

pruning debris has not been removed from the orchard;

(3) Earthquake;

(4) Volcanic eruption;

(5) An insufficient number of chilling hours to effectively break dormancy; or

(6) Failure of irrigation water supply, if caused by an insured peril that occurs during the insurance period.

(b) In addition to the causes of loss excluded in section 12 (Causes of Loss) of the Basic Provisions (§ 457.8), we will not insure against damage or loss of production due to:

(1) Disease or insect infestation, unless adverse weather;

(i) Prevents the proper application of control measures or causes properly applied control measures to be ineffective; or

(ii) Causes disease or insect infestation for which no effective control mechanism is available;

(2) Split pits, regardless of cause; or

(3) Inability to market the peaches for any reason other than actual physical damage from an insurable cause specified in this section. For example, we will not pay you an indemnity if you are unable to market due to quarantine, boycott, or refusal of any person to accept production.

#### 10. Duties in the Event of Damage or Loss

In addition to the requirements of section 14 (Duties in the Event of Damage or Loss) of the Basic Provisions (§ 457.8), the following will apply:

(a) You must notify us within three days of the date that harvest of the damaged variety should have started if the crop will not be harvested.

(b) You must notify us at least 15 days before any production from any unit will be sold by direct marketing. We will conduct an appraisal that will be used to determine your production to count for production that is sold by direct marketing. If damage occurs after this appraisal, we will conduct an additional appraisal. These appraisals, and any acceptable records provided by you, will be used to determine your production to count. Failure to give timely notice that production will be sold by direct marketing will result in an appraised amount of production to count not less than the production guarantee per acre if such failure results in our inability to make the required appraisal.

(c) If you intend to claim an indemnity on any unit, you must notify us at least 15 days prior to the beginning of harvest of the damaged variety, if you previously gave notice in accordance with section 14 of the Basis Provisions (§ 457.8), so that we may inspect the damaged production. You must not sell or dispose of the damaged crop until after we have given you written consent to do so. If you fail to meet the requirements of this section, and such failure results in our inability to inspect the damaged production, all such production will be considered undamaged and included as production to count.

#### 11. Settlement of Claim

(a) We will determine your loss on a unit basis. In the event you are unable to provide separate acceptable production records:

(1) For any optional unit, we will combine all optional units for which such production records were not provided; or

(2) For any basic unit, we will allocate any commingled production to such units in proportion to our liability on the harvested acreage for each unit.

(b) In the event of loss or damage covered by this policy, we will settle your claim by:

(1) Multiplying the insured acreage by its respective production guarantee;

(2) Multiplying the result of section

11(b)(1) by the respective price election;

(3) Totaling the results of section 11(b)(2);

(4) Multiplying the total production to be counted by type, if applicable, (see subsection 11(c)) by the respective price election;

(5) Totaling the results of section 11(b)(4);

(6) Subtracting the result of section 11(b)(5) from the result in section 11(b)(3); and

(7) Multiplying the result of section 11(b)(6) by your share.

(c) The total production to count (in bushels) from all insurable acreage on the unit will include:

(1) All appraised production will be determined as follows:

(i) Not less than the production guarantee per acre for acreage:

(A) That is abandoned;

(B) That is sold by direct marketing if you fail to meet the requirements contained in section 10;

(C) That is damaged solely by uninsured causes; or

(D) For which you fail to provide acceptable production records that are acceptable to us;

(ii) Production lost due to uninsured causes;

(iii) Unharvested production;

(iv) Potential production on insured acreage that you intend to abandon or no longer care for, if you and we agree on the appraised amount of production. Upon such agreement, the insurance period for that acreage will end. If you do not agree with our appraisal, we may defer the claim only if you agree to continue to care for the crop. We will then make another appraisal when you notify us of further damage or that harvest is general in the area unless you harvested the crop, in which case we will use the harvested production. If you do not continue to care for the crop, our appraisal made prior to deferring the claim will be used to determine the production to count; and

(v) Any appraised production on insured acreage will be considered production to count unless such production is exceeded by the actual harvested production.

(2) All harvested production from the insurable acreage.

(3) Mature marketable peach production may be reduced as a result of a loss in quality due to an insured cause of loss. The amount of production to count for such peaches will be determined as follows:

(i) Peaches grown for fresh use by:

(A) Dividing the value per  $\frac{3}{4}$  bushel carton of the damaged peaches by the actual price per bushel for undamaged peaches; and

(B) Multiplying the result of section 11(c)(3)(i)(A) by the number of bushels of the eligible damaged peaches.

(ii) Peaches grown for processing by:

(A) Dividing the value per bushel of the damaged peaches by the average price per bushel of undamaged peaches for processing; and

(B) Multiplying the result of section 11(c)(3)(ii)(A) by the number of bushels of the eligible damaged peaches.

(4) Peaches that cannot be marketed due to insurable causes will not be considered production to count.

#### 12. Written Agreements

Designated terms of this policy may be altered by written agreement in accordance with the following:

(a) You must apply in writing for each written agreement no later than the sales closing date, except as provided in section 12(e);

(b) The application for a written agreement must contain all variable terms of the contract between you and us that will be in effect if the written agreement is not approved;

(c) If approved, the written agreement will include all variable terms of the contract, including, but not limited to, crop type or variety, the guarantee, premium rate, and price election;

(d) Each written agreement will only be valid for one year (If the written agreement is not specifically renewed the following year, insurance coverage for subsequent crop years will be in accordance with the printed policy); and

(e) An application for a written agreement submitted after the sales closing date may be approved if, after a physical inspection of the acreage, it is determined that no loss has occurred and the crop is insurable in accordance with the policy and written agreement provisions.

Signed in Washington, DC, on November 13, 1996.

Kenneth D. Ackerman,  
Manager, Federal Crop Insurance  
Corporation.

[FR Doc. 96-29559 Filed 11-18-96; 8:45 am]

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## DEPARTMENT OF ENERGY

### Federal Energy Regulatory Commission

#### 18 CFR Part 284

[Docket No. RM96-1-003]

### Standards for Business Practices of Interstate Natural Gas Pipelines

November 13, 1996.

**AGENCY:** Federal Energy Regulatory Commission.

**ACTION:** Notice of Proposed Rulemaking and Notice of Technical Conference.

**SUMMARY:** The Federal Energy Regulatory Commission is proposing to amend its open access regulations by incorporating by reference standards

promulgated by the Gas Industry Standards Board (GISB). These standards would require interstate natural gas pipelines to conduct business transactions and provide other information according to Internet protocols and to abide by business practice standards dealing with nominations, flowing gas, and capacity release. These business practice standards supplement GISB business practice standards the Commission adopted in a final rule issued July 17, 1996 in this docket (61 FR 39053, July 26, 1996). In addition, the Commission is announcing a staff technical conference to discuss the future direction of GISB's electronic communication standards and the possible need for standards in disputed areas.

**DATES:** Comments on the Notice of Proposed Rulemaking are due December 13, 1996. Comments should be filed with the Office of the Secretary and should refer to Docket No. RM96-1-003.

The technical conference will be held on December 12, and 13, 1996 at the offices of the Federal Energy Regulatory Commission.

**ADDRESSES:** Federal Energy Regulatory Commission, 888 First Street, N.E., Washington DC, 20426.

**FOR FURTHER INFORMATION CONTACT:**

Michael Goldenberg, Office of the General Counsel, Federal Energy Regulatory Commission, 888 First Street, NE., Washington, DC 20426, (202) 208-2294.

Marvin Rosenberg, Office of Economic Policy, Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, DC 20426, (202) 208-1283.

Kay Morice, Office of Pipeline Regulation, Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, DC 20426, (202) 208-0507.

**SUPPLEMENTARY INFORMATION:** In addition to publishing the full text of this document in the Federal Register, the Commission provides all interested persons an opportunity to inspect or copy the contents of this document during normal business hours in Room 2A, 888 First Street, N.E., Washington D.C. 20426.

The Commission Issuance Posting System (CIPS), an electronic bulletin board service, provides access to the texts of formal documents issued by the Commission. CIPS is available at no charge to the user and may be accessed using a personal computer with a modem by dialing (202) 208-1397 if dialing locally or 1-800-856-3920 if dialing long distance. To access CIPS,

set your communications software to use 19200, 14400, 12000, 9600, 7200, 4800, 2400 or 1200bps, full duplex, no parity, 8 data bits, and 1 stop bit. The full text of this document will be available on CIPS indefinitely in ASCII and WordPerfect 5.1 format for one year. The complete text on diskette in WordPerfect format may also be purchased from the Commission's copy contractor, La Dorn Systems Corporation, also located in Room 2A, 888 First Street, N.E., Washington D.C. 20426.

The Commission's bulletin board system also can be accessed through the FedWorld system directly by modem or through the Internet. To access the FedWorld system by modem:

- Dial (703) 321-3339 and logon to the FedWorld system

- After logging on, type: /go FERC

To access the FedWorld system through the Internet, a telnet application must be used either as a stand-alone or linked to a Web browser:

- Telnet to: fedworld.gov
- Select the option: [1] FedWorld
- Logon to the FedWorld system
- Type: /go FERC

- or:
- Point your Web Browser to: <http://www.fedworld.gov>
- Scroll down the page to select FedWorld Telnet Site
- Select the option: [1] FedWorld
- Logon to the FedWorld system
- Type: /go FERC

The Federal Energy Regulatory Commission (Commission) proposes to amend its open access regulations by incorporating by reference consensus standards promulgated by the Gas Industry Standards Board (GISB), a consensus standards organization devoted to developing standards for electronic communication and business practices for the natural gas industry. These standards would require interstate natural gas pipelines to conduct business transactions and provide other information according to Internet protocols and to abide by business practices standards dealing with nominations, flowing gas, and capacity release. These business practices standards supplement GISB business practices standards the Commission adopted in a final rule issued July 17, 1996 in this docket.<sup>1</sup> In addition, the Commission gives notice of a staff technical conference to be held on December 12, 1996 and December 13,

<sup>1</sup> Standards For Business Practices Of Interstate Natural Gas Pipelines, Order No. 587, 61 FR 39053 (Jul. 26, 1996), III FERC Stats. & Regs. Regulations Preambles ¶ 31,038 (Jul. 17, 1996).

if needed, to discuss the future direction of standardization for electronic communication and business practices.

## I. Background

In Order No. 587, the Commission incorporated by reference GISB<sup>2</sup> consensus standards covering Nominations, Flowing Gas, Invoicing, and Capacity Release and GISB datasets in Electronic Data Interchange ASC X12 (EDI) format that detailed the data requirements needed to conduct business transactions in these areas. At that time, the Commission did not adopt GISB standards governing the method for transmitting these datasets (the electronic delivery mechanism (EDM)) because the standards were not complete and GISB was still determining whether to use the public Internet or private intranets as the communication vehicle. GISB had established a pilot program to test the use of the public Internet. The Commission anticipated that the EDM standards for the business transactions would be implemented in April through June 1997 in conjunction with the implementation of the business practices standards.

In the Business Practices Notice of Proposed Rulemaking (NOPR),<sup>3</sup> and Order No. 587, the Commission also established a September 30, 1996 date for the submission of detailed comments and standards from all members of the industry on additional issues that GISB had not resolved the first time, but that several parties considered important. These included expansion of Internet protocols to include all electronic information provided by the pipelines (to replace pipeline cost-of-service Electronic Bulletin Boards (EBBs)), title transfer tracking,<sup>4</sup> allocations and rankings of gas packages, treatment of compressor fuel, operational balancing agreements, routing models, imbalance resolution, operational flow orders, multi-tiered allocations and

<sup>2</sup> GISB's consensus process provides for balanced voting from all five major segments of the natural gas industry—pipelines, local distribution companies (LDCs), producers, end-users, and services (including marketers and third-party providers of computer services). To become a GISB standard, a proposal must be approved by 17 out of 25 members of the GISB Executive Committee, with at least two votes from each segment, and be approved by 67% of GISB's general membership.

<sup>3</sup> Standards For Business Practices Of Interstate Natural Gas Pipelines, Notice of Proposed Rulemaking, 61 FR 19211 (May 1, 1996), IV FERC Stats. & Regs. Proposed Regulations ¶ 32,517 (Apr. 24, 1996).

<sup>4</sup> Title transfer tracking refers to keeping computerized record of nominations showing the transfer between parties of title to gas whether or not the gas is being physically transported on the pipeline.

confirmations, and additional pooling standards.

#### A. GISB's September 30, 1996 Filing

On September 30, 1996, GISB filed consensus standards governing the electronic methods of conducting certain business transactions, nominations, confirmations, invoicing, flowing gas, and capacity release. GISB also filed standards to respond to the additional issues listed by the Commission.

GISB issued standards to move other information from EBBs to the Internet (such as notices, affiliated marketer information, operationally available capacity, index of customers, and tariff provisions). GISB further approved a standard that, at some time in the future, pipeline EBBs will be replaced by Internet or another specified technology that will contain all information now provided on the EBBs.

GISB approved six revisions to its business practices standards and 25 new business practices standards. The new standards passed by GISB include additional standards for operational flow orders (OFOs) to facilitate communication of OFO conditions and to clarify shippers' abilities to correct OFOs; requirements for pipelines, when feasible, to enter into operational balancing agreements (OBAs) at all pipeline-to-pipeline interconnects; clarifications regarding the imposition of imbalance penalties (e.g., allowing shippers to net imbalances across contracts); an enhanced definition of intra-day nominations; additional standards to simplify the process of in-kind fuel reimbursement; and standards for gas package identification and rankings of gas packages.

GISB did not pass any standards regarding title transfer tracking, one of the areas the Commission had listed for consideration. However, GISB did approve a pilot program to test various means of providing this service, including the use of third-parties. The results of the pilot test are due by September 1997.

GISB proposed the following timetable for implementation of its proposed standards:

March 1, 1997—Anticipated date for final rule on additional standards  
April 1, 1997—Implementation of the Internet protocols for the business transactions covered by Order No. 587  
May, June, July 1997—Tariff filings for Additional Standards with the same phased pipeline categories as in Order No. 587

August 1, 1997—Implementation of Internet access for additional information

September 1997—Results of pilot test for title transfer tracking  
November 1, 1997—Deadline for implementation of Additional Standards

#### B. Additional September 30, 1996 Filings

Pursuant to the Commission's invitation to file proposals on September 30, 1996, the Interstate Natural Gas Association of America (INGAA), PanEnergy Pipelines,<sup>5</sup> Williams Interstate Natural Gas System (WINGS), Enron Interstate Pipelines (Enron), Natural Gas Clearinghouse, Conoco, Inc., and Vastar Gas Marketing, Inc (NGC/Conoco/Vastar), Natural Gas Supply Association (NGSA), and Brooklyn Union Gas Company (Brooklyn Union) filed comments on the GISB proposals.

All the comments find that GISB's standards will improve efficiency and promote a more integrated natural gas network. NGC/Conoco/Vastar and NGSA, however, contend that in certain areas the GISB standards do not go far enough in answering shippers' concerns. They highlight failures to reach agreement on alternatives to in-kind fuel reimbursement,<sup>6</sup> additional pooling standards, further clarification and standardization of intra-day nominations, further allocation and ranking standards for gas packages, trading of imbalances across pipeline customers, and standards for multi-tiered allocations and confirmations. They point out that the GISB Business Practices Subcommittee reached agreement on numerous standards that were not approved at the Executive Committee level and maintain that a number of these standards were defeated by the pipelines voting as a block.

INGAA, PanEnergy Pipelines, WINGS, and Enron generally support the GISB standards, except for WINGS' questioning of one principle (1.1.14) and one standard (1.3.28). The pipelines do not believe that GISB should issue additional standards, particularly relating to fuel reimbursement. Pan Energy contends that standards for multi-tiered allocations and additional pooling standards are related to title transfer tracking and should await the report of the GISB title transfer tracking task force.

WINGS and PanEnergy Pipelines raise questions about GISB's EDM standards.

WINGS maintains the EDM standards for conducting business transactions depart from standard Internet technology and are too expensive. PanEnergy Pipelines contend that, during an interim period when pipelines continue to provide EBB services, pipelines should not be required to develop GISB approved procedures and standards for both the Internet and their EBBs.

#### II. Discussion

The Commission proposes to adopt all the GISB consensus standards: the GISB electronic communication standards for business transactions, the standard for dissemination of additional information at Web sites, and the revised and new business practices standards. The Commission proposes to follow the implementation schedule set by GISB: the standards for business communications would be implemented on April 1, 1997 so as to coincide with implementation of the first set of business practices standards; the provision of additional information at Web sites would be implemented August 1, 1997, and the tariff filings to comply with the business practices standards would be made in May, June, and July of 1997 with implementation November 1, 1997.

The Commission appreciates the time and effort GISB and the members of the gas industry have again expended in developing these standards. The industry's ability to reach agreement on standards in some of the complex areas it considered is testament to this effort and the spirit of cooperation and compromise that has pervaded this effort. A consensus of all industry segments find that these standards will increase efficiency and help create a more integrated gas market, and the Commission, therefore, is proposing to adopt them.

GISB's proposed electronic communication standards move the gas industry to the forefront in business use of the Internet.<sup>7</sup> The gas industry will be using the Internet not merely as a means of transmitting information, but as the vehicle for conducting reliably and securely a number of crucial business transactions, nominations and confirmations, flowing gas (pre-determined allocations), and invoicing and payment. The benefits of these standards are not limited to communications between pipelines and their customers. The protocols, for instance, also permit improved

<sup>5</sup> Texas Eastern Transmission Corporation, Panhandle Eastern Pipe Line Company, Trunkline Gas Company, and Algonquin Gas Transmission Corporation.

<sup>6</sup> Brooklyn Union also supports standards for additional fuel reimbursement methodologies.

<sup>7</sup> See Dave Kosiur, Electronic Commerce Edges Closer, PCWeek On Line, Oct. 10, 1996, <http://www.pcweek.com/@netweek/1007/07set.html>.

communication efficiency between pipelines and upstream and downstream operators, which can use the Internet to confirm nominations by matching the gas nominated with transactions on their system.

The new business practices standards similarly should provide for a more integrated and efficient pipeline grid. They would impose new requirements for establishing OBAs, provide shippers with increased flexibility to clear imbalances, require pipelines to honor shippers' determinations of delivery priorities, clarify shipper's abilities to correct OFOs, and standardize the methods for calculating the amount of gas needed to reimburse pipelines for compressor fuel, so that shippers can accurately submit nominations for transportation across multiple pipelines, with many zones.

The comments of NGSA and NGC/Conoco/Vastar raise concerns about the failure to pass standards in additional areas. And, GISB itself left issues relating to the method by which pipelines are compensated for services to regulatory agencies. In any industry effort of this magnitude, there are bound to be areas in which the parties are unable to reach agreement. That is particularly true given some of the complex and vexing problems GISB was considering. But, even in those areas where agreement among the segments has proved elusive, GISB and the industry's efforts have served an extremely valuable purpose by defining the scope of the problems and offering reasoned positions and possible solutions for handling them.

The Commission, however, needs to obtain a better understanding of the issues in dispute. The Commission, therefore, is directing its staff to establish a technical conference on December 12, 1996, and December 13, if needed, to consider these issues.

#### *A. Standards Proposed for Adoption*

##### *1. Electronic Delivery Mechanism Standards*

GISB has adopted two approaches for using the Internet to transmit and receive information. For communications involving business transactions (nominations, confirmations, invoicing), the GISB standards would require trading partners (pipelines and their customers) to maintain Internet file servers and Internet addresses and to exchange files formatted in ASC X12 using HTTP (hyper-text transfer protocol) as the Internet protocol (hereinafter Internet server model).<sup>8</sup> The Internet server

model permits pipelines and customers to transmit internet documents such as nominations and confirmations to the Internet site of the other party, regardless of whether that party is currently on-line. Under this model, a pipeline would send a customer confirmation of its scheduled volumes when the information is ready. The information would not simply be maintained on the pipeline's Internet server with the customer having to retrieve it.

For the additional information to be transmitted over the Internet (notices, affiliated marketer information, operationally available capacity, index of customers, and tariff provisions), GISB has proposed a somewhat different Internet model.<sup>9</sup> In this model, pipelines will establish Internet Web pages which customers can access through standard Internet browsers (hereinafter Web browser approach). Customers also will be able to download this information according to GISB specified formats. This standard further provides that, within a reasonable amount of time, pipeline EBBs will be replaced by Internet or another specified technology that will contain all information now provided on the EBBs.

WINGS raises a concern about whether customers will use GISB's proposed Internet server approach. WINGS does not believe that customers will find that the advantages of the GISB Internet server model warrant the added costs of renting server space or paying a third-party service provider. WINGS contends that a more traditional Internet approach like the Web browser approach should be adopted for the business transactions, so the customer would not have to operate its own Internet server.

NGSA supports the GISB approach, arguing that using the Internet to conduct these transactions will open the market to smaller customers and reduce overall costs. In particular, NGSA supports the use of HTTP because it provides a time stamp showing that the documents have been received by the other trading partner.<sup>10</sup> In anticipation of potential objections like those from WINGS, NGSA maintains that smaller customers can either rent server space from an Internet Service Provider or contract with a third-party vendor.

According to the transcript of the GISB Executive Committee meeting, GISB considered and rejected the

proposal made by WINGS. The Internet server model was adopted because pipelines and customers did not want to have to retrieve documents from the others' sites; they wanted the documents transmitted and received automatically.<sup>11</sup>

The Commission is proposing to adopt the industry's consensus determination to adopt the Internet server model. This model would make possible highly formatted, time stamped, computer-to-computer communication. It would provide customers with the capability of immediately receiving data from the pipelines when it is ready and programming their computers to process these data automatically, without the need to retrieve the data from a Web page. For all the business transactions, GISB has established multiple reciprocal file exchanges, including files such as "Quick Responses" to verify receipt and errors in the transmission. The Internet server model provides an efficient means for sending and receiving these multiple files. Such computer-to-computer communication seems particularly necessary to provide a fully integrated and efficient communication system in the future.

However, while the Internet server model appears necessary, WINGS's comment raises questions about whether it is sufficient or whether additional communication methods may be needed. This issue should be considered at the technical conference.

In addition, the Commission notes that standard 4.3.5 requires that information on a pipeline's Web site also will be downloadable in file structures established by GISB. GISB has not yet filed these file structures. GISB needs to file these technical documents so the Commission can incorporate them by reference in the final rule.

##### *2. Business Practices Standards*

In Order No. 587, the Commission stated that GISB standards are entitled to great weight because GISB's stringent voting requirements<sup>12</sup> reasonably ensure that these standards reflect a

<sup>11</sup> Report of the Gas Industry Standards Board, Vol. IV, filed in Standards For Business Practices Of Interstate Natural Gas Pipelines, Docket No. RM96-1-000 (September 30, 1996), Transcript of September 12, 1996 GISB Executive Committee Meeting, at 99-100.

<sup>12</sup> Approved standards require approval by 68% of the Executive Committee, with at least two votes from each segment, and approval by 67% of the entire membership.

<sup>8</sup> See Standards 4.3.1-4.3.4 and 4.3.7-4.3.15.

<sup>9</sup> Standards 4.3.5 and 4.3.6.

<sup>10</sup> NGSA maintains that other options, such as Internet E-mail do not provide this critical element. It further argues that the Internet file transfer protocol (FTP) was rejected for site security and maintenance reasons.

consensus of the industry.<sup>13</sup> All of the September 30, 1996 comments support the consensus standards passed by GISB, except for WINGS's concerns with principle 1.1.14 (dealing with OFOs) and standard 1.3.28 (dealing with in-kind fuel reimbursement). Accordingly, the Commission proposes to adopt these standards.

WINGS contends that the OFO principle (that pipelines should provide shippers with the opportunity to take other appropriate action to cure the circumstances giving rise to the OFO) should not be interpreted to permit shippers to avoid OFOs or substitute their judgment for that of the pipeline. First, the Commission has adopted GISB's principles to give guidance as to the meaning and interpretation of standards, but has not required pipelines to follow principles.<sup>14</sup> Second, the language of the principle does not give shippers unilateral rights to determine how to respond to OFOs. The principle states that before assessing a penalty, the pipeline must afford a shipper the opportunity to correct the circumstance giving rise to the OFO either by making a nomination or taking other appropriate action.

Standard 1.3.28 requires pipelines to establish fuel rates only at the beginning of the month. WINGS is concerned about the possibility that pipelines without storage may have less flexibility to absorb mid-month changes in fuel needs and should be permitted to adjust fuel during the month. Reimbursement for fuel has been a major issue in standardization, because many shippers contend that having to compute the additional gas they need to nominate in order to satisfy the pipelines' compressor fuel requirements excessively complicates the nomination process, particularly for transportation across a number of pipelines, with a multiplicity of zones. A consensus of the industry has found that simplification of the nomination process requires all pipelines to set fuel rates at the beginning of the month. While some pipelines may have to make some adjustments to comply with the standard, the benefit to the industry from standardized fuel calculation appears to outweigh any problems caused a few pipelines. Therefore, the Commission proposes to adopt this standard.

PanEnergy Pipelines recommend a change in the Commission's staggered implementation schedule, adopted in

Order No. 587, for standard 1.3.1 which establishes a nationwide uniform gas day. PanEnergy Pipelines maintain that staggered implementation of this standard could create problems for shippers, which may have to establish temporary accounting systems to adjust for gas day variances between pipelines. They recommend uniform implementation of this standard on June 1, 1997. The consensus agreement of the GISB membership, including shippers, was to implement this standard according to the staggered schedule, and, since GISB has proposed no change, the Commission will not propose a change in the staggered implementation schedule.

#### *B. Issues To Be Considered at the Technical Conference*

##### *1. Electronic Communication Issues*

GISB has proposed a different model for the business transaction standards (Internet server) than for the additional information to be provided over the Internet. GISB also has proposed that, within a reasonable amount of time, pipeline EBBs will be replaced by Internet or another specified technology that will contain all information now provided on the EBBs. GISB, however, has not explained how its two models interrelate or how it intends to proceed on developing communication standards in the future. The Commission would like to keep abreast of these plans so that it can understand how GISB and the industry intend to proceed. The following are some of the issues that the parties should discuss with Commission staff at the technical conference.

First, GISB has not explained whether the Internet server model is the only method it will develop for conducting business transactions with pipelines or whether it envisions developing more standard Web browser approaches. As noted earlier, WINGS contends the Internet server model may be too expensive for small customers to use.

The GISB Internet server approach would require pipelines to provide information in a standardized format that allows for a high level of functionality, such as time-stamping and automatic transmittal of information. In this model, customers both large and small must make an investment decision as to how to obtain the maximum benefit from the system. Large customers, for instance, may opt to program their computers to communicate by directly transferring files from their gas management systems to the pipelines. Smaller customers, however, may prefer a more interactive

(EBB-like) approach, where they can submit nominations by pointing and clicking in a Windows™-like environment. Both customer types may want to take advantage of the capability of programming their computers to automatically process a document arriving from the pipeline.

Smaller customers could hire a consultant to set-up their system or choose from among third-party vendors the service that best fits their needs. Due to scale economies, a third-party provider can spread the costs of establishing an Internet server and user interface across all of its customers and, therefore, may be able to provide the service more cheaply than an individual customer doing its own programming. Pipelines acting individually or jointly also could help their customers use this model, possibly even going so far as to provide them with programs to create and view files interactively.

At the technical conference, the parties should discuss whether the Internet server model is sufficient for conducting business transactions with pipelines or whether alternatives need to be developed. In particular, participants should explore whether customers, and derivatively third-party service providers, will be willing to make the investment necessary to implement this model if they perceive that another model will be developed, which, regardless of its overall implementation cost, may result in lower out-of-pocket charges to customers. Participants should address the costs of establishing the Internet server model, whether third-party vendors are presently or are anticipating entering the market to provide these services and at what prices, and whether development of alternative standards should wait until the market has been given a reasonable chance to develop products using the GISB model.

Second, WINGS's comment and some of the discussion at the GISB Executive Committee meeting<sup>15</sup> raise questions about why GISB has adopted two Internet models—the Internet server for conducting business transactions and the Web browser for transmitting other types of information—and each model is restricted to certain data. If customers already need to acquire Internet server space to conduct electronic business transactions, there would appear to be little extra cost in providing the other data on notices, affiliated marketer information, operationally available

<sup>13</sup> Order No. 587, 61 FR at 39,057–39,059; III FERC Stats. & Regs. Preambles at 30,061–30,064.

<sup>14</sup> Order No. 587, 61 FR at 39,060, III FERC Stats. & Regs. Preambles, at 30,066.

<sup>15</sup> Transcript of Executive Committee Meeting, *supra* note , at 340–349 (discussing the transmission of critical notices using the Internet server model).

capacity, index of customers, and tariff provisions using the Internet server model as well.

For instance, GISB is proposing to put critical notices and operationally available capacity on the Web site, where customers would have to log-on to obtain the information. But it would seem that these data are the type of information that should be automatically transmitted to the customer or third-party service provider, so that they can process it immediately upon receipt. A critical notice or change in operationally available capacity can occur at anytime unbeknownst to the customers, and, therefore, customers with Internet servers may want that information transmitted immediately.

Third, GISB anticipates that, within a reasonable time, all EBB services will move from pipeline EBBs to standardized transactions over the Internet. PanEnergy Pipelines raise questions about what type of investment pipelines should be required to make in their EBB services in the interim period until all transactions are standardized on the Internet.

As the Commission stated in the final rule, the industry and the Commission need to consider whether pipelines should be able to recover through their cost-of-service only the costs of providing standardized information.<sup>16</sup> Pipelines, or their affiliates, could still provide EBB services, but would charge a fee for customers using that service. Thus, the pipeline EBB services would have to compete in the marketplace with the communication services provided by third-party vendors. Participants at the conference should consider these issues and the role that pipeline EBBs should play in the future. They also should consider whether additional standards may be necessary to ensure that pipeline or pipeline affiliated services do not receive preferential access to the pipeline computers that might distort the competitive environment.<sup>17</sup>

Clearly, there are tensions in the competing goals of first, keeping the total costs of electronic communications as low as is reasonably possible, second, ensuring that the quality of service remains high, and third, pursuing a

transition to a different method of doing business. The Commission requests parties to address how GISB and the industry can best manage this transition and minimize its possible adverse impacts.

In sum, GISB's search for a common industry-wide electronic communications standard appears to have led to two or three coexisting—perhaps even competing—standards: pipeline EBBs; the Internet Server approach; and the Internet Web-browser approach. At least for the short term, it appears that all three will be in use. Commenters should address how these standards can be integrated to provide the natural gas industry with a simplified, streamlined industry-wide standard for electronic communications. It would also be helpful to hear views on the costs and benefits of each, the suitability of each mode to different operational tasks, and the possible effect on competing services offered by pipelines, third-party service providers, and others. It would also be helpful to hear the industry's views on the appropriate time line for the industry's transition to this standard.

## 2. Disputed Issues

NGC and NGSA, while supporting the GISB standards that were passed, contend these standards do not go far enough to resolve many of the areas the Commission set for further consideration in the NOPR and the final rule. They maintain that in many areas the GISB Business Practices Subcommittee approved standards, only to have those standards defeated at the Executive Committee level. They further point out that at the Executive Committee level, a number of standards commanded widespread support from the four customer segments of the industry, but were defeated by the pipeline segment. Some of the standards they maintain were defeated by the pipelines are additional standards for OFOs, intra-day nominations, multi-tiered allocations, pooling, and alternatives to in-kind reimbursement for compressor fuel. NGSA also contends that with respect to intra-day nominations, the producer, end-user, and LDC segments wanted more flexibility, but could not come to closure on a standard, despite considerable debate. According to NGSA, some did not support proposed standards, because they were concerned that adoption of a standard might either reduce some of the flexibility they presently enjoy from individual pipelines or would be used by pipelines to establish a minimum compliance level, with any enhancements provided

at additional cost. NGC and NGSA maintain that since GISB has now had two chances to deal with these standards, it is time for the Commission to intervene.

INGAA and the pipelines, in contrast, contend that there were good reasons for voting against the standards. They contend that pipelines' purchasing gas for compressor fuel is inconsistent with Order No. 636, by putting pipelines back into the merchant business, and would create competition for both gas and allocation priority between pipelines and their customers. In any event, they argue that creating standards for alternatives to in-kind reimbursement for compressor fuel are premature since pipelines have not yet experimented with these alternatives. They further maintain that passing standards in many of the other areas is similarly premature and urge the Commission to leave these matters for GISB and the industry to resolve. For example, they contend that some of the standards regarding multi-tiered allocations are tied to title transfer tracking, for which GISB established a task force to develop more information.

At this point in the process, the Commission needs additional information to determine how best to proceed. For example, the GISB membership itself has determined that in areas relating to pipeline compensation Commission guidance is needed.<sup>18</sup> The Commission, therefore, needs to examine whether the GISB standards on in-kind fuel reimbursement are sufficient or whether additional methods of reimbursement are needed. For instance, clarification is needed of the consequences to shippers, under the new GISB standards, of incorrectly calculating fuel, such as whether they would still receive the gas they need with the difference being attributed to their imbalance.

The Commission also needs to review the issues in those areas where proposed standards having wide support have been defeated. As the Commission pointed out in the final rule, it has in the past, and will continue to take, an active role in determining the need for additional standards in those areas identified by a broad consensus of the industry as potentially requiring further standardization.<sup>19</sup> In order to crystallize those issues on which there is controversy, the Commission is directing staff to establish a technical

<sup>16</sup> Order No. 587, 61 FR at 39065, III FERC Stats. & Regs. Preambles at 39,074–75.

<sup>17</sup> In the communication standards for the electric industry developed in the OASIS rulemaking, the Commission sought to prevent utilities from obtaining preferential direct connections. Open Access Same-Time Information System and Standards of Conduct, Order No. 889, 61 FR 21737 (May 10, 1996), FERC Stats. and Regs. Regulation Preambles [Jan. 1991 to June 1996] ¶ 31,035, at 31,619 (Apr. 24, 1996).

<sup>18</sup> Principle 1.1.16 states "compensability of particular products or services should be determined by trading partners and/or regulatory agencies as applicable, but not by GISB."

<sup>19</sup> Order No. 587, 61 FR at 39060, III FERC Stats. & Regs. Preambles, at 30,065.

conference to discuss these issues with the industry. To aid in preparation for the conference, the Commission is reproducing in the Appendix the text of those standards that it understands were defeated by the votes of one segment.

At the technical conference, staff will set a schedule for comments to be filed with the Commission on these issues. In these comments, commenters are asked to address, among other issues, how further standardization in the areas in dispute would affect how pipelines and their customers do business. How would standardization of these business practices affect other issues concerning the quality and nature of basic pipeline transportation services? What are the broader policy implications associated with whether to standardize these

business practices? Where additional costs would be incurred in complying with such business practices standards how should the Commission balance the costs with potential benefits?

### III. Information Collection Statement

The following collections of information are contained in this proposed rule and have been submitted to the Office of Management and Budget for review under Section 3507(d) of the Paperwork Reduction Act of 1995, 44 U.S.C. 3507(d). Comments are solicited on the Commission's need for this information, whether the information would have practical utility, the accuracy of the provided burden estimates, ways to enhance the quality, utility, and clarity of the information to

be collected, and any suggested methods for minimizing respondents' burden, including the use of automated information techniques. The burden estimates for complying with the Internet protocols for the business transactions (Internet server model) were included in the burden estimate in Order No. 587. The following burden estimates include the costs of complying with the new and revised business practice standards and the additional costs of implementing the requirement for posting additional information on an Internet Web page (Web browser model). The burden estimates are primarily related to start-up and will not be on-going costs.

*Public Reporting Burden:* (Estimated Annual Burden).

Affected data collection	Number of respondents	Total responses per year	Estimated hours per response	Estimated total annual hours
FERC-545 .....	86	86	58	4,988
FERC-549C .....	86	86	3,147	270,642
Total .....	86	86	3,205	275,630

#### *Information Collection Costs:*

Annualized Capital/Startup Costs (Per Respondent)

FERC-545—\$2,900

FERC-549C—\$157,350

Total—\$160,250

The Office of Management and Budget's (OMB) regulations, require OMB to approve certain information collection requirements imposed by agency rule.<sup>20</sup> The Commission is submitting notification of this proposed rule to OMB.

*Titles:* FERC-549C, Standards for Business Practices of Interstate Natural Gas Pipelines FERC-545, Gas Pipeline Rates: Rate Change(Non-Formal)

*Action:* Proposed collections.

*OMB Control Nos:* 1902-0174 (FERC-549C) and 1902-0154 (FERC-545).

*Respondents:* Businesses for profit, (Interstate natural gas pipelines; (Not applicable to small businesses.)).

*Frequency of Responses:* One-time implementation (business procedures, capital/start-up).

*Necessity of the Information:* This rule, if implemented, proposes to adopt standards requiring interstate natural gas pipelines to conduct business transactions and provide other information according to Internet protocols and to abide by business practice standards dealing with nominations, flowing gas, and capacity release. These business practice standards supplement GISB business

practice standards the Commission adopted in Order No. 587.

The information collection requirements of this proposed rule will be reported directly to the industry users. The implementation of these proposed data requirements will help the Commission carry out its responsibilities under the Natural Gas Act and coincide with the current regulatory environment which the Commission instituted under Order No. 636 and the restructuring of the natural gas industry. The Commission's Office of Pipeline Regulation will use the data in rate proceedings to review rate and tariff changes by natural gas companies for the transportation of gas and for general industry oversight.

#### *Internal Review*

The Commission has reviewed the standards/business practices and determined that they are necessary to establish a more efficient and integrated pipeline grid. Requiring such standards on an industry-wide basis will reduce the variations in pipeline business and communication practices and will allow buyers to easily and efficiently obtain and transport gas from all potential sources of supply. The required standards/business practices conform to the Commission's plan for efficient information collection, communication, and management within the natural gas industry. The Commission has assured itself, by means of its internal review, that there is specific, objective support

for the burden estimates associated with the information requirements.

Interested persons may obtain information on the reporting requirements by contacting: Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426 [Attention: Michael Miller, Division of Information Services, Phone: (202)208-1415, fax: (202)273-0873, email:mmiller@ferc.fed.us].

Comments concerning the collection of information(s) and the associated burden estimate(s) should be sent to contact listed above and to the Office of Management and Budget, Office of Information and Regulatory Affairs, Washington, D.C. 20503 [Attention: Desk Officer for the Federal Energy Regulatory Commission, phone: (202)395-3087, fax: (202)395-7285]

### IV. 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.<sup>21</sup> The Commission has categorically excluded certain actions from these requirements as not having a significant effect on the human environment.<sup>22</sup> The action taken here falls within categorical exclusions in the

<sup>21</sup> Order No. 486, Regulations Implementing the National Environmental Policy Act, 52 FR 47897 (Dec. 17, 1987), FERC Stats. & Regs. Preambles 1986-1990 ¶ 30,783 (1987).

<sup>22</sup> 18 CFR 380.4.

<sup>20</sup> 5 CFR 1320.11.



Commission's regulations for rules that are clarifying, corrective, or procedural, for information gathering, analysis, and dissemination, and for sales, exchange, and transportation of natural gas that requires no construction of facilities.<sup>23</sup> Therefore, an environmental assessment is unnecessary and has not been prepared in this rulemaking.

#### V. Regulatory Flexibility Act Certification

The Regulatory Flexibility Act of 1980 (RFA)<sup>24</sup> generally requires a description and analysis of final rules that will have significant economic impact on a substantial number of small entities. The proposed regulations would impose requirements only on interstate pipelines, which are not small businesses, and, these requirements are, in fact, designed to reduce the difficulty of dealing with pipelines by all customers, including small businesses. Accordingly, pursuant to section 605(b) of the RFA, the Commission hereby certifies that the regulations proposed herein will not have a significant adverse impact on a substantial number of small entities.

#### VI. Comment Procedures

The Commission invites interested persons to submit written comments on the matters and issues proposed in this notice to be adopted, including any related matters or alternative proposals that commenters may wish to discuss. An original and 14 copies of comments must be filed with the Commission no later than December 13, 1996. Comments should be submitted to the Office of the Secretary, Federal Energy Regulatory Commission, 888 First Street, NE, Washington, DC 20426, and should refer to Docket No. RM96-1-003. All written comments will be placed in the Commission's public files and will be available for inspection in the Commission's Public Reference Room at 888 First Street, NE, Washington, DC 20426, during regular business hours.

Additionally, comments should be submitted electronically. Participants can submit comments on computer diskette in WordPerfect<sup>®</sup> 6.1 or lower format or in ASCII format, with the name of the filer and Docket No. RM96-1-003 on the outside of the diskette.

Participants also are encouraged to participate in a Commission pilot project to test the use of the Internet for electronic filing either in conjunction with, or in lieu of, diskette filing. Comments should be submitted through

the Internet by E-Mail to comment.rm@ferc.fed.us in the following format: On the subject line, specify Docket No. RM96-1-003; in the body of the E-Mail message, specify the name of the filing entity and the name, telephone number and E-Mail address of a contact person; and attach the comment in WordPerfect<sup>®</sup> 6.1 or lower format or in ASCII format as an attachment to the E-Mail message. The Commission will send a reply to the E-Mail to acknowledge receipt. Questions or comments on the electronic filing project should be directed to Marvin Rosenberg at 202-208-1283, E-Mail address marvin.rosenberg@ferc.fed.us. Comments on the program should not be sent to the E-Mail address for comments on the NOPR.

#### List of Subjects in 18 CFR Part 284

Continental shelf, Natural gas, Reporting and recordkeeping requirements; Incorporation by reference.

By direction of the Commission.  
Lois D. Cashell,  
Secretary.

In consideration of the foregoing, the Commission proposes to amend Part 284, Chapter I, Title 18, *Code of Federal Regulations*, as set forth below.

### PART 284—CERTAIN SALES AND TRANSPORTATION OF NATURAL GAS UNDER THE NATURAL GAS POLICY ACT OF 1978 AND RELATED AUTHORITIES

1. The authority citation for Part 284 continues to read as follows:

Authority: 15 U.S.C. 717-717w, 3301-3432; 42 U.S.C. 7101-7532; 43 U.S.C. 1331-1356.

2. In section 284.10, paragraphs (b)(1)(i) and (b)(1)(ii) are revised, paragraph (b)(1)(iv) is redesignated (b)(1)(v) and revised, and new paragraph (b)(1)(iv) is added to read as follows:

#### § 284.10 Standards for Pipeline Business Operations and Communications.

\* \* \* \* \*

(b) \* \* \*

(1) \* \* \*

(i) Nominations Related Standards (Version 1.0, June 14, 1996), as modified by Revised Standards 1.3.7, 1.3.14, and 1.3.23 (Version 1.1), and Principles 1.1.12 through 1.1.16, Definitions 1.2.5 through 1.2.7, and Standards 1.3.24 through 1.3.34 (Version 1.1);

(ii) Flowing Gas Related Standards (Version 1.0, June 14, 1996), as modified by Revised Standard 2.3.9 (Version 1.1), and Principles 2.1.2 and 2.1.3, Definition 2.2.1, and Standards 2.3.29 through 2.3.31 (Version 1.1);

(iii) \* \* \*

(iv) Electronic Delivery Mechanism Standards Principles 4.1.1 through 4.1.14 and Standards 4.3.1 through 4.3.3 (Version 1.0), Revised Standard 4.3.4 (Version 1.1), and Principle 4.1.15 and Standards 4.3.5 through 4.3.15 (Version 1.1); and

(v) Capacity Release Related Standards (Version 1.0, June 14, 1996) as modified by Revised Standard 5.3.22 (Version 1.1).

\* \* \* \* \*

Note—The following appendix will not appear in the Code of Federal Regulations.

#### Appendix—Proposed GISB Standards Defeated by One Industry Segment

##### Operational Flow Orders

*Proposed Standard No. 23—* Declaration of operational flow orders, critical periods, and/or critical notices should be transmitted to the affected trading parties. Trading parties should keep the transportation service providers apprised of the specific locations for this transmittal. These locations are 24 hour phone, fax, and/or pager. The communication should contain, by reference, specific tariff provision(s) that is(are) applicable to each situation being declared.

##### Gas Package Rankings

*Proposed Standard No. 28B—* Applicable rankings should be permitted across contracts for the same service requester and location, when not in conflict with tariff-based rules.

##### Multi-tiered Allocations

*Proposed Standard No. 29—* All owners of gas submitting nominations or confirmations should be able to submit a predetermined allocation (PDA). Gas should be allocated based on the PDA submitted by the owner. If a PDA is not submitted, the service provider's default should be used.

##### Pooling

*Proposed Standard No. 38A—* To the extent operationally compatible with Transportation Service Provider operations and not to their economic detriment, paper pool(s) should be created on each pipeline. Pools should be created so that gas which is already in the zone, segment or rate area (as applicable) where the pool is located can be placed in the pool without transportation.

*Proposed Standard No. 38B—* To the extent operationally compatible with Transportation Service Provider operations and not to their economic detriment, logical pool(s) should be created on each pipeline.

<sup>23</sup> See 18 CFR 380.4(a)(2)(ii), 380.4(a)(5), 380.4(a)(27).

<sup>24</sup> 5 U.S.C. 601-612.



*Proposed Standard No. 40B*—Any differences between a Aggregator's (pooler's) scheduled quantities and allocated quantities at locations for its pool should be allocated to the pooler, or the pooling agreement. Aggregators (poolers) should be responsible for managing the imbalances created by variances with their scheduled quantities.

#### Fuel Reimbursement

*Proposed Standard No. 44*—Defining standards for administering the following fuel reimbursement options: in-kind, fuel cash-out, negotiated sales and cost of service does not preclude service providers from offering other options. The choice of fuel reimbursement method(s) is subject to regulatory procedures, where applicable.

*Proposed Standard No. 49A*—For in-kind fuel reimbursement methods, fuel rates can change on six month intervals, on April 1 and October 1.

*Proposed Standard No. 50A*—For in-kind fuel reimbursement and except where pre-September 30, 1996 settlements provide otherwise, fuel rates will have a true-up to actual fuel periodically on a prospective basis.

*Proposed Standard No. 51A*—For in-kind fuel reimbursement methods, fuel rates changes should be made prospectively.

*Proposed Standard No. 54B*—Other than situations where regulatory agencies require cost of service to be the only option provided, the rate for cost of service provided fuel should be stated separately.

*Proposed Standard No. 55*—For cost of service as the fuel reimbursement method, the rate for cost of service provided fuel should be collected as a variable charge.

*Proposed Standard No. 56B*—No party should be advantaged or disadvantaged in the offering or use of a service by virtue of any costs to provide that service being administered via regulatory proceedings for unassociated services.

*Proposed Standard No. 57B*—Fuel encompasses, but is not limited to, the energy consumed in providing the transportation service (i.e. natural gas, fuel oil, propane, electricity) and lost and unaccounted for gas.

*Proposed Standard No. 58*—For cash-out as the fuel reimbursement method, Service Requester should notify Service Provider of its election to exercise the cash-out option for fuel one day prior to the close of the NYMEX natural gas futures trading for the next calendar month.

*Proposed Standard No. 59B*—Where cash-out, as a fuel reimbursement method, is offered as an option by a Service Provider, the Service Requester should notify Service Provider of its election to exercise the cash-out option for fuel one day prior to the close of the NYMEX natural gas futures trading for the next calendar month.

*Proposed Standard No. 60*—Fuel Cash-out options should be exercised for a minimum of one calendar month.

*Proposed Standard No. 61*—Fuel Cash-out quantities should be determined by multiplying allocated receipts by fuel percentages as stated in the tariff or applicable contract(s).

*Proposed Standard No. 62*—Fuel Cash-out price should be an established commodity market price (i.e. index or competitive bid) in rate area, zone or segment of the activity, or be based on the same fuel cash-out index used for imbalances.

*Proposed Standard No. 63*—The fuel cash-out value (fuel quantities times fuel cash-out price) should be separately stated on the invoice for the related activity.

*Proposed Standard No. 64*—If fuel cash-out price is index-based, the determination of the applicable indices should be based on the approved tariff provisions or applicable contract(s).

*Proposed Standard No. 65*—If fuel cash-out price is other than index-based, the Service Provider should post that price three days prior to the close of the NYMEX natural gas futures trading for the next calendar month.

*Proposed Standard No. 66B*—There should be no cross-subsidization by Service Providers of fuel provision service(s) by transportation service(s) when both fuel provision services and transportation services are provided by the service provider.

*Proposed Standard No. 67*—Negotiated fuel gas sales are sales of gas by the service provider for the use of the service requester as fuel for its transportation transaction. The price and terms and conditions applicable to the sales transaction should be negotiated between the transportation service provider and the service requester.

*Proposed Standard No. 95A*—If negotiated fuel gas sales are offered, all transportation terms, conditions applicable to fuel sales service should be specified in the transportation service providers tariff, if applicable.

#### Intraday Nominations

*Proposed Standard No. 77A*—Intraday nominations should be allowed at all nominatable receipt and delivery points and at pooling points.

#### OBA's and Imbalances

*Proposed Standard No. 85A*—All transportation service providers who have sufficient system storage should allow service requesters (in this instance, service requester excludes agents) to net similarly situated imbalances on and across contracts with the transportation service provider among themselves. In this context, "similarly situated imbalances" includes contracts with the substantially similar financial and operational implications to the transportation service provider.

*Proposed Standard No. 88A*—Imbalance penalties should be based on the lesser of the imbalance penalties based on operationally provided measurement/allocated data and actual measurement/allocated data.

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## DEPARTMENT OF THE TREASURY

### Internal Revenue Service

#### 26 CFR Part 1

[REG-209827-96]

RIN 1545-AU22

### Treatment of Section 355 Distributions by U.S. Corporations to Foreign Persons; Hearing Cancellation

**AGENCY:** Internal Revenue Service, Treasury.

**ACTION:** Cancellation of notice of public hearing on proposed rulemaking.

**SUMMARY:** This document provides notice of cancellation of a public hearing on proposed regulations relating to the distribution of stock or securities under section 355 by a domestic corporation to a person that is not a U.S. person. The public hearing originally scheduled for November 20, 1996, beginning at 10:00 a.m. is cancelled.

**FOR FURTHER INFORMATION CONTACT:** Evangelista C. Lee of the Regulations Unit, Assistant Chief Counsel (Corporate), (202) 622-7190 (not a toll free number).

**SUPPLEMENTARY INFORMATION:** The subject of the public hearing is proposed amendments to the Income Tax Regulations under section 355 of the Internal Revenue Code. A notice of public hearing appearing in the Federal Register on Wednesday, August 14, 1996 (61 FR 42217) announced that the public hearing on proposed regulations under section 355 of the Internal Revenue Code would be held on