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As a result of Order No. 636, virtually all of a pipeline's services are covered by a blanket certificate issued under section 7 of the NGA and pursuant to part 284 of this chapter. As a practical matter, this means that filings for changes in transportation services or new services generally will be treated as tariff filings under section 4 of the NGA; not certificate amendment applications under section 7. Therefore, the Commission must act within 30 days of filing and can suspend the changes for no more than five months. This usually does not leave sufficient time to complete a full hearing that involves extensive discovery. Therefore, it is important that filings contain as full an explanation of the rate or tariff change as possible.

Currently, when a pipeline proposes a rate increase its customers routinely ask for a hearing and the rates are routinely suspended. When the issues are clear and the parties committed to rapid closure, the hearing process need not take an inordinate length of time. The time required to complete a hearing and ready the case for decision is affected by a variety of factors including the scope of issues set for hearing, the scope of discovery needed, and the progress of settlement discussions. The proposed filing requirements would improve the support of a pipeline's filing, reduce discovery needs by all parties, and facilitate more rapid settlement or adjudication of pipeline rate proposals. More complete support of rate filings would enable the Commission to speed the processing of rate cases by resolving as many issues as possible in the suspension order.

The proposed filing requirements are intended to permit parties to address the important issues more quickly. For example, pipelines currently file their Statement P testimony 15 days after filing the rate proposal. The Commission's experience is that Statement P provides the most comprehensive description of the proposed change. The proposed rule would require Statement P to be filed concurrently with the rate case so as to make a more complete explanation of the rate proposal available at the outset. To achieve its intended purpose of expediting the hearing, Statement P must serve as the applicant's complete case-in-chief not a mere description of proposed rates.

One of the most time consuming aspects of the hearing process is discovery. Parties must often resort to discovery to obtain an adequate explanation of the pipeline's rate proposals. The Commission proposes to expand the filing requirements in certain areas so that discovery can be reduced, and eliminate other data that are not being used by the parties. Therefore, though the burden on filing companies to provide information in the first submittal is increased, the net burden remains relatively unaffected because the only change is in the timing of the submission.

The current approach to rate regulation sets an annual revenue requirement based on operating and capital costs occurring during a test period adjusted for known and measurable changes expected to occur by the time suspended rates take effect. Rates are generally designed to recover the required revenue based on contract capacity entitlements and projected annual volumes. The proposed filing requirements have been designed to obtain the information needed to justify rates under this cost-of-service method. However, the Commission has been receiving increasing numbers of rate filings in which the pipeline seeks to justify its rates on a basis other than the traditional cost-of-service method.

However, the Commission also recognizes that the significant changes in the industry over the last decade have also heightened interest in the industry in the prospect for non-cost-based rate proposals. In the past several years, the Commission has processed on a case-bycase basis proposals that are not necessarily confined to a traditional revenue requirement. For example, the Commission has approved market-based rates for storage services in several cases.⁵ The Commission plans to continue the case-by-case evaluation of new filings. However, in the process of developing specific new filing requirements in this proceeding, the Commission has concluded that it should also begin a more comprehensive examination of different ratemaking standards and methodologies. These might include, for example, market-based rates or incentive rates. Among other things, the Commission must consider the appropriate criteria to evaluate such proposals, to ensure consistency with the just and reasonable standard, and to develop filing requirements for the information that would be needed to justify those rates. Such alternative rate designs may provide customers and pipelines with needed flexibility as the market continues to evolve. The Commission, therefore, will move

forward with an initiative in the very near future in which it will explore the criteria and filing requirements that could be employed to achieve non-cost based rates that also meet the "just and reasonable" standard of the NGA. The Commission will not commence such a proceeding here since the instant rulemaking is limited to filing and reporting requirements for rates justified under the traditional cost-of-service method.

Certain regulations are, as a practical matter, no longer of general interest. The Commission proposes to remove them from the general regulations. The regulations concerning Research, Development, and Demonstration expenses (RD&D) for example, are currently a lengthy and cumbersome part of §154.38. These regulations were originally developed to apply to all pipelines and to any number of RD&D organizations. However, in practice, there is one predominant and principal research organization, Gas Research Institute (GRI). Thus, the Commission proposes to streamline the regulations, recognizing that GRI is the principal research organization funded by the natural gas industry.

The Commission proposes to remove the regulations governing Purchase Gas Adjustments (PGAs) from the general regulations. As a result of the restructuring of the industry under Order No. 636, most pipelines have shed their traditional merchant function. Only two natural-gas companies, Eastern Shore Natural Gas Company and West Texas Gas, Inc., continue to pass through gas purchase costs under the PGA regulations.⁶ The Commission proposes to require those two natural-gas companies to incorporate all of the existing PGA regulatory requirements applicable to them into their tariffs. The PGA regulations will be removed from part 154. The Commission also proposes to require the provisions governing PGAs in current §154.111 to be incorporated into these companies' tariffs so that the section may also be removed.

The Commission is proposing to delete current § 154.201–213. Those regulations apply primarily to shippers seeking to recover charges incurred for the conditioning and transportation of Alaska natural gas through the Alaska Natural Gas System (ANGTS) for sale in the contiguous 48 states of the United States. Those provisions establish the terms and conditions for a permanent

⁵E.g., Avoca Natural Gas Storage, 68 FERC ¶ 61,045 (1994); Koch Gateway Pipeline Co., 66 FERC ¶ 61,385 (1994); Bay Gas Storage Co., Ltd., 66 FERC ¶ 61,354 (1994); Petal Gas Storage Co., 64 FERC ¶ 61,190 (1993); Richfield Gas Storage System, 59 FERC ¶ 61,316 (1992).

⁶These pipelines do not provide open access transportation under part 284 of this chapter; and so, were not subject to restructuring under Order No. 636.