

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

Revisions to Forms, Statements, and Reporting) Docket No. RM07-9-000
Requirements for Natural Gas Pipelines)

**COMMENTS OF
THE INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA
AND TEXAS INDEPENDENT PRODUCERS &
ROYALTY OWNERS ASSOCIATION
IN RESPONSE TO NOTICE OF PROPOSED RULEMAKING**

Pursuant to the Notice of Proposed Rulemaking issued in the above-captioned proceeding on September 20, 2007 (“NOPR”), the Independent Petroleum Association of America (“IPAA”) and the Texas Independent Producers and Royalty Owners Association (“TIPRO”) hereby respectfully file the following comments.

I. IPAA and TIPRO

IPAA represents the companies that drill 90 percent of the nation’s oil and natural gas wells. These companies produce 92 percent of American natural gas and 68 percent of American oil.

TIPRO is a trade association representing the interests of more than 2,500 producers and royalty owners in Texas. As the nation’s largest statewide association representing both independent producers and royalty owners, TIPRO’s members include small mom-and-pop companies; the largest, publicly-traded independent producers; and mineral owners, estates, and trusts. TIPRO’s members are responsible for producing more than 85 percent of the natural gas within Texas and own mineral interests in millions of acres across the state.

II. Executive Summary

IPAA and TIPRO strongly support the NOPR but request that the proposed rules be supplemented by the addition of information in the following areas:

- Include several fields on page 218a of Form 2 to improve data on Capital Structure and Rate of Return on Equity.
- To compensate for the loss of data in Form 11, require some additional data to be included by type of service and rate schedule in the proposed Form 2 and 3Q.
- Augment and refine the pipeline fuel data to be submitted in Forms 2 and 3Q.

III. Comments

IPAA, as part of an Industry Coalition,¹ filed comments in August 2003 urging the Commission to require improvement in the quality of data submitted by interstate natural gas pipelines in their annual Form 2 reports. The Industry Coalition then filed comments in March 2007 in response to the Commission's Notice of Inquiry ("NOI"), providing the Commission with a list of minor changes to Form 2 that would yield significant benefits to pipeline customers and consumers.

IPAA, joined by TIPRO, supports all of the changes included by FERC in the NOPR. As stated in the NOPR, "If shippers cannot readily access the data they need to make informed assessments regarding the propriety of the rates charged, they are left without any plausible means of assessing the justness and reasonableness of those rates and are forced to accept the information provided at face value or attempt to initiate

¹ The Industry Coalition consisted of the American Public Gas Association, IPAA, Natural Gas Supply Association, and the Process Gas Consumers Group.

expensive and time-consuming section 5 proceedings to obtain the data.” (NOPR at para. 24)

However, IPAA and TIPRO urge the Commission to include some additional changes when issuing a final rule. Broadly, IPAA and TIPRO contend that the justness and reasonableness of pipeline rates can be ensured only through periodic rate reviews. Therefore, we again urge the Commission to reexamine its policy against periodic rate reviews and relying on the initiation of Section 5 complaints that, at best, yield only prospective rate relief. Focusing on the NOPR, IPAA and TIPRO contend it can be improved by including additional data without imposing significant burdens on interstate pipelines. IPAA and TIPRO commend the following areas where additional information would be useful to pipeline customers.

Capital Structure and Rate of Return on Equity. IPAA and TIPRO urge the Commission to require pipelines to identify the entity whose capital structure is reported on page 218a of Form 2. In addition, IPAA and TIPRO ask FERC to add a field to provide pipelines a space to document the common equity option used when computing AFUDC on page 218a of Form 2. With this additional field, users of Form 2 could determine whether the reported return was formally approved in a rate case, a calculated black-box rate approved as part of a settlement, or a three-year average rate.

Elimination of Form 11. IPAA and TIPRO seek the addition of information in Forms 2 and 3Q to compensate for the loss of valuable information currently included in Form 11. Specifically, IPAA and TIPRO ask that FERC require pipelines to:

- Provide volume (MDQ and commodity) information separated by type of service (firm or interruptible transportation, parking and lending, storage, etc.) and by rate schedule on the proposed page 313 of Form 2.
- Provide volume (MDQ and commodity) information by service and rate schedule for incremental services on proposed page 217 of Form 2.
- Include volumes by service and rate schedule in the same format in which that information is reported on pages 302-307 of Form 2 on pages 300-301 of the Form 3Q.

Pipeline fuel. IPAA and TIPRO are extremely encouraged by the Commission's focus on pipeline fuel recovery practices, as evidenced by the issuance of the NOI in RM07-20 concurrently with the financial form NOPR. In keeping with our ongoing interest in ensuring greater transparency and proper recovery of fuel costs, IPAA and TIPRO ask that FERC make the following changes in issuing a final rule:

- Add a column before the volume data where a pipeline can specify the specific accounts being used to record the various sources and disposition of fuel gas on proposed page 521 of Forms 2 and 3Q.
- Require pipelines that continue to use Account Nos. 480-484 to add footnotes on revised pages 300-301 of Form 2 detailing the type of transaction(s) being reported.

- Not allow pipelines to generally classify non-specified or “other” types of revenues as “sales for resale” under Account 483 on revised page 300 of Forms 2 and 3Q.

IV. Conclusion

IPAA and TIPRO strongly support the changes to Forms 2 and 3Q included in the NOPR. However, to truly enhance the value of the financial forms to pipeline customers and natural gas consumers, IPAA and TIPRO urge the Commission to make some additional changes, as outlined above.

Respectfully submitted,

/s/

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