AGENCY: Federal Energy Regulatory Commission.

ACTION: Final Rule.

SUMMARY: The Federal Energy Regulatory Commission (Commission) is revising its regulations governing oil pipelines. The regulations to be modified or deleted are located in 18 C.F.R. Parts 3, 341, 342, 343, 346, 357, 362, and 385. These revisions are intended to clarify the Commission’s regulations and bring them up to date.

EFFECTIVE DATE: The regulations are effective September 15, 1999.


SUPPLEMENTARY INFORMATION: In addition to publishing the full text of this document in the Federal Register, the Commission also provides all interested persons an opportunity to inspect or copy the contents of this document during normal business hours in the Public Reference Room at 888 First Street, NE., Room 2A, Washington, DC 20426.

The Commission Issuance Posting System (CIPS) provides access to the texts of formal documents issued by the Commission from November 14, 1994, to the present. CIPS can be accessed via Internet through FERC’s Home Page (http://www.ferc.gov) using the CIPS Link or the Energy Information Online icon. Documents will be available on CIPS in ASCII and WordPerfect 6.1 format. User assistance is available at 202-208-2474 or by E-mail to cips.master@ferc.gov.

This document is also available through the Commission’s Records and Information Management System (RIMS), an electronic storage and retrieval system 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. RIMS is available in the Public Reference Room or remotely via Internet through FERC’s Home Page using the RIMS link or the Energy Information Online icon. User assistance is available at 202-208-2222, or by E-mail to rimsmaster@ferc.gov.
I. Introduction

The Federal Energy Regulatory Commission (Commission) is revising its regulations governing oil pipelines at 18 C.F.R. Parts 341, 342, 343, and 346, to remove various provisions that are either outdated or in conflict with other oil pipeline regulations. The goals of these revisions are to clarify the Commission’s regulations and bring them up to date. The Commission is also revising 18 C.F.R. Parts 3, 357, 362, and 385 to conform to the other changes adopted here.

II. Background

Jurisdiction over oil pipelines, as it relates to the establishment of rates or charges for the transportation of oil by pipeline or to the establishment of valuations for pipelines, was transferred from the Interstate Commerce Commission (ICC) to the Commission pursuant to sections 306 and 402 of the Department of Energy Organization Act (DOE Act). At the time the DOE Act transferred jurisdiction over oil pipeline rates to the Commission, the regulations governing oil pipelines were located in the ICC’s regulations at title 49 of the Code of Federal Regulations (CFR). Initially, the Commission ordered that the regulations concerning oil pipelines remain in effect until modified by the Commission. In Order No. 119, the Commission started transferring some of the ICC’s oil pipeline regulations from title 49 of the Code of Federal Regulations to the Commission’s regulations in title 18. Parts 357 and 362 are among some of the Commission’s current regulations that were adopted from this initial transfer. In Order No. 225, the Commission adopted the ICC’s rules pertaining to paper hearings called the “modified procedure,” currently codified at 18 C.F.R. §§385.1404 through 385.1414, and to ex parte communications, presently located at 18 C.F.R. §385.1415, from 49 C.F.R. Part 1100. Also, pursuant to Order No. 225, the Commission moved all of its Rules of Practice and Procedure from 18 C.F.R. Part 1 to 18 C.F.R. Part 385. Notwithstanding some limited revisions, most of the provisions in 18 C.F.R. Parts 357, 362, and 385 are the same as they were in title 49.

The Energy Policy Act of 1992 (Act of 1992) required the Commission to promulgate new regulations to provide a simplified and generally applicable ratemaking methodology for oil pipelines, and to streamline its procedures in oil pipeline proceedings. Pursuant to Congress’ directive in the Act of 1992, the Commission issued Order No. 561, and two companion rulemakings, Order No. 571 and 572. In Order No. 561, the Commission established a simplified and generally applicable index methodology for oil pipelines to change their rates and also provided alternatives to this methodology. In Order No. 571, the Commission addressed a cost-of-service rate filing alternative for oil pipelines. In Order No. 572, the Commission addressed market-based rates for oil pipelines. These rulemakings also included new rate filing requirements and procedural reforms to reflect the new ratemaking methodologies, and streamlined the Commission’s internal processes for oil pipelines.

At the time the Commission adopted changes to its ratemaking methodologies and procedural requirements, it intended that its new regulations would supersede existing procedural rules that were in conflict and do away with those that were no longer necessary, such as those describing the modified procedure. The final rules, however, did not take steps to remove these outdated regulations. As a result, the current Commission regulations governing oil pipelines include both recent provisions adopted or modified pursuant to the Act of 1992 and conflicting regulations adopted from the ICC which have
been superseded, unutilized, or are inconsistent.

On October 20, 1998, the Commission issued a Notice of Proposed Rulemaking in Docket No. RM99-1-000. The Commission received comments from the Association of Oil Pipelines (AOPL).

III. Public Reporting Burden

The Commission believes that there will be no impact on the public reporting burden from the elimination of outdated and nonessential regulations, and the related modification of other regulations. Because the regulations being removed are outdated, they effectively ceased being a reporting burden years ago. As for the regulations being modified, they are simply clarifying, not augmenting, reporting requirements.

IV. Discussion

A. Part 341

Part 341 relates to the requirements for preparing, filing, and withdrawing oil pipeline tariffs. Section 341.6(3) pertains to the rules for partial adoption by a carrier of another carrier’s tariffs. In the NOPR, the Commission proposed to amend this section by removing duplicative language from the provision that now requires a carrier to state the effective date of an adoption notice twice in a tariff supplement required to be filed with the Commission. The Commission did not receive any adverse comments in response to this proposal, so the Commission will implement this modification in its final rule.

Section 341.7 addresses the requirements for concurrences. The Commission proposed to modify this section to specify the information that should be included in letters of transmittal accompanying the filing of a tariff publication containing a joint carrier. Under the proposed revision, letters of transmittal would be required to include the address, phone number, and contact for each joint carrier listed in the tariff publication. This is information that the Commission, as a routine matter, has required carriers to submit. The Commission concluded that including it as part of the regulations will inform carriers that such information must be included with their filings and make it unnecessary for carriers to supplement their filings later.

AOPL supports the Commission’s proposal to include the foregoing information concerning joint carriers in the transmittal letter for a joint tariff. However, AOPL contends that the better place for this requirement is in the Commission’s regulations on transmittal letters in Section 341.2(c)(1).

The Commission will adopt the proposed modifications and revise Section 341.2(c)(1), not Section 341.7, as recommended by AOPL. While Section 341.2(c)(1) is not a perfect fit, since the modification involves information requirements for transmittal letters concerning joint carriers, and Section 341.2(c)(1) pertains to general information requirements for transmittal letters, it appears to be more appropriate to include it there, rather than in the section on concurrences.

B. Part 342

Part 342 pertains to the methods that may be used to establish initial rates, or change existing rates. Section 342.3 discusses rate changes under the indexing methodology. Section 342.3(b)(1) currently provides:

Carriers must specify in their letters of transmittal required in §341.2(c) of this chapter the rate schedule to be changed, the proposed new rate, the prior rate, and the applicable ceiling level for the movement. No other rate information is required to accompany the proposed rate change.

Under the revisions proposed in the NOPR, this section would require carriers filing for rate changes to include the prior rate ceiling level, in addition to the other information specified, in their letters of transmittal. Including the prior ceiling level will provide necessary information for the calculation of the index ceiling levels.
Section 342.3(b)(2) addresses the information required to be filed by carriers with their initial rate changes. It currently reads as follows:

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On March 31, 1995, or concurrently with its first indexed rate change filing made on or after January 1, 1995, whichever first occurs, carriers must file a verified copy of a schedule for calendar years 1993 and 1994 containing the information required by page 700 of the 1995 edition of FERC Form No. 6. If actual data are not available for calendar year 1994 when the rate change filing is made, the information for calendar year 1994 must be comprised of the most recently available actual data annualized for the year 1994. A schedule containing the information comprised of actual data for calendar year 1994 must be filed not later than March 31, 1995. Thereafter, carriers must file page 700 as a part of their annual Form No. 6 filing.

This section directs carriers to file schedules containing the information required by page 700 of the 1995 edition of FERC Form No. 6, on March 31, 1995, or concomitantly with its first indexed rate change filing made on or after January 1, 1995, whichever occurs first. Because the one-time need for the requirements of this section has passed, the Commission proposed to delete it in its entirety.

Section 342.3(d)(3) states that a carrier must compute its ceiling level each index year without regard to the rates filed pursuant to this section. In Kaneb Pipeline Operating Partnership, L.P.,[11] and subsequent proceedings, the Commission explained that because there are numerous pipelines that file rates measured in hundredths of a cent, all ceiling level calculations for all pipelines should be rounded[12] to the nearest hundredth of a cent. As this explanation applies to all calculations by all carriers under Section 342.3, the NOPR proposed to add this explanation to the regulations to assist carriers in making accurate and complete filings.

AOPL considers the proposed changes to be positive ones for the oil industry. AOPL also suggests including in the regulation an example demonstrating how the rounding works. At the very least, AOPL requests that the Commission include a more detailed explanation of the rounding process.

The Commission will adopt the modification to Section 342.3 in the Final Rule as proposed in the NOPR. The regulations as revised will include a thorough explanation for pipelines to use in calculating their ceiling levels. Adding further material would add unnecessary detail to the regulations. Oil pipelines have been calculating their ceiling levels for a number of years under the current regulations, and have done so successfully. The material added here will address the area where pipelines, for the most part, have miscalculated. No pipelines considered it necessary to file comments on the proposal, so the revision adopted here should prove satisfactory.

C. Part 343

Part 343 discusses procedural matters related to oil pipeline proceedings under part 342. Section 343.2 describes the requirements for filing interventions, protests, and complaints. The Commission will adopt the NOPR’s proposal to correct Section 343.2(c)(4) so that it references paragraphs (c)(1), (2), or (3) within the section, rather than paragraphs (b)(1), (2), or (3) as at present.

D. Part 346

Part 346 sets forth the filing requirements for oil pipelines that seek to establish cost-of-service rates as permitted under Part 342. Section 346.2(c)(7) states in part: “If the presently effective rates are not at the maximum ceiling rate established under §342.4(a) of this chapter, then gross revenues must also be computed and set forth as if the ceiling rates were effective for the 12 month period.” The Commission will adopt the proposed revisions to Section 346.2(c)(7) to correctly reference Section 342.3, which is the section that sets forth the indexing methodology, rather than Section 342.4(a), which describes cost-of-
E. Part 357

Part 357 concerns the annual special or periodic reports that carriers subject to Part I of the Interstate Commerce Act are required to file. Sections 357.3(a), (b), and (c) discuss the filing requirements for FERC Form No. 73. In Order No. 561, the Commission stated that it would be the oil pipeline carriers’ responsibility in the future to perform depreciation studies to establish revised depreciation rates for oil pipelines. The specific requirements for such studies were adopted as Part 347 of the Commission’s regulations in Order No. 571. Section 347.1(e)(5)(x) provides that a carrier must submit a Service Life Data Form (FERC Form No. 73) if the proposed depreciation rate adjustment is based on the remaining physical life of the properties. The Commission proposed that Section 357.3(a) and (b), which address who must file FERC Form No. 73 and when the form must be submitted, be revised to include filings under Section 347.1(e)(5)(x). The Commission also proposed to revise Section 357.3(c) to update its mailing address. AOPL considers the proposed changes to be an appropriate clarification and the Commission will adopt them.

AOPL has pointed out that Section 357.3(b), as proposed in the NOPR, contains a clerical error. The proposed section read as follows:

Service life data is reported to the Commission by an oil pipeline company, as necessary, concurrently with a filing made pursuant to part 347 of this chapter and as directed during a depreciation rate investigation. (emphasis added)

AOPL correctly noted that the word “and” should really be the word “or.” Accordingly, for the final rule, the Commission will adopt the proposal and will supplant the word “and” with the word “or.”

F. Part 362

Part 362 sets forth the various requirements for valuation. Part 362 came into being as a result of Order No. 119, 13 which transferred the ICC’s valuation section, in addition to several other sections pertaining to oil pipelines, from its regulations located at title 49 of the Code of Federal Regulations to the Commission’s regulations at title 18. In Opinion No. 154, 14 the Commission intimated that it was considering abandoning the traditional ICC valuation formula; however, the Commission ultimately retained the valuation methodology. To the contrary, in Opinion No. 154-B, 15 the Commission adopted a methodology that is currently used in oil pipeline rate cases. This new methodology is predicated on a trended original cost (TOC) rate base and it does not follow the ICC’s historic valuation rate base. Because Opinion No. 154-B rejects the valuation rate base methodology and thus eliminates the need for any valuation of oil pipelines, the filing of valuation reports as now required by Part 362 is no longer necessary. As a result, the Commission proposed to remove Part 362 from its regulations. Order No. 561 removed Parts 360 and 361 pertaining to reporting of data for valuation purposes. The proposal in the NOPR would complete the task of removing unnecessary valuation regulations.

AOPL welcomes removal of the rules on valuation, considering it to be long overdue. The Commission will adopt the proposed changes.

G. Part 385

Part 385 governs the Commission’s rules of practice and procedure. Section 385.101(b)(3) excepts ICC rules from Part 385 in cases where regulations in the Commission’s Rules of Practice and Procedure are inconsistent with ICC rules that were not replaced by a Commission rule or order. Because the Commission has promulgated and codified its own rules governing oil pipelines, this section has become unnecessary;
therefore, the Commission proposed to remove this section from its Rules of Practice and Procedure.  
Section 385.102(a), which defines “decisional authority,” refers to authority or responsibility under “49 C.F.R. Chapter X.” As this is a reference to ICC regulations which have been replaced, the Commission proposed the removal of this section.

Section 385.1403 discusses the filing requirements for protests to tariff filings. This section is inconsistent with, and has been superseded by, Section 343.3, which was adopted in Order No. 561. Accordingly, the Commission proposed to delete Section 385.1403 from the Commission’s Rules of Practice and Procedure.

Sections 385.1405 through 385.1414 set out the modified procedure rules for oil pipeline proceedings. These rules provide that the Commission can order a proceeding to be heard under a modified procedure if it appears that substantially all important issues of fact may be resolved by means of written materials without an oral hearing. These rules were adopted from the ICC’s procedural regulations, 49 C.F.R. §1100, pursuant to Order No. 225. The regulations concerning the modified procedure have been superseded by, and are in conflict with, procedures and filing requirements in Parts 342, 343, 346, and 347 adopted in Order No. 561, 571, and 572. Therefore, the Commission proposed in the NOPR to remove them. The Commission stated it would continue to use paper hearing procedures in individual cases where warranted, but that these procedures are not used frequently enough to warrant continuing to include them in the regulations. Since the Commission proposed to remove the modified procedure rules, the NOPR also proposed to remove Section 385.101(b)(4)(I) because it excepts sections 385.1404 through 1414 from Part 385.

AOPL objects to the removal of the modified procedure provisions. AOPL contends that inclusion of the rules, even if only used occasionally, may be of benefit to parties and the Commission in rapidly resolving a dispute. AOPL claims that although the Commission could still order paper hearings when necessary, the Commission would be less likely to do so without a clearly defined template already in place that sets out the rights and obligations of the parties in conducting such a proceeding. AOPL also argues that a paper hearing could prove beneficial to quickly resolving a complaint proceeding that is clear as to the issue in dispute, but unclear as to an appropriate resolution.

The Commission’s modified procedure provisions have become outdated as the result of changes to the Commission’s procedural regulations that specify resolution paths to be followed in particular instances. For example, the regulations at Section 343.5 provide that the Commission may require parties to enter into good faith negotiations to settle oil pipeline rate matters and specify that the Commission will refer all protested rate filings to a settlement judge for recommended resolution. The Commission also has adopted new complaint procedures designed to encourage and support consensual resolution of complaints and otherwise ensure that complaints are resolved in a timely and fair manner. Thus, AOPL’s concerns about there being in place procedures that recognize the rights and obligations of parties in large part have already been addressed. For those few instances where a proceeding may not fit neatly into an established resolution process, the Commission will be able to devise a procedure to ensure resolution of the dispute in a manner that best serves all. Such a procedure could include a paper hearing process through which issues of material fact could be resolved by means of written statements. The Commission therefore considers the modified procedure regulations to be no longer necessary and will adopt the revisions proposed in the NOPR.

Some of the Commission’s regulations include references to the Oil Pipeline Board. Section 385.102, the definitions section, contains Oil Pipeline Board references in paragraphs (a) and (e)(2). Part 3

pertains to organization, operation, information and requests, and it also refers to the Oil Pipeline Board. Section 385.502(a)(3), rules concerning the initiation of a hearing, contains an Oil Pipeline Board reference.
reference. Section 385.1902, rules for appealing staff action, also makes reference to the Oil Pipeline Board. Since the Commission abolished the Oil Pipeline Board in Order No. 561, the Commission proposed to remove all references to the Oil Pipeline Board, and adopts that proposal here.

H. AOPL’s Suggestions

Finally, in addition to commenting on the revisions proposed in the NOPR, AOPL, on behalf of the oil pipeline industry, requests that the Commission implement two additional modifications in the final rule. First, as a reflection of the current way in which carriers and their shippers conduct business, AOPL suggests that the Commission modify the definition of “posting” or “post” in Section 341.0(a)(7), the definitions and applications section, by allowing the placement of a carrier’s tariff on the Internet to serve as an alternate means of “posting.”

AOPL’s final suggestion is for the Commission to delete Section 385.208, which pertains to notices of protests to tentative oil pipeline valuations. According to AOPL, the sole purpose of this section was to permit objections to valuations of oil pipeline companies, which are no longer conducted.

The Commission finds that both of AOPL’s suggestions are consistent with the goals of this rulemaking and thus will integrate them into the final rule. AOPL’s suggestion to allow posting on the Internet as an alternative recognizes the growing availability and use of electronic media as a new way of conducting business. The change also will not impose a requirement or burden on pipelines as it is an alternative and wholly voluntary; thus, the Commission considers it unnecessary to request comment before adopting the change. The Commission will also delete Section 385.208. As was stated by AOPL, this section is wholly germane to objections to oil pipeline valuations, which are no longer performed.

V. Environmental Analysis

The Commission is required to prepare an Environmental Assessment or an Environmental Impact Statement for any action that may have a significant adverse effect on the human environment. The Commission has categorically excluded certain actions from these requirements as not having a significant effect on the human environment. The action proposed here is procedural in nature and therefore falls within the categorical exclusions provided in the Commission’s regulations. Therefore, neither an Environmental Impact Statement nor an Environmental Assessment is necessary and will not be prepared in this rulemaking.

VI. Regulatory Flexibility Act Certification

The Regulatory Flexibility Act generally requires the Commission to describe the impact that a proposed rule would have on small entities or to certify that the rule will not have a significant economic impact on a substantial number of small entities. The Commission certifies that promulgating this rule does not represent a major federal action having a significant economic impact on a substantial number of small entities. Therefore, no regulatory flexibility analysis is required.

VII. Information Collection Statement

Office of Management and Budget (OMB) regulations require that OMB approve certain information collection requirements imposed by agency rule. Since this rule does not impose new regulations and has no impact on current information collections, there is no need to obtain OMB approval as to the deletion and modification of these regulations. Nevertheless, the Commission is submitting a copy of the Final Rule to the OMB for informational purposes.

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VIII. Effective Date and Congressional Notification

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The regulations are effective September 15, 1999. The Small Business Regulatory Enforcement Fairness Act of 1996 requires agencies to report to Congress on the promulgation of certain final rules prior to their effective dates. That reporting requirement applies to this Final Rule. The Commission has determined, with the concurrence of the Administrator of the Office of Information and Regulatory Affairs of OMB, that this rule is not a major rule as defined in Section 351 of the Small Business Regulatory Enforcement Fairness Act of 1996.

List of Subjects

18 CFR Part 3
Organization and functions (Government agencies).

18 CFR Part 341
Maritime carriers, Pipelines, Reporting and recordkeeping requirements.

18 CFR Part 342
Pipelines, Reporting and recordkeeping requirements.

18 CFR Part 343
Pipelines, Reporting and recordkeeping requirements.

18 CFR Part 346
Pipelines, Reporting and recordkeeping requirements.

18 CFR Part 357
Pipelines, Reporting and recordkeeping requirements, Uniform System of Accounts.

18 CFR Part 362
Pipelines, Reporting and recordkeeping requirements.

18 CFR Part 385
Administrative practice and procedure, Electric power, Penalties, Pipelines, Reporting and record keeping requirements.

By the Commission.

Linwood A. Watson Jr.,
Secretary.

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3 Part 357 addresses the annual special or periodic reports that carriers subject to Part I of the Interstate Commerce Act are required to file.

4 18 C.F.R. Part 362 sets forth the various requirements for valuation.


12 If the third decimal place number is five or more, the second decimal number should be rounded up; if the third decimal place number is four or less, the second decimal place number should be rounded down. Kaneb Pipeline, 71 FERC ¶61,409 (1995), at p. 62,617 n.6.


17 See, e.g., Express Pipeline Partnership, 75 FERC ¶61,303 (1996) (holding that the Commission will establish paper hearing procedures to address whether to approve proposed rates and a rate structure as a condition precedent to construction of a new oil pipeline); Platte Pipe Line Company, 78 FERC ¶61,307 (1997) (holding that the Commission will establish a technical conference to examine issues raised by the pipeline’s filing); and Sinclair Oil Corporation v. Platte Pipe Line Company, 87 FERC
¶61,259 (1999) (holding that the Director of the Commission’s Dispute Resolution Service is directed to arrange a process to foster negotiation and agreement).

19 18 C.F.R. §380.4.
22 5 C.F.R. Part 1320.