



Federal Energy Regulatory Commission

September 20, 2012

Open Commission Meeting

Staff Presentation

Items G-1 & G-3

"Good morning Mr. Chairman and Commissioners. We are here to present a draft Notice of Proposed Rulemaking (NOPR) concerning Page 700 of FERC Form No. 6. Form 6 is the Annual Report of Oil Pipeline Companies. We also are here to present a draft Final Rule which amends the instructions on Page 700 of Form 6. In addition to the staff at the table with me, we would like to thank Adrienne Cook of the Office of Energy Market Regulation, Peter Roidakis of the Office of General Counsel, Richard Palmer of the Office of the Executive Director and Brian Holmes of the Office of Enforcement.

"G-1 is a draft NOPR that proposes to enhance Page 700's usefulness by providing additional information that may be used to calculate an oil pipeline's actual rate of return on equity. To achieve this objective, the draft NOPR is proposing to implement changes to Page 700 to require pipelines to report certain data that is not now included on Page 700. This data relates to rate base, rate of return, return on rate base, and income taxes. Specifically, the draft NOPR proposes to require a pipeline to provide data relating to its rate base which is governed by the trended original cost methodology. The draft NOPR also proposes to require oil pipelines to report the adjusted capital structure ratio for long term debt and proprietary capital and the cost of long term debt capital and the real cost of proprietary capital as they are used to determine the overall Weighted Cost of Capital currently reported as "Rate of Return" on line 6, Page 700. The draft NOPR also proposes to require oil pipelines to report additional information related to the debt and equity components of the Return on Rate Base. Finally, the draft NOPR proposes to modify Page 700 to include the pipeline's Composite Tax Rate used to determine the "Income Tax Allowance" reported on existing line 8 of Page 700.

"We believe that these changes will increase the usefulness of Page 700. Prior to this proposal, any attempt to estimate an oil pipeline's actual return on equity required assumptions regarding several cost of service components, including capital structure (proposed lines 6a and 6b), the composite income tax rate (proposed line 8a), and the return on equity embedded in a pipeline's Page 700 cost of service (proposed line 7b). The proposed modifications will facilitate the calculation of the actual rate of return on equity based upon Page 700 data. The actual rate of return on equity is particularly useful information when using Page 700 to evaluate a pipeline's rates. We do not believe that the additional information proposed will impose a significant burden on oil pipelines because pipelines already must develop cost of service supporting calculations to determine the Income Tax Allowance, Rate Base, Rate of Return, and Return on Rate Base reported on Page 700.

"The draft NOPR proposes a sixty day comment period. The draft NOPR proposes the changes to be effective for reporting in the 2013 Form 6, which must be filed on or before April 18, 2014.

"The draft Final Rule in G-3 amends the instructions on Page 700 to ensure that oil pipelines report interstate-only barrel and barrel-mile data on lines (11) and (12) of page 700 and not a combination of interstate and intrastate throughput. The draft Final Rule also directs pipelines that reported combined interstate and intrastate data in any field on lines (1) through (12) of Page 700 of their 2010 Form 6 or page 700 of their 2011 Form 6 to file a revised page 700 data containing only interstate data for the years 2009, 2010, and 2011, within 90 days of the draft final rule's publication in the *Federal Register*.

"We believe the action in the draft final rule will ensure the availability of complete interstate cost per barrel-mile data consistent with the Commission's regulation of interstate oil pipeline rates and the intent of Page 700 to enable the Commission and shippers to analyze interstate pipeline costs.

"This completes our presentation. We would be happy to answer any questions."