 700. However, an adjustment is being made to reflect the most recent filing (1998) which saw an increase in the number of respondents to 149 and 10 accordingly.

[69] 5 CFR 1320.11.

or via Internet E-Mail. Comments may be filed in the following formats: WordPerfect 8.0 or below, MS Word Office 97 or lower version, or ASCII format.

For diskette filing, include the following information on the diskette label: Docket No. RM99–10–000; the name of the filing entity; the software and version used to create the file; and the name and telephone number of a contact person.

For Internet E-Mail submittal, comments should be submitted to *''comment.rm@ferc.fed.us''* in the following format. On the subject line, specify Docket No. RM99–10–000. In the body of the E-Mail message, include the name of the filing entity; the software and version used to create the file, and the name and telephone number of the contact person. Attach the comment to the E-Mail in one of the formats specified above. The Commission will send an automatic acknowledgment to the sender's E-Mail address upon receipt. Questions on electronic filing should be directed to Brooks Carter at 202–501–8145, E-Mail address *brooks.carter@ferc.fed.us.*

Commenters should take note that, until the Commission amends its rules and regulations, the paper copy of the filing remains the official copy of the document submitted. Therefore, any discrepancies between the paper filing and the electronic filing or the diskette will be resolved by reference to the paper filing.

All written comments will be placed in the Commission's public files and will be available for inspection in the Commission's Public Reference room at 888 First Street, N.E., Washington D.C. 20426, during regular business hours. Additionally, comments may be viewed, printed, or downloaded remotely via the Internet through FERC's Homepage using the RIMS or CIPS link. RIMS contains all comments but only those comments submitted in electronic format are available on CIPS. User assistance is available at 202–208–2222, or by E-Mail to *rimsmaster@ferc.fed.us.*

IX. Document Availability

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 and FERC Form No. 6 via the Internet through FERC's Home Page (*http://www.ferc.fed.us*) 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, N.E., Room 2A, Washington, DC 20426.

From FERC's Home Page on the Internet, this information is available in both the Commission Issuance Posting System (CIPS) and the Records and Information Management System (RIMS).

—CIPS provides access to the texts of formal documents issued by the Commission since November 14, 1994.

—CIPS can be accessed using the CIPS link or the Energy Information Online icon. The full text of this document will be available on CIPS in ASCII and WordPerfect 8.0 format for viewing, printing, and/or downloading.

—RIMS contains images of documents submitted to and issued by the Commission after November 16, 1981. Documents from November 1995 to the present can be viewed and printed from FERC's Home Page using the RIMS link or the Energy Information Online icon. Descriptions of documents back to November 16, 1981, are also available from RIMS-on-the-Web; requests for copies of these and other older documents should be submitted to the Public Reference Room.

User assistance is available for RIMS, CIPS, and the Website during normal business hours from our Help line at (202) 208–2222 (E-Mail to *WebMaster@ferc.fed.us*) or the Public Reference Room at (202) 208–1371 (E-Mail to *public.referenceroom@ferc.fed.us*).

During normal business hours, documents can also be viewed and/or printed in FERC's Public Reference Room, where RIMS, CIPS, and the FERC Website are available. User assistance is also available.

List of Subjects

18 CFR Part 352

Pipelines, Reporting and recordkeeping requirements, Uniform System of Accounts.

18 CFR Part 357

Pipelines, Reporting and recordkeeping requirements, Uniform System of Accounts.

18 CFR Part 385

Administrative practice and procedure, Electric power, Penalties, Pipelines, Reporting and recordkeeping requirements.

By direction of the Commission.

David P. Boergers,

Secretary.

In consideration of the foregoing, the Commission proposes to amend parts 352, 357 and 385 of Chapter I, title 18 of the *Code of Federal Regulations,* as follows:

PART 352—UNIFORM SYSTEMS OF ACCOUNTS PRESCRIBED FOR OIL PIPELINE COMPANIES SUBJECT TO THE PROVISIONS OF THE INTERSTATE COMMERCE ACT

1. The authority citation for part 352 is revised to read as follows:

Authority: 49 U.S.C. 60502; 49 App. U.S.C. 1–85 (1988).

2–4. In part 352, in List of Instructions and Accounts, Definitions, Definition 30, paragraphs (e) through (h) and paragraph (j) are revised to read as follows:

Definitions

* * * * *

30. * * *

(e) *Temporary difference* means a difference between the tax basis of an asset or liability and its reported amount in the financial statements that will result in taxable or deductible amounts in future years when the reported amount of the asset or liability is recovered or settled, respectively. Some events recognized in financial statements do not have tax consequences. Certain revenues are exempt from taxation and certain expenses are not deductible. Events that do not have tax consequences do not give rise to temporary differences.

(f) *Deductible temporary difference* means temporary differences that result in deductible amounts in future years when the related asset or liability is recovered or settled, respectively.

(g) *Deferred tax asset* means the deferred tax consequences attributable to deductible temporary differences and carryforwards. A deferred tax asset is measured using the applicable enacted tax rate and provisions of the enacted tax law. A valuation allowance should be recognized if it is more likely than not (a likelihood of more than 50 percent) that some portion or all of the deferred tax asset will not be realized.

(h) *Deferred tax liability* means the deferred tax consequences attributable to taxable temporary differences. A deferred tax liability is measured using the applicable enacted tax rate and provisions of the enacted tax law.

* * * * *

(j) *Tax allocation within a period* means the process of allocating income tax expense applicable to a given period among continuing operations, discontinued operations, extraordinary items, and items charged or credited directly to shareholders' equity.

* * * * *

5. In General Instructions, Instruction 1–6, paragraph (d) is revised as follows:

1–6 *Extraordinary, unusual or infrequent items, prior period* *adjustments, discontinued operations and accounting changes.*

* * * * *

(d) *Prior Period Adjustments.* The correction of an error in the financial statements of a prior period and adjustments that result from realization of income tax benefits of preacquisition loss carryforwards of purchased subsidiaries shall be accounted for as prior period adjustments and excluded from the determination of net income from the current year. All other revenues, expenses, gains, and losses recognized during a period shall be included in the net income of that period.

* * * * *

6. In General Instructions, Instruction 1–12, paragraph (a) is amended by removing the words ''where material timing differences (see definition 30(e)) occur between pretax accounting income and taxable income'' and adding, in their place, the words ''to all material temporary differences (see definition 30(e)) between the tax basis of an asset or liability and its reported amount in the financial statements that will result in taxable or deductible amounts in future years''.

7. In General Instructions, Instruction 1–12, paragraphs (b) and (c) are revised to read as follows:

1–12 *Accounting for income taxes.*

* * * * *

(b) Under the interperiod tax allocation method of accounting a deferred tax liability or asset is to be recognized for all temporary differences (see definition 30(e)) that result in taxable amounts in future years when the related asset or liability is recovered or settled. Deferred taxes are classified as current or noncurrent based on the classification of the related asset or liability. A carrier shall apply the applicable enacted tax rate in determining the amount of deferred taxes. The carrier shall adjust its deferred tax liabilities and assets for the effect of the change in tax law or rates in the period that the change is enacted. The adjustment shall be recorded in the proper deferred tax balance sheet accounts based on the nature of the temporary difference and the related classification requirements of the account.

(c) An entity shall record the income tax effects of a net operating loss carryforward or a tax credit carryforward as a deferred tax asset in the year the loss occurs. In the event that it is more likely than not (a likelihood of more than 50 percent) that some portion of its deferred tax assets will not be realized, a carrier shall reduce the asset by a valuation allowance. The valuation allowance should be recorded in a separate subaccount of the deferred tax asset account. The carrier shall disclose full particulars as to the nature and amount of each type of operating loss and tax credit carryforward in the notes to its financial statements.

* * * * *

8. In General Instructions, Instruction 1–12, paragraph (e) is amended by removing the words ''Accumulated deferred income tax credits'' and adding, in their place, the words ''Accumulated deferred income tax liabilities''.

9. In Instructions for Balance Sheet Accounts, Instruction 2–7 is revised to read as follows:

Instructions for Balance Sheet Accounts

* * * * *

2–7 *Contingent assets and liabilities.* (a) A contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to a carrier that will ultimately be resolved when one or more future events occur or fail to occur. Resolution of the uncertainty may confirm the acquisition of an asset or the reduction of a liability or the loss or impairment of an asset or the incurrence of a liability.

(b) An estimated loss from a contingent liability shall be charged to income if it is probable that an asset had been impaired or a liability had been incurred and the amount of the loss can be reasonably estimated. The carrier shall disclose in a footnote in its annual report any accrued contingent liabilities, along with any contingent liabilities not meeting both conditions for accrual if there is a reasonable possibly that a liability may have been incurred.

(c) Contingent assets should not be reflected in the accounts. The carrier shall disclose in a footnote in its annual report any contingencies that might result in an asset.

10. In Instructions for Carrier Property Accounts, Instruction 3–3, paragraph (11) is revised to read as follows:

Instructions for Carrier Property Accounts

3–3 *Cost of property constructed.* * * *

(11)(i) Interest during construction includes the cost incurred in financing the construction of carrier property. The rate for calculating interest shall be determined as follows: If the carrier associates a specific new borrowing with an asset, it may apply the rate on that borrowing to the appropriate portion of the expenditures for the asset. A weighted average of the rates on other borrowings is to be applied to qualified expenditures not covered by specific new borrowings. The amount of interest cost capitalized in an accounting period shall not exceed the total amount of interest cost incurred by the carrier in that period.

(ii) In situations involving qualifying assets financed with the proceeds of restricted tax-exempt borrowings, the amount of interest cost to be capitalized shall be all interest cost of those borrowings less any interest earned on temporary investment of the proceeds of those borrowings from the date of borrowing until the specified qualifying assets acquired with those borrowings are ready for their intended use.

* * * * *

11. In Instructions for Carrier Property Accounts, Instruction 3–5, paragraph (a) is amended by removing the words ''except that the related labor expense shall be charged to the maintenance expense account''.

12. In Instructions for Operating Revenues and Operating Expenses, Instruction 4–4, paragraph (a) is revised, paragraph (b) is removed, and paragraph (c) is redesignated as paragraph (b) to read as follows:

Instructions for Operating Revenues and Operating Expenses

4–4 *Expense classification.* * * *

(a) *Operations and maintenance expense.* This group of accounts includes all costs directly associated with the operation, repairs and maintenance of property devoted to pipeline operations including scheduling, dispatching, movement, and delivery of crude oil, oil products and other commodities.

* * * * *

13. In Balance Sheet Accounts, a new Account 14–5 is added to read as follows:

Balance Sheet Accounts

14–5 *Accumulated provision for uncollectible accounts.*

This account shall be credited with amounts provided for losses on notes and accounts receivable which may become uncollectible, and also with collections on accounts previously charged hereto. This account shall be charged with any amounts which have been found to be impractical of collection.

14. In Balance Sheet Accounts, Account 19–5 is revised to read as follows:

Balance Sheet Accounts

19–5 *Deferred income tax assets.*

(a) This account shall include the portion of deferred income tax assets and liabilities relating to current assets and liabilities, when the balance is a net debit.

(b) A net credit balance shall be included in account 59, Deferred income tax liabilities.

15. In Balance Sheet Accounts, Account 45 is revised to read as follows:

Balance Sheet Accounts

45 *Accumulated deferred income tax assets.*

This account shall include the amount of deferred taxes determined in accordance with instruction 1–12 and the text of account 64, Accumulated deferred income tax liabilities, when the balance is a net debit.

16. In Balance Sheet Accounts, Account 59 is revised to read as follows:

Balance Sheet Accounts

59 *Deferred income tax liabilities.*

(a) This account shall include the portion of deferred income tax assets and liabilities relating to current assets and liabilities, when the balance is a net credit.

(b) A net debit balance shall be included in account 19–5, Deferred income tax assets.

17. In Balance Sheet Accounts, Account 64, the title is amended by removing the word ''credits'' and inserting, in its place, the word ''liabilities''; in paragraph (a), by removing the words ''material timing differences (see definitions 30 (g) and (e)) originating and reversing in'' and adding, in their place, the words ''changes in material temporary differences (see definition 30 (e)) during''; in paragraph (d), by removing the word ''unamortized'' in its entirety and removing the word ''timing'' and adding, in its place, the word ''temporary''; and in Notes A and B to Account 64, by revising the text to read as follows:

Balance Sheet Accounts

64 *Accumulated deferred income tax liabilities.*

* * * * *

Note A: The portion of deferred assets and liabilities relating to current assets and liabilities should likewise be classified as current and included in account 19–5, Deferred Income Tax Assets, or Account 59, Deferred Income Tax Liabilities, as appropriate.

Note B: This account shall include a net credit balance only. A net debit balance shall be recorded in account 45, Accumulated deferred income tax assets.

18. In Operating Expenses, the title ''Operations'' is revised to read ''Operations and Maintenance'' and Accounts 300, 310, and 320 are revised and Accounts 350 and 390 are added to read as follows:

Operating Expenses

Operations and Maintenance

300 *Salaries and wages.*

This account shall include the salaries and wages (including pay for holidays, vacations, sick leave and similar payroll disbursements) of supervisory and other personnel directly engaged in transportation operations and the maintenance and repair of transportation property.

310 *Materials and supplies.*

This account shall include the cost of materials applied in the repair and maintenance of transportation property. The salvage value of materials recovered in maintenance work shall be credited to this account. This account shall also include the cost of supplies consumed and expended in operations and in support of the maintenance activity.

320 *Outside services.*

This account shall include the cost of operating and maintenance services provided by other than company forces under contract, agreement, and other arrangement. The cost of service performed by affiliated companies shall be segregated within the account.

* * * * *

350 *Rentals.*

This account shall include the cost of renting property used in the operations and maintenance of carrier transportation service, such as complete pipeline or segment thereof, office space, land and buildings, and other equipment and facilities.

390 *Other expenses.*

This account shall include the expenses of aircraft, vehicles, and work equipment used in support of operations and maintenance activities; travel, lodging, meals, memberships, and other expenses of operating and maintenance employees; and other related operating and maintenance expenses that are not defined or classified in other accounts.

19. In Operating Expenses, Maintenance, Accounts 400, 410, 420 and 430 are removed.

20. In Operating Expenses, General, Accounts 510, 530, and 550 are proposed to be revised and Account 590 is added to read as follows:

Operating Expenses

510 *Materials and supplies.*

This account shall include the cost of materials and supplies consumed and expended for administration and general services.

* * * * *

530 *Rentals.*

This account shall include the cost of renting property used in the administration and general operations of carrier transportation service, such as complete pipeline or segment thereof, office space, land and buildings, and other equipment and facilities.

* * * * *

550 *Employee benefits.*

This account shall include the cost to the carrier of annuities, pensions, and benefits for active or retired employees, their beneficiaries or designees. Contributions to health or welfare funds or payment for similar benefits to or on behalf of employees shall be included herein. Premiums, to the extent borne by the carrier, for group life, health, accident and other beneficial insurance for employees shall also be included in this account.

* * * * *

590 *Other expenses.*

This account shall include the cost of expenses expended for administrative and general services including, the expenses of aircraft, vehicles, and work equipment used for general purposes; travel, lodging, meals, memberships, and other expenses of general employees and officers; utilities services; and all other incidental general expenses not defined or classified in other accounts.

21. In Income Accounts, Account 671, paragraph (a) is amended by removing the words ''all material timing differences (see definitions 30 (g) and (e)) originating and reversing in,'' and adding, in their place, the words ''changes in material temporary timing differences (see definition 30 (e)) during''.

22. In Income Accounts, Account 695, is amended by removing the words ''timing differences caused by recognizing an item in the account provided for extraordinary items in different periods in determining accounting income and taxable income'' and adding, in their place, the words ''temporary differences caused by recognizing an item in the account provided for extraordinary items''.

23. In Income Accounts, Account 696, is amended by removing the words ''debits or credits for the current accounting period for income taxes deferred currently, or for amortization of income taxes deferred in prior accounting periods'' and adding, in their place, the words ''the deferred tax expense or benefit related to temporary differences''.

PART 357—ANNUAL SPECIAL OR PERIODIC REPORTS: CARRIERS SUBJECT TO PART I OF THE INTERSTATE COMMERCE ACT

1. The authority citation for part 357 is revised to read as follows:

Authority: 42 U.S.C. 7101–7352; 49 U.S.C. 60502; 49 App. U.S.C. 1–85 (1988).

2. Section 357.2 is revised to read as follows:

§ 357.2 FERC Form No. 6, Annual Report of Oil Pipeline Companies.

(a) *Who must file.* (1) Each pipeline carrier subject to the provisions of section 20 of the Interstate Commerce Act whose annual jurisdictional operating revenues has been $1,000,000 or more for each of the three previous calendar years must prepare and file with the Commission copies of FERC Form No. 6, ''Annual Report of Oil Pipeline Companies,'' pursuant to the General Instructions set out in that form. Newly established entities must use projected data to determine whether FERC Form No. 6 must be filed.

(2) Notwithstanding the exemption provided in (a) of this section, oil pipeline carriers exempt from filing Form No. 6 whose annual jurisdictional operating revenues has been more than $350,000 but less than $1,000,000 for each of the three previous calendar years must prepare and file pages 301, ''Operating Revenue Accounts (Account 600),'' and 700, ''Annual Cost of Service Based Analysis Schedule,'' of FERC Form No. 6. When submitting pages 301 and 700, each exempt oil pipeline carrier must include page 1 of Form No. 6, the Identification and Attestation schedules.

(3) Notwithstanding the exemption provided in paragraph (a) of this section, oil pipeline carriers exempt from filing Form No. 6 and pages 301 and whose annual jurisdictional operating revenues were $350,000 or less for each of the three previous calendar years must prepare and file page 700, ''Annual Cost of Service Based Analysis Schedule,'' of FERC Form No. 6. When submitting page 700, each exempt oil pipeline carrier must in page 1 of Form No. 6, the Identification and Attestation schedules.

(4) Notwithstanding the exemption provided in paragraph (a) of this section, oil pipeline carriers exempt from filing Form No. 6 must prepare and file page 700, ''Annual Cost of Service Based Analysis Schedule,'' of FERC Form No. 6. When submitting page 700, each exempt oil pipeline carrier must include page 1 of Form No. 6, the Identification and Attestation schedules.

(b) *When to file.* This report must be filed on or before March 31st of each year for the previous calendar year.

(c) *What to submit.* (1) This report form must be filed as prescribed in § 385.2011 of this chapter and as indicated in the General Instructions set out in the report form, and must be properly completed and verified.

(2) A copy of the report must be retained by the pipeline carrier in its files. The conformed copies may be produced by any legible means of reproduction.

(3) Filing on electronic media pursuant to § 385.2011 of this chapter will be required with report year 2000, due on or before March 31, 2001.

PART 385—RULES OF PRACTICE AND PROCEDURE

3. The authority citation for part 385 is revised to read as follows:

Authority: 5 U.S.C. 551–557; 15 U.S.C. 717–717z, 3301–3432; 16 U.S.C. 791a–825r, 2601–2645; 31 U.S.C. 9701; 42 U.S.C. 7101–7352; 49 U.S.C. 60502; 49 App. U.S.C. 1–85 (1988).

4. In § 385.2011, paragraph (a)(7) is added to read as follows:

§ 385.2011 Procedures for filing on electronic media (Rule 2001).

(a) * * *

(7) FERC Form No. 6, Annual Report of Oil Pipeline Companies.

* * * * *

Note: These appendices will not appear in the *Code of Federal Regulations*.

Appendix A—Comments Received

Pre-Staff Technical Conference Comments Received

ARCO Products Company, a Division of Atlantic Richfield Company; Tosco Corporation, and Ultramar Inc. (ARCO)
Association of Oil Pipe Lines (AOPL)
Chevron Pipe Line Company (Chevron)
Kaneb Pipe Line Operating Partnership, L.P. (Kaneb)
Refinery Holding Company, L.P. (Refinery)
Sinclair Oil Corporation (Sinclair)

Post-Staff Technical Conference Comments Received

Association of Oil Pipe Lines (AOPL)
Refinery Holding Company, L.P. (Refinery)
Sinclair Oil Corporation (Sinclair)
Various Shipper Interests (Shippers)

Appendix B—Summary of FERC Form No. 6: Annual Report of Oil Pipeline Companies Revisions

Schedule title	Old schedule page No.	New schedule page No.	Revised and changed schedules					Deleted complete schedule	Explanation
			As is	Changed threshold	Revised instructions	Revised schedule	Deleted columns		
General	i	i		X	X				Raised overall Form 6 reporting threshold from $350,000 to $1,000,000 under 18 CFR Part 3572. Added submission requirements for electronic filing.
General Instructions	ii	ii			X				Added resubmission requirements for electronic filing.
Definitions	iii	iii			X				Revised Definition No. 8 Crude Oil. Added Definition Nos. 13 and 14 for ''Undivided Joint Interest Pipeline'' and ''Undivided Joint Interest Property,'' respectively.
Identification/Verification	1	1	X						
Excerpts From the Law	iv	iv	X						

Schedule title	Old schedule page No.	New schedule page No.	Retained					Deleted complete schedule	Explanation
			As Is	Changed threshold	Revised instructions	Revised schedule	Deleted columns		
List of Schedules ..	2–3	2–3				X			Revised to show schedule changes.
General Information.	101	101	X						
Control Over Respondent.	102	102	X						
Companies Controlled by Respondent.	103	103	X						
Principal General Officers.	104	104	X						
Directors	105	105	X						
Important Changes During the Year.	108–109	108–109	X						
Comparative Balance sheet Statement.	110–113	110–113				X			Revised Account 19.5 to read ''Deferred Income Tax Assets'', Account 59 to read ''Deferred Income Tax Liabilities''. Account 45 to read ''Accumulated Deferred Income Tax Assets'', and Account 64 to read ''Accumulated Deferred Income Tax Liabilities'' as changed on page 230.
Income Statement	114	114	X						
Appropriated Retained Income.	118	118	X						
Unappropriated Retained Income Statement.	119	119	X						
Statement of Cash Flows.	120–121	120–121	X						
Notes to Financial Statements.	122–123	122–123	X						
Receivables From Affiliated Companies.	200	200							Revised Instruction No. 2 to include requirements for reporting amounts equal to $500,000.
General Instructions Concerning Schedules 202 Thru 205.	201	201	X						
Investments in Affiliated Companies.	202–203	202–203	X						
Investments in Common Stocks of Affiliated Companies.	204–205	204–205	X						
Instructions For Schedules 212–215 (New Title—Instructions for Schedules 212–217).	211	211			X				Revised instructions for pages 212–215 and added instructions for pages 216–217.
Carrier Property	212–213	212–213			X				Revised page 212 column (c) heading to read ''Expenditures for New Construction, Additions, and Improvement.'' Revised page 213 column (e) heading to read ''Property Sold, Abandoned, or Otherwise Retired During the Year.'' Revised page 213 column (h) heading to read ''Increase or Decrease During the Year (f±g) (In dollars).''
Depreciation Base and Rates—Carrier Property.	214	....						X	Move column (e) to page 216.

Schedule title	Old schedule page No.	New schedule page No.	Retained					Deleted complete schedule	Explanation
			As Is	Changed threshold	Revised instructions	Revised schedule	Deleted columns		
Depreciation Base and Rates—System Property.	215	....						X	Move column (e) to page 217. Revise column heading to read "Annual Composite/Component Rates (In percent)."
Undivided Joint Interest Property.		214–215							Schedule added to allow for a more complete presentation of undivided joint interest carrier property.
Accrued Depreciation—Carrier Property.	216	216			X				Revised instructions, column (c) heading to read "Debits to Account No. 540 of USofA (in dollars)", and column (d) heading to read "Net Debit From Retirement of Carrier Property (In dollars)." Added column (e) from page 214. Renamed column (g).
Accrued Depreciation—System Property (New Title—Accrued Depreciation—Undivided Joint Interest Property).	217	217			X				Revised instructions, column (c) heading to "Debits to Account No. 540 of USofA (In dollars)", and column (d) heading to read "Net Debit From Retirement of Carrier Property (In dollars)." Added column (e) from page 215. Renamed the column (g) and revised column heading to read "Annual Composite/Component Rates (In percent)." Deleted requirement to report only when specifically directed by the Commission.
Amortization Base and Reserve.	218–219	218–219	X						
Noncarrier Property.	220	220		X					Raised threshold from $250,000 to $1,000,000 for grouping minor items.
Other Deferred Charges.	221	221		X					Raised threshold from $250,000 to $500,000 for grouping minor items.
Payables to Affiliated Companies.	225	225		X	X				Raised threshold from $250,000 to $500,000 for grouping minor items. Combined Instruction Nos. 2 and 3 and renumbered Instruction No. 2
Long-Term Debt ...	226–227	226–227	X						
Analysis of Federal Income and Other Taxes Deferred.	230–231	230–231			X	X			Updated to include current Statement of Financial Accounting Standards No. 109 requirements.
Capital Stock	250–251	250–251	X						
Capital Stock Changes During the Year.	252–253	252–253	X						
Additional Paid-In Capital.	254	254	X						

Schedule title	Old schedule page No.	New schedule page No.	Retained					Deleted complete schedule	Explanation
			As Is	Changed threshold	Revised instructions	Revised schedule	Deleted columns		
Operating Revenue Accounts.	301	301			X	X			Added table to provide a standard format for pipelines to report interstate and intrastate revenue which was previously reported in a footnote.
Operating Expense Accounts.	302–304	302–303				X	X		Deleted: —maintenance expense Accounts 400, 410, 420, and 430, —columns (a) and (f) on page 303, and —page 304 Added: —Account 350, Rentals, —Accounts 390 and 590, Other Expenses; —grand total column (i) on page 303. Combined: —Accounts 310 Supplies and Expenses and 430 Maintenance Materials. Redefined: —Account 530, Rentals
	302–303	302–303				X	X		Renamed: —Accounts 310 and 510, Materials and Supplies. —Account 550, Employee Benefits
Operating Expense Accounts (New Title-None).	304	None						X	
Pipeline Taxes (Other Than Income Taxes).	305	305	X						
Income From Noncarrier Property.	335	335	X						
Interest and Dividend Income.	336	336	X						
Miscellaneous Items in Income and Retained Income Accounts for the Year.	337	337	X						
Payments for Services Rendered by Other Than Employees.	351	351	X						
Statistics of Operations.	600–601	600–601			X				Revised instructions; header over columns (b), (c), and (d) to read ''Number of Barrels Received''; header over columns (f), (g), (h), and (i) to read ''Number of Barrels Delivered Out''; column (e) header to read ''Total Received (b+c+d); and column (i) header to read ''Total Delivered Out (f+g+h).''
Miles of Pipeline Operated at end of Year.	602–603	602–603			X				Revised instructions to clarify information to be reported.
Footnote Data	604	604	X						

Schedule title	Old schedule page No.	New schedule page No.	Retained					Deleted complete schedule	Explanation
			As Is	Changed threshold	Revised instructions	Revised schedule	Deleted columns		
Annual Cost of Service Based Analysis Schedule.	700	700			X	X			Revised Instruction No. 2. Added lines to report: Operating and Maintenance Expenses, Depreciation Expense, AFUDC Depreciation, Amortization of Deferred Earnings, Rate Base, Rate of Return, Return on Rate Base, and Income Tax Allowance.
Annual Cost of Service Based Analysis Schedule (Continued).	700	700			X	X			Revised Instruction No. 3 and Line 10 to report Total Company Revenues.
Index	Index 1–3	Index 1–3				X			Revised to show schedule changes.

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