will require an average of ten hours to complete.

The proposed Index of Customers requirement will add approximately 11,700 hours to the total burden under FERC Form No. 549B. However, the Commission proposes to delete the paper filing requirement and require that the index be available through a pipelines electronic bulletin board. The average burden of approximately 25 hours per respondent consists of 135 hours for pipelines to establish the initial index, and three hours per filing to compile an average of six monthly updates.

Allowing reporting of service interruptions in FERC Form No. 576 by any electronic means, including facsimile or telegraph, as proposed, will expedite the notice process, and reduce the burden to one hour per response. This report is required only in the event of an interruption to normal service lasting three hours or longer.

The Commission is not proposing any substantive changes to FERC Form Nos. 8 and 14, but requests comment on whether data from other sources makes these forms unnecessary.

On balance, therefore, the Commission believes the overall burden on the industry will be lessened over time by the proposed changes. To consider the impact of the persons affected by this rulemaking, the Commission would like specific comments on the impact of this rule on individual natural gas companies. Both estimates of current burden and impact should be in work hours and dollar costs in sufficient detail to demonstrate methodology and assumptions.

Comments regarding these burden estimates or any other aspect of this collection of information, including suggestions for reducing this burden, can be sent to the Federal Energy Regulatory Commission, 941 North Capitol Street, NE., Washington, DC 20426 [Attention: Michael Miller, Information Services Division, (202) 208–1415]; and to the Office of Information and Regulatory Affairs of OMB (Attention: Desk Officer for Federal Energy Regulatory Commission), FAX: (202) 395–5167.

III. Revisions to Uniform System of Accounts

A. Storage Accounting

Before the recent industry restructuring, natural gas companies primarily provided a merchant service. A typical pipeline company would purchase gas from producers or other suppliers, transport the gas from the supply area to storage fields or sales delivery points, and sell its gas on a bundled basis. Now, pipeline companies are primarily transporters of gas. The physical operation of a pipeline used for open-access transportation, however, is much the same as when it was used for bundled merchant service. A transportation pipeline continues to need gas for compressor fuel, gas losses, line pack, and base storage gas. In addition, in order for the system to operate efficiently, it must have sufficient gas volumes and/or storage capacity available to provide for transportation imbalances and no-notice transportation. Although these resource needs are not new ones, in the Commission's view, the mandate to unbundle and the changed primary role of pipelines from merchants to transporters require recognition, measurement, and reporting of these resources differently than presently required.

One might argue that the present accounting requirements contained in the Uniform System of Accounts are adequate and appropriate for accounting for gas costs of a transportation pipeline. Under this view, it could be argued that the loss of the sales function does not change the economic character of the transportation function. Physically, the pipeline must operate essentially as it always has in performing a transportation function, and that the loss of the sales function does not change the economic character of the transactions that must be accounted for. Our analysis, however, indicates otherwise. We find that the financial and regulatory accounting needs for a transporter are sufficiently different from those of a merchant to warrant changes to our Uniform System of Accounts.

To meet regulatory needs, the Commission's regulations should provide recognition and measurement criteria for accounting elements (e.g. revenues, expenses, assets, liabilities, equity capital) that not only represent their economic characteristics but also provide useful financial information relating to services provided. Further, the regulations should provide for uniform accounting. It is indisputable that regulation is improved when similar economic events are accounted for consistently between periods, and uniformly between companies. In the Commission's view, uniformity in accounting is essential for developing just and reasonable rates, for compliance review purposes, and for the preparation of meaningful intra- and inter-company statistics.

The Commission believes that the financial statement treatment most consistent with the economic character of the accounting transactions, and the treatment that produces the most useful regulatory information, can be obtained if we require that: (1) Volumes maintained for system balancing purposes, including those needed for no-notice transportation service, be accounted for as fixed assets rather than as inventory held for sale, which is the current practice; and (2) gas furnished by transportation customers for compressor fuel, line losses, or other operational purposes be viewed as additional compensation for services, and an appropriate amount of expense be recognized concurrent with the use of such volumes by the pipeline. With respect to the second item, the current practice is, in general, not to recognize either the gas consideration received as revenues or to recognize an expense when the gas is consumed in system operations.

1. System Gas

The Commission's existing accounting regulations for gas transactions (purchases, storage, exchanges, sales, system use, etc.) were developed when a typical natural gas pipeline company offered bundled sales service. Gas used in providing unbundled transportation service has characteristics that are different from gas used in providing bundled sales service. A transportation pipeline is a dynamic system where there are constant imbalances between what has been delivered to the system by customers or gas suppliers, on one hand, and what has been delivered to customers or used to operate the pipeline, on the other. Although a transportation pipeline has an obligation to transport and deliver gas provided to it by a shipper, gas is a fungible commodity. There is no specific identification of the molecules of gas that a transportation customer (shipper) delivers into the system with the volumes that it receives at the delivery point. The pipeline's obligation to the customer is satisfied when the customer either receives at the appropriate delivery point sufficient volumes, from whatever source, to meet the quantity, quality, and heat content called for by the tariff's terms and conditions or it is otherwise settled through cash-out provisions or balancing arrangements entered into between two or more customers.

In order to meet its obligation to shippers, the pipeline must have available sufficient volumes to meet the operational dynamics of its system (after consideration of imbalance agreements between customers). For purposes of