

## The Proposed Amendment

Accordingly, under the authority delegated to me by the Administrator, the FAA proposes to amend 14 CFR part 39 as follows:

### PART 39—AIRWORTHINESS DIRECTIVES

1. The authority citation for part 39 continues to read as follows:

**Authority:** 49 U.S.C. 106(g), 40113, 44701.

#### § 39.13 [Amended]

2. The FAA amends § 39.13 by adding the following new AD:

**Pilatus Aircraft Ltd.:** FAA–2006–25929;  
Directorate Identifier 2006–CE–54–AD

#### Comments Due Date

(a) We must receive comments by December 4, 2006.

#### Affected ADs

(b) None.

#### Applicability

(c) This AD applies to Models PC–6, PC–6-H1, PC–6-H2, PC–6/350, PC–6/350-H1, PC–6/350-H2, PC–6/A, PC–6/A-H1, PC–6/A-H2, PC–6/B-H2, PC–6/B1-H2, PC–6/B2-H2, PC–6/B2-H4, PC–6/C-H2, and PC–6/C1-H2 airplanes; manufacturer serial numbers (MSN) 101 through 949, MSN 951, and MSN 2001 through 2092; that are certificated in any category. These airplanes are also identified as Fairchild Republic Company PC–6 airplanes, Fairchild Industries PC–6 airplanes, Fairchild Heli Porter PC–6 airplanes, or Fairchild-Hiller Corporation PC–6 airplanes.

#### Reason

(d) The Switzerland Federal Office for Civil Aviation (FOCA) Airworthiness Directive (AD) was prompted due to the discovery of exfoliation corrosion in the fittings of some PC–6 airplanes. These fittings are installed exterior to the bottom skin of the wing skin. If not corrected, undetected corrosion in this area could lead to failure of the fitting and subsequent loss of control of the airplane.

#### Actions and Compliance

(e) Unless already done, do the following actions.

(1) Within 12 months after the effective date of this AD and repetitively thereafter not to exceed 12 months, perform an inspection required by paragraph 3.B.(2) of PILATUS PC–6 Service Bulletin (SB) No. 57–003, dated June 13, 2006, of the fittings Part Number (P/N) 6102.0041.00, P/N 111.35.06.055 or P/N 111.35.06.056 for signs of corrosion. Minor surface corrosion is permitted according to the Repair and Overhaul Manual (ROM) (Report No. 1391), Chap. 2 and 4. Corrosion outside these limits is not permitted.

(2) If during any of the inspections required by paragraph (e)(1) of this AD, any minor surface corrosion is found, prior to further flight, remove the minor surface corrosion (Ref. ROM. Chap. 2 and 4).

(3) If during any of the inspections required by paragraph (e)(1) of this AD, any

corrosion out of limits is found (Ref. ROM, Chap. 2 and 4), prior to further flight, replace the fittings in accordance with paragraph 4. of PILATUS PC–6 SB No. 57–003, dated June 13, 2006, with new (retrofit) fittings P/N 111.35.06.185 and/or P/N 111.35.06.186.

(4) Replacement of the fittings with new (improved) fittings P/N 111.35.06.185 (left hand side) and/or 111.35.06.186 (right hand side) terminates the repetitive inspection for that side.

#### FAA AD Differences

**Note:** This AD differs from the MCAI and/or service information as follows:

(1) The FAA AD is requiring repetitive inspections, not just a one time inspection as required in the MCAI.

(2) The Service Bulletin specifies “subsequent inspection for corrosion will be included in chapter 5 of the Aircraft Maintenance Manual (AMM).” The only way we (FAA) can mandate these repetitive inspections is through an AD.

#### Other FAA AD Provisions

(f) The following provisions also apply to this AD:

(1) Alternative Methods of Compliance (AMOCs): The Manager, Standards Staff, FAA, Attn: Doug Rudolph, Aerospace Engineer, FAA, Small Airplane Directorate, 901 Locust, Room 301, Kansas City, Missouri 64106; telephone: (816) 329–4059; facsimile: (816) 329–4090, has the authority to approve AMOCs for this AD, if requested using the procedures found in 14 CFR 39.19.

(2) Airworthy Product: For any requirement in this AD to obtain corrective actions from a manufacturer or other source, use these actions if they are FAA-approved. Corrective actions are considered FAA-approved if they are approved by the State of Design Authority (or their delegated agent). You are required to assure the product is airworthy before it is returned to service.

(3) Reporting Requirements: For any reporting requirement in this AD, under the provisions of the Paperwork Reduction Act (44 U.S.C. 3501 et seq.), the Office of Management and Budget (OMB) has approved the information collection requirements and has assigned OMB Control Number 2120–0056.

#### Related Information

(g) This AD is related to FOCA AD HB–2006–400, effective date September 28, 2006, which references Pilatus Aircraft Ltd. SB No. 57–003, dated June 13, 2006.

Issued in Kansas City, Missouri, on October 27, 2006.

**James E. Jackson,**

*Acting Manager, Small Airplane Directorate, Aircraft Certification Service.*

[FR Doc. E6–18574 Filed 11–2–06; 8:45 am]

**BILLING CODE 4910–13–P**

## DEPARTMENT OF ENERGY

### Federal Energy Regulatory Commission

#### 18 CFR Parts 38 and 284

[Docket Nos. RM96–1–027 and RM05–5–001]

#### Standards for Business Practices for Interstate Natural Gas Pipelines; Standards for Business Practices for Public Utilities

October 25, 2006.

**AGENCY:** Federal Energy Regulatory Commission, DOE.

**ACTION:** Notice of Proposed Rulemaking.

**SUMMARY:** The Federal Energy Regulatory Commission (Commission) proposes to amend its open access regulations governing standards for business practices and electronic communications with interstate natural gas pipelines and public utilities. The Commission is proposing to incorporate by reference certain standards promulgated by the Wholesale Gas Quadrant (WGQ) and the Wholesale Electric Quadrant (WEQ) of the North American Energy Standards Board (NAESB). These standards will establish communication protocols between interstate pipelines and power plant operators and transmission owners and operators. Through this rulemaking, the Commission is seeking to improve coordination between the gas and electric industries in order to limit miscommunications about scheduling of gas-fired generators.

**DATES:** Comments are due December 18, 2006.

**ADDRESSES:** Comments and reply comments may be filed electronically via the eFiling link on the Commission's Web site at <http://www.ferc.gov>. Documents created electronically using word processing software should be filed in the native application or print-to-PDF format and not in a scanned format. This will enhance document retrieval for both the Commission and the public. The Commission accepts most standard word processing formats and commenters may attach additional files with supporting information in certain other file formats. Attachments that exist only in paper form may be scanned. Commenters filing electronically should not make a paper filing. Service of rulemaking comments is not required. Commenters that are not able to file electronically must send an original and 14 copies of their comments to: Federal Energy Regulatory Commission, Office of the Secretary,

888 First Street, NE., Washington, DC, 20426.

**FOR FURTHER INFORMATION CONTACT:**

Marvin Rosenberg, Office of Energy Markets and Reliability, Federal Energy Regulatory Commission, 888

First Street, NE., Washington, DC 20426; 202–502–8292.

Kay Morice, Office of Energy Markets and Reliability, Federal Energy Regulatory Commission, 888 First Street, NE., Washington, DC 20426; 202–502–6507.

Eric Winterbauer, Office of the General Counsel, Federal Energy Regulatory Commission, 888 First Street, NE., Washington, DC 20426; 202–502–8329.

**SUPPLEMENTARY INFORMATION:**

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1. The Federal Energy Regulatory Commission (Commission) proposes to amend parts 38 and 284 of its open access regulations governing standards for business practices and electronic communications with interstate natural gas pipelines and public utilities. The Commission is proposing to incorporate by reference certain standards promulgated by the Wholesale Gas Quadrant (WGQ) and the Wholesale Electric Quadrant (WEQ) of the North American Energy Standards Board (NAESB). These standards will establish communication protocols between interstate pipelines and power plant operators and transmission owners and operators. Through this rulemaking, the Commission is seeking to improve coordination between the gas and electric industries in order to limit miscommunications about scheduling of gas-fired generators. Improved communications should ensure reliability in both industries.

2. NAESB also filed a report with the Commission including, among other things, a list of issues regarding coordination between the gas and electric industries that NAESB could not resolve. In particular, this report highlighted coordination problems between the gas industry and the scheduling practices of independent system operators (ISOs) and regional transmission organizations (RTOs). The Commission is concerned that, although organized markets often rely upon gas-fired generation to meet reliability requirements, the current scheduling

processes of these market may not afford such generators the flexibility necessary to schedule their gas transactions effectively or to recover the full costs of such transactions, especially when gas prices are volatile. To address these issues, the Commission is establishing proceedings under section 206 of the Federal Power Act to examine whether ISOs and RTOs should be required to implement scheduling and compensation mechanisms to ensure that gas-fired generators can obtain gas when the gas-fired generation is necessary for reliability and that they are compensated appropriately when volatility in gas prices creates difficulty in recovering gas costs.

**I. Background**

3. NAESB is a non-profit, private standards development organization established in January 2002 to propose and adopt voluntary standards and model business practices designed to promote more competitive and efficient natural gas and electric service. Since 1995, NAESB and its predecessor, the Gas Industry Standards Board, have been accredited members of the American National Standards Institute (ANSI), complying with ANSI's requirements that its standards reflect a consensus of the affected industries.

4. NAESB's standards include business practices that streamline the transactional processes of the natural gas and electric industries, as well as communication protocols and related standards designed to improve the efficiency of communication within

each industry. NAESB supports all four quadrants of the gas and electric industries—wholesale gas, wholesale electricity, retail gas, and retail electricity—and recognizes the ongoing convergence of the gas and electric businesses by ensuring that its standards receive the input of all industry quadrants when appropriate. All participants in the gas and electric industries are eligible to join NAESB, belong to one or more quadrant(s), and participate in standards development.

5. NAESB's wholesale gas quadrant (WGQ) is composed of five industry segments: pipelines, producers, local distribution companies, end users, and services (including marketers and computer service companies). NAESB's wholesale electric quadrant similarly includes five industry segments: transmission, generation, marketer/brokers, distribution/load serving entities, and end users. NAESB's procedures ensure that all industry members can have input into the development of a standard, whether or not they are members of NAESB, and each standard NAESB adopts is supported by a consensus of the relevant industry segments.

6. Since 1996, in Order No. 587 and subsequent orders, the Commission, through its notice-and-comment rulemaking process, adopted relevant gas standards by incorporating these standards by reference into its regulations.<sup>1</sup> On April 25, 2006, the

<sup>1</sup> *Standards For Business Practices Of Interstate Natural Gas Pipelines*, Order No. 587, 61 FR 39053

Commission by a similar process incorporated by reference the first set of NAESB electric standards.<sup>2</sup>

7. In January 2004, a cold snap highlighted the need for better coordination and communication between the gas and electric industries as coincident peaks occurred in both industries making the acquisition of gas and transportation by power plant operators more difficult. In response to this need, in early 2004, NAESB established a Gas-Electric Coordination Task Force to examine issues related to the interrelationship of the gas and electric industries and identify potential areas for improved coordination through standardization. Because of the importance of such coordination, the NAESB Board of Directors established a Gas-Electric Interdependency Committee in September 2004 to review coordination issues and identify potential areas for standards development.

8. As a result of these efforts, on June 27, 2005, NAESB filed a status report with the Commission. The report included ten business practice standards jointly developed by the wholesale gas and electric quadrants, the first such collaboration between the two quadrants. The standards, in general, address communication processes between pipelines, power plant operators, and transmission operators.<sup>3</sup>

9. Additionally, the report highlights 13 issues involving gas and electric interdependency. These issues relate to fundamental differences between the two industries, including differences in lead time to prepare for load fluctuations, differences in the precision of instrumentation, and differences in the "utility model" used in the electric industry (in which generating capacity is planned for and built for anticipated future requirements) and the gas industry's "market-driven model" (in which gas capacity is built only for those contracting for such capacity).

10. On February 24, 2006, NAESB filed a final report with the Commission

on the efforts of the Gas-Electric Interdependency Committee. Based on the 13 issues, the final report identified six potential areas where existing standards should be reexamined to determine whether new or updated business practices could improve communications between the gas and electric industries. In these six areas, the report makes requests to the Commission to clarify existing policies or identifies areas for standards development. Not all such standards development is supported by every segment of each industry, however. The requests for clarification include:

- Clarification of Commission orders regarding pipeline discounts and negotiated rates as relevant to the ability of shippers releasing capacity to price released capacity using gas price indices.
- Clarification of Commission orders regarding the ability of pipelines to shift gas with primary firm transportation within a pipeline path without having to re-offer as secondary firm transportation service.

Potential areas for standards development include:

- Adding an additional gas intraday nomination cycle with bumping rights to provide more flexibility to shippers, including power generators, with firm transportation rights such that they can nominate for natural gas supporting their market clearing times.
- Modifying the requirements for organized electric markets so that the markets clear in sufficient time to nominate within the existing gas nomination timelines.
- Requiring gas-fired generators that bid into the day-ahead market to have the appropriate gas commercial arrangements to fulfill an accepted bid.
- Developing the appropriate supporting definitions for new business practices for the Wholesale Electric Quadrant, including but not limited to definitions for: Alternate fuel capability, usable alternate fuel capability, firm, transportation service, firm sales service, firm supply, and "must run" generator.

## II. Discussion

### A. Incorporation of Standards by Reference

11. The Commission is proposing to incorporate by reference the NAESB WEQ and NAESB WGQ definitions and business practice standards providing for coordination and communication between natural gas pipelines and the various electric industry operators, including RTOs, ISOs and gas-fired power generators. Such coordination

should help improve the reliability of both the gas and electric industries by ensuring that all parties have information relevant to their scheduling and dispatch.

12. The standards, for example, would require gas-fired power plant operators and pipelines to establish procedures to communicate material changes in circumstances that may affect hourly flow rates. These standards would ensure that pipelines have relevant planning information that will assist in maintaining the operational integrity and reliability of pipeline service, as well as providing gas-fired power plant operators with information as to whether hourly flow deviations can be honored. They would further improve communication by requiring pipelines to provide electric transmission operators, including ISOs and RTOs, and power plant operators to sign up to receive from connecting pipelines operational flow orders and other critical notices. These standards will ensure that operators of the electric grid can stay abreast of developments on gas pipelines that can affect the reliability of electric service. The standards require that, upon request, a gas-fired power plant operator must provide to the appropriate electric balancing authority or electric reliability coordinator pertinent information regarding its service levels for gas transportation (firm or interruptible) and for gas supply (firm, fixed or variable quantity, or interruptible). This information should assist reliability coordinators in assessing the relative reliability of various gas-fired generators.<sup>4</sup>

13. To incorporate these standards by reference, the Commission is proposing to amend parts 38 and 284 of its regulations to include the appropriate standards.<sup>5</sup> The Commission is also proposing to amend section 38.1 so that it applies to gas-fired power plant owners and operators and to public utilities that own, operate or control facilities used to effectuate wholesale power sales.

14. The Commission is not proposing that pipelines and public utilities make

(July 26, 1996), FERC Stats. & Regs. Regulations Preambles [July 1996-December 2000] ¶ 31,038 (July 17, 1996).

<sup>2</sup> *Standards for Business Practices and Communication Protocols for Public Utilities*, 71 FR 26199 (May 4, 2006), FERC Stats. & Regs. Regulations Preambles ¶ 31,216 (Apr. 25, 2006).

<sup>3</sup> On June 28, 2006, NAESB filed a report advising that the following permanent numbers have been assigned to these standards. The standards for the Wholesale Electric Quadrant are Gas/Electric Coordination Standards WEQ-011-0.1 through WEQ-011-0.3 and WEQ-011-1.1 through WEQ-011-1.6. The standards for the Wholesale Gas Quadrant are: Additional Standards, Definitions 0.2.1 through 0.2.3 and Standards 0.3.11 through 0.3.15.

<sup>4</sup> Adoption of these standards is in accordance with § 12(d) of the National Technology Transfer and Advancement Act of 1995, in which Congress requires Federal agencies to use technical standards developed by voluntary consensus standards organizations, like the WGQ, as a means to carry out policy objectives or activities. Pub. L. No. 104 113, § 12(d), 110 Stat. 775 (1996), 15 U.S.C. 272 note (1997).

<sup>5</sup> The standards for the Wholesale Electric Quadrant are: Gas/Electric Coordination Standards WEQ-011-0.1 through WEQ-011-0.3 and WEQ-011-1.1 through WEQ-011-1.6. The standards for the Wholesale Gas Quadrant are: Additional Standards, Definitions 0.2.1 through 0.2.3 and Standards 0.3.11 through 0.3.15.

tariff filings to include these standards in their tariffs in this rulemaking. These standards would be included in later standard versions when NAESB updates its wholesale gas and electric standards and, if the Commission decides to incorporate these later standard versions into its regulations, pipelines and public utilities will then be required to include these standards in their tariffs.

15. Four of the standards require pipelines, RTOs/ISOs and/or gas-fired power plant operators to establish procedures to communicate information with each other.<sup>6</sup> For instance, standard WEQ-011-1.2 requires pipelines and gas-fired power plant operators to establish procedures to communicate hourly gas-flow information. With respect to these standards, we propose to require each pipeline and relevant public utility to demonstrate compliance by filing a statement as to whether it has established the required procedures with each relevant entity on its system or taken appropriate action, as required by the standards. While the Commission expects that the parties would be able to negotiate acceptable provisions, if an intractable dispute should arise, the parties can submit the dispute to the Commission for resolution. This is similar to what the Commission has required in previous rulemaking proceedings.<sup>7</sup>

#### B. Additional Issues Raised by NAESB

16. NAESB identified six issues for which it requests clarification of existing Commission policy or puts forward potential areas for standards development that some industry participants believe might assist in resolving coordination problems

<sup>6</sup> These standards are WEQ-011-1.2 and WGQ Standard 0.3.12; WEQ-011-1.4; WEQ-011-1.5; and WEQ-011-1.6 and WGQ Standard 0.3.15.

<sup>7</sup> See *Standards for Business Practices of Interstate Natural Gas Pipelines*, 85 FERC ¶ 61,371 (1998). In a similar situation (a requirement that pipelines enter into operation balancing agreements (OBAs) with interconnecting pipelines), rather than requiring pipelines to file their OBAs, the Commission required the pipelines to file a statement with the Commission certifying that they have complied with the requirement to enter into OBAs.

between the gas and electric industries. These revisions and enhancements, however, did not command a consensus of the industries sufficient to pass as NAESB standards. We discuss below the two requests for clarification. We then discuss the issues for which NAESB requested guidance needs for NAESB to deliberate on potential new standards.

#### 1. Clarifications Regarding Gas Standards

##### a. Use of Gas Indices for Pricing Capacity Release Transactions

17. NAESB has requested clarification of Commission policy with respect to capacity release transactions using gas price indices. Some in NAESB expressed concern that the current NAESB standards on capacity release are more restrictive on pricing beneath the maximum tariff rate than current Commission policy requires. They suggest that revision of these standards would be more consistent with Commission policy and would create an economic incentive for releasing shippers to provide more short-term capacity to the gas-fired generation market. This is because, with the prospect of a higher release value, releasing shippers can explore replacement capacity alternatives that otherwise would not be cost-effective. In this regard, NAESB requests clarification of the Commission's February 27, 2004 Order in *Panhandle*<sup>8</sup> regarding the ability of releasing shippers to employ gas prices indices in pricing capacity release transactions.

18. The Commission clarifies that, as it stated in *Panhandle*, releasing shippers should be free to offer the same type of pricing arrangements that the pipeline offers and, therefore, releasing shippers are free to use gas price indices in pricing released capacity so long as the rate paid by the replacement shipper does not exceed the maximum rate in the pipeline's tariff. As the Commission stated in *Northern*, "rate formulas that produce varying rates during the term of

an agreement are permissible as discounted rates, so long as the rate remains within the range established by the maximum and minimum rates set forth in the pipeline's tariff."<sup>9</sup>

#### b. Pipelines' Ability To Permit Shippers To Choose Alternate Delivery Points

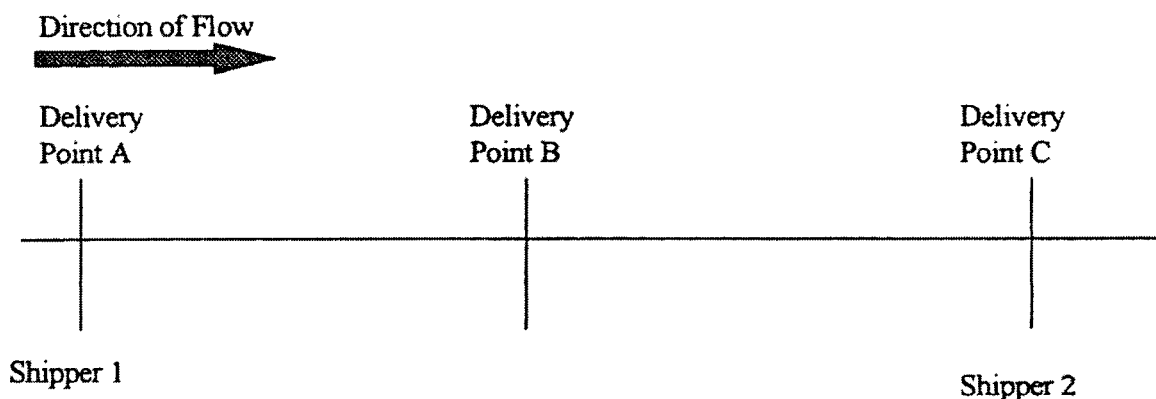
19. NAESB requests clarification regarding the ability of pipelines to permit shippers to shift gas deliveries from a primary to a secondary delivery point when a pipeline constraint occurs upstream of both points. Such changes would make it easier for shippers to redirect gas supplies to generators during periods when capacity is scarce. NAESB provides, as an example, that a customer has 100 dekatherms scheduled to flow from a primary receipt point through the posted point of restriction to a primary delivery point. Under the same contract, the customer then requests a nomination change to move 50 of the 100 dekatherms to a secondary delivery point that is outside its transportation path but still through the posted point of restriction.

20. In Order No. 637-B, the Commission provided that pipelines must implement within-the-path scheduling under which a shipper seeking to use a secondary delivery point within its scheduling path has priority over another shipper seeking to use the same delivery point but that point is outside of its transportation path.<sup>10</sup> The Commission posited an example in which Shipper 1 (with a primary delivery point at A) and Shipper 2 (with a primary delivery point downstream at C) pay the same rate in the zone, and both shippers are seeking to change delivery points to point B. The Commission found that Shipper 2 should receive a higher priority over mainline capacity to point B than Shipper 1, because point B is within Shipper 2's path.

<sup>9</sup> *Northern Natural Gas Co.*, 105 FERC ¶ 61,299 at P 17 (2003).

<sup>10</sup> *Regulation of Short-Term Natural Gas Transportation Services*, 92 FERC ¶ 61,062 at 61,168-70 (2000).

<sup>8</sup> *Panhandle Eastern Pipe Line Co.*, 106 FERC ¶ 61,194 at P 6 (2004).



21. The scenario posed by NAESB is a slight variation of the within-the-path scheduling as described in Order No. 637-B. Although the shipper has scheduled capacity through a posted point of constraint, the secondary delivery point it seeks to use is outside of its transportation path. In most cases, it would be reasonable to permit the reassignment as posited by NAESB, since the shipper seeking to redesignate delivery points already has a transportation contract with primary points through the posted constraint point and has scheduled gas through that point so that reallocating gas to a different delivery point would not pose an operational problem. The only possible caveat would be if the shipper (Shipper 1) seeks to redesignate a secondary delivery point (outside its path) that is also being requested by another shipper, and the delivery point is within the path of the Shipper 2. If both secondary nominations to that point cannot be accepted, as in the case of the example above, Shipper 2, with a contract path through the secondary point, would have priority.

#### c. Changes to the Intra-Day Nomination Gas Schedule

22. NAESB suggests a review of the possibility of adding an additional intra-day nomination cycle with bumping rights to provide more flexibility to shippers, including power generators, with firm transportation rights such that they can nominate for natural gas supporting their market clearing times.

23. Any standards that would allow better coordination between scheduling of gas and electric markets would be of benefit to both industries, and we encourage NAESB to continue its efforts to develop such standards. With respect to intra-day nominations, the Commission's regulations provide that firm transportation capacity must be accorded scheduling priority over

interruptible transportation capacity.<sup>11</sup> At the same time, however, the Commission has recognized the interest of interruptible shippers in achieving business certainty by making the last intra-day nomination opportunity one in which firm nominations do not bump interruptible nominations:

Making the third intra-day nomination non-bumping creates a fair balance between firm shippers, who will have had two opportunities to reschedule their gas, and interruptible shippers and will provide some necessary stability in the nomination system, so that shippers can be confident by mid-afternoon that they will receive their scheduled flows.<sup>12</sup>

However, within the confines of these policies, NAESB may consider whether changes to existing intra-day schedules can better provide for coordination between gas and electric scheduling. For instance, the current NAESB standards require intra-day nominations to be submitted by 10 a.m. (bumping) and 5 p.m. (non-bumping). There is no reason why another bumping intra-day nomination opportunity could not be introduced between these two or that the timing of these intra-day nomination opportunities could not be adjusted to better coordinate with electric scheduling.

#### 2. Clarifications Regarding Electric Standards

##### a. Standards Relating to RTO/ISO Scheduling

24. NAESB has considered, but has been unable to agree upon, modifications to the routine scheduling of ISO and RTO markets (not in an emergency) so that the markets clear in sufficient time to nominate within the existing gas nomination timelines. It also considered whether standards

should be developed to require generators that offer into the day-ahead market to have the appropriate gas commercial arrangements to fulfill the needed obligations. As NAESB states, the disconnect between gas and electric schedules leaves some generators two options: Either (a) purchase and nominate gas transportation on a timely basis and risk not having their bid subsequently clear the power market or, (b) wait to see if their bid clears the power market and risk relying upon the intra-day gas transportation nominations.

25. The Commission agrees that these are serious issues, particularly during periods of coincident peak use in the electric and gas industries. RTOs and ISOs frequently consider gas-fired generation to be necessary to maintain reliability. Yet, especially during periods when both electricity and gas are in short supply, gas-fired generators may have difficulty buying gas and transportation, because the RTOs' and ISOs' scheduling process does not match the gas process. Moreover, if the gas-fired generator does submit bids into the RTO/ISO market based on current gas prices, those prices may change significantly during periods with volatile gas prices by the time the RTO or ISO calls upon the generator to run.<sup>13</sup>

26. Because of the serious repercussions on the electric market of these problems, the Commission is concurrently opening section 206 proceedings to examine the RTO and ISO scheduling processes during emergency conditions. These proceedings are intended to ensure that the RTOs and ISOs have procedures in place during emergencies to permit better synchronization of their markets with the gas market and to ensure that generators making appropriate bids into the RTO and ISO markets are able to recover their prudently incurred costs.

<sup>11</sup> 18 CFR 284.12(b)(1)(i)(A)(2006).

<sup>12</sup> *Standards for Business Practices of Interstate Natural Gas Pipelines*, Order No. 587-G, 63 FR 20072 (Apr. 23, 1998), FERC Stats. & Regs. Regulations Preambles ¶ 31,062 at 30,672 (Apr. 16, 1998).

<sup>13</sup> If the gas-fired generator seeks to hedge its gas prices, and is not dispatched, it may be unable to recover its gas costs.

27. The NAESB report raised the issue of whether to develop standards regarding the appropriate commercial relationships that generators must have in bidding into day ahead markets, so that they have the appropriate gas commercial arrangements to fulfill the needed obligations. Some of the objections to such an effort, NAESB notes, are that it would interfere with company's risk management strategies, and that reliability issues should be addressed by NERC. We agree that business practice standards requiring, for instance, that gas-fired generators have firm gas supply or gas transportation contracts would go beyond the scope of business practices. Instead of mandating commercial relationships, the section 206 proceedings will focus on ensuring that generators in organized markets can synchronize their gas and electric scheduling and can receive appropriate compensation for prudently incurred costs if gas prices deviate significantly from those that could have been expected at the time they submitted their bid.

#### b. Other Electric Standards Issues

28. NAESB also suggests that supporting definitions for new business practices could be developed for the electric industry, including but not limited to definitions for: alternate fuel

capability, usable alternate fuel capability, firm transportation service, firm sales service, firm supply, and "must run" generator. The report is not clear as to what affect such definitions would have on the operation of the electric grid, or what business practices would be affected. Consequently, we will not at this time provide guidance on whether such definitions should be developed.

### III. Notice of Use of Voluntary Consensus Standards

29. In section 12(d) of the National Technology Transfer and Advancement Act of 1995, Congress affirmatively requires Federal agencies to use technical standards developed by voluntary consensus standards organizations, like NAESB, as the means to carry out policy objectives or activities unless use of such standards would be inconsistent with applicable law or otherwise impractical.<sup>14</sup> NAESB approved the standards under its consensus procedures. Office of Management and Budget Circular A-119 (§ 11) (February 10, 1998) provides that Federal agencies should publish a request for comment in a NOPR when the agency is seeking to issue or revise a regulation proposing to adopt a voluntary consensus standard or a government-unique standard. In this NOPR, the Commission is proposing to

incorporate by reference voluntary consensus standards developed by the WGQ and WEQ.

### IV. Information Collection Statement

30. The following collections of information contained in this proposed rule have been submitted to the Office of Management and Budget (OMB) for review under section 3507(d) of the Paperwork Reduction Act of 1995, 44 U.S.C. 3507(d). The Commission solicits comments on the Commission's need for this information, whether the information will 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 following burden estimates include the costs to implement the WEQ's and WGQ's definitions and business practice standards providing for coordination and which will establish communication protocols between interstate natural gas pipelines and power plant operators and transmission owners and the various electric industry operators. The burden estimates are primarily related to start-up to implement these standards and regulations and will not result in ongoing costs.

| Data collection | Number of respondents | Number of responses per respondent | Hours per response | Total number of hours |
|-----------------|-----------------------|------------------------------------|--------------------|-----------------------|
| FERC-549C ..... | 93                    | 1                                  | 20                 | 1,860                 |
| FERC-717 .....  | 220                   | 1                                  | 33                 | 7,260                 |
| Totals .....    |                       |                                    |                    | 9,120                 |

Total Annual Hours for Collection (Reporting and Recordkeeping, (if appropriate)) = 9,120.

**Information Collection Costs:** The Commission seeks comments on the costs to comply with these requirements. It has projected the average annualized cost for all respondents to be the following:<sup>15</sup>

|  | FERC-549C | FERC-717    |
|--|-----------|-------------|
| Annualized Capital/Startup Costs ..... | \$279,000 | \$1,089,000 |

|   | FERC-549C | FERC-717  |
|---|-----------|-----------|
| Annualized Costs (Operations & Maintenance) ..... | N/A       | N/A       |
| Total Annualized Costs ..                         | 279,000   | 1,089,000 |

31. OMB regulations<sup>16</sup> require OMB to approve certain information collection requirements imposed by agency rule. The Commission is submitting notification of this proposed

rule to OMB. These information collections are mandatory requirements.

**Title:** Standards for Business Practices of Interstate Natural Gas Pipelines (FERC-549C).

Standards for Business Practices and Communication Protocols for Public Utilities (FERC-717) (formerly Open Access Same Time Information System).

**Action:** Proposed collections.

**OMB Control No.:** 1902-0174 and 1902-0173.

**Respondents:** Business or other for profit, (Public Utilities and Natural Gas Pipelines (Not applicable to small business)).

<sup>14</sup> Pub. L. No. 104-113, § 12(d), 110 Stat. 775 (1996), 15 U.S.C. 272 note (1997).

<sup>15</sup> The total annualized cost for the two information collections is \$1,368,000. This number

is reached by multiplying the total hours to prepare a response (hours) by an hourly wage estimate of \$150 (a composite estimate that includes legal,

technical and support staff rates). \$1,368,000 = \$150 × 9,120.

<sup>16</sup> 5 CFR 1320.11.

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

32. *Necessity of Information:* This proposed rule, if implemented, would upgrade the Commission's current business practice and communication standards to include standardized communication protocols between interstate pipelines and power plant operators and transmission owners and operators. The implementation of these standards and regulations is necessary to improve coordination between the gas and electric industries, to limit miscommunications about scheduling of gas-fired generators and to improve the reliability in both industries.

33. The implementation of these data requirements will help the Commission carry out its responsibilities under the Federal Power Act and Natural Gas Act of promoting the efficiency and reliability of the electric and gas industries' operations. The Commission's Office of Energy Markets and Reliability will use the data for general industry oversight.

34. *Internal Review:* The Commission has reviewed the requirements pertaining to business practices and electronic communication of public utilities and natural gas pipelines and made a preliminary determination that the proposed revisions are necessary to establish more efficient coordination between the gas and electric industries. Requiring such information ensures both a common means of communication and common business practices to limit miscommunication for participants engaged in the sale of electric energy at wholesale and the transportation of natural gas. These requirements conform to the Commission's plan for efficient information collection, communication, and management within the electric power and natural gas pipeline industries. 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.

35. *Interested persons may obtain information on the reporting requirements by contacting the following:* Federal Energy Regulatory Commission, Attn: Michael Miller, Office of the Executive Director, 888 First Street, NE., Washington, DC 20426 Tel: (202) 502-8415/Fax: (202) 273-0873, E-mail: [michael.miller@ferc.gov](mailto:michael.miller@ferc.gov).

36. Comments concerning the collection of information(s) and the associated burden estimate(s), should be sent to the contact listed above and to the Office of Management and Budget, Office of Information and Regulatory

Affairs, Washington, DC 20503 [Attention: Desk Officer for the Federal Energy Regulatory Commission, phone: (202) 395-7856, fax: (202) 395-7285].

#### V. Environmental Analysis

37. 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>17</sup> The Commission has categorically excluded certain actions from these requirements as not having a significant effect on the human environment.<sup>18</sup> The actions proposed here fall within categorical exclusions in the 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 and electric power that requires no construction of facilities.<sup>19</sup> Therefore, an environmental assessment is unnecessary and has not been prepared in this NOPR.

#### VI. Regulatory Flexibility Act Certification

38. The Regulatory Flexibility Act of 1980 (RFA)<sup>20</sup> generally requires a description and analysis of final rules that will have significant economic impact on a substantial number of small entities. The regulations proposed here impose requirements only on interstate pipelines and public utilities, the majority of which are not small businesses, and would not have a significant economic impact. These requirements are, in fact, designed to benefit 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.

#### VII. Comment Procedures

39. The Commission invites interested persons to submit 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. Comments are due December 18, 2006. Comments must refer to Docket Nos. RM05-28-000, RM96-1-027, and RM05-5-001 and must include the

commenter's name, the organization they represent, if applicable, and their address in their comments. Comments may be filed either in electronic or paper format.

40. Comments may be filed electronically via the eFiling link on the Commission's Web site at <http://www.ferc.gov>. The Commission accepts most standard word processing formats and commenters may attach additional files with supporting information in certain other file formats. Commenters filing electronically do not need to make a paper filing. Commenters that are not able to file comments electronically must send an original and 14 copies of their comments to: Federal Energy Regulatory Commission, Office of the Secretary, 888 First Street, NE., Washington, DC 20426.

41. All comments will be placed in the Commission's public files and may be viewed, printed, or downloaded remotely as described in the Document Availability section below. Commenters on this proposal are not required to serve copies of their comments on other commenters.

#### VIII. Document Availability

42. In addition to publishing the full text of this document in the **Federal Register**, the Commission provides all interested persons an opportunity to view and/or print the contents of this document via the Internet through FERC's Home Page (<http://www.ferc.gov>) and in FERC's Public Reference Room during normal business hours (8:30 a.m. to 5 p.m. eastern time) at 888 First Street, NE., Room 2A, Washington, DC 20426.

43. From FERC's Home Page on the Internet, this information is available in eLibrary. The full text of this document is available in eLibrary both in PDF and Microsoft Word format for viewing, printing, and/or downloading. To access this document in eLibrary, type the docket number excluding the last three digits of this document in the docket number field.

44. User assistance is available for eLibrary and the FERC's Web site during our normal business hours. For assistance contact FERC Online Support at [FERCOnlineSupport@ferc.gov](mailto:FERCOnlineSupport@ferc.gov) or toll-free at (866) 208-3676, or for TTY, contact (202) 502-8659.

#### List of Subjects

##### 18 CFR Part 38

Conflict of interests, Electric power plants, Electric utilities, Incorporation by reference, Reporting and recordkeeping requirements.

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

<sup>18</sup> 18 CFR 380.4(2005).

<sup>19</sup> See 18 CFR 380.4(a)(2)(ii), 380.4(a)(5), 380.4(a)(27)(2005).

<sup>20</sup> 5 U.S.C. 601-612(2006).

### 18 CFR Part 284

Incorporation by reference, Natural gas, Reporting and recordkeeping requirements.

By direction of the Commission.

**Magalie R. Salas,**  
*Secretary.*

In consideration of the foregoing, the Commission proposes to amend parts 38 and 284, Chapter I, Title 18, Code of Federal Regulations, as follows:

### PART 38—BUSINESS PRACTICE STANDARDS AND COMMUNICATION PROTOCOLS FOR PUBLIC UTILITIES

1. The authority citation for part 38 continues to read as follows:

**Authority:** 16 U.S.C. 791–825r, 2601–2645; 31 U.S.C. 9701; 42 U.S.C. 7101–7352.

2. Section 38.1 is revised to read as follows:

#### § 38.1 Applicability.

This part applies to any public utility that owns, operates, or controls facilities used for the transmission of electric energy in interstate commerce or for the sale of electric energy at wholesale in interstate commerce and to any non-public utility that seeks voluntary compliance with jurisdictional transmission tariff reciprocity conditions.

3. Section 38.2 is amended by adding new paragraph (a)(8) to read as follows:

#### § 38.2 Incorporation by reference of North American Energy Standards Board Wholesale Electric Quadrant standards.

(a) \* \* \*

(8) Gas/Electric Coordination Standards including the WEQ standards contained in Final Action R04021 (August 15, 2005).

\* \* \* \* \*

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

4. The authority citation for part 284 continues to read as follows:

**Authority:** 15 U.S.C. 717–717w, 3301–3432; 42 U.S.C. 7101–7352; 43 U.S.C. 1331–1356.

5. In § 284.12, paragraph (a)(1)(i) is revised to read as follows:

#### § 284.12 Standards for pipeline business operations and communications.

(a) \* \* \*

(1) \* \* \*

(i) Additional Standards (General Standards and Creditworthiness Standards) (Version 1.7, December 31,

2003) and the WGQ standards contained in Final Action R04021 (August 15, 2005).

\* \* \* \* \*

[FR Doc. E6–18336 Filed 11–2–06; 8:45 am]

**BILLING CODE 6717–01–P**

### DEPARTMENT OF HOMELAND SECURITY

#### Coast Guard

#### 33 CFR Part 165

[CGD05–06–091]

**RIN 1625–AA00**

#### Safety Zones; Fireworks Displays Within the Fifth Coast Guard District

**AGENCY:** Coast Guard, DHS.

**ACTION:** Notice of proposed rulemaking.

**SUMMARY:** The Coast Guard proposes to amend the list of permanent safety zones established for fireworks displays at various locations within the geographic boundary of the Fifth Coast Guard District. This action is necessary to protect the life and property of the maritime public from the hazards posed by fireworks displays. Entry into or movement within these proposed zones during the enforcement periods is prohibited without approval of the appropriate Captain of the Port.

**DATES:** Comments and related material must reach the Coast Guard on or before December 4, 2006

**ADDRESSES:** You may mail comments and related material to Commander (dpi), Fifth Coast Guard District, 431 Crawford Street, Portsmouth, Virginia 23704–5004, or hand-deliver them to Room 415 at the same address between 9 a.m. and 2 p.m., Monday through Friday, except Federal holidays, or fax them to (757) 398–6203. The Inspections and Investigations Branch, Fifth Coast Guard District, maintains the public docket for this rulemaking. Comments and material received from the public, as well as documents indicated in this preamble as being available in the docket, will become part of this docket and will be available for inspection or copying at the above address between 9 a.m. and 2 p.m., Monday through Friday, except Federal holidays.

**FOR FURTHER INFORMATION CONTACT:** Dennis Sens, Project Manager, Inspections and Investigations Branch, at (757) 398–6204.

**SUPPLEMENTARY INFORMATION:**

### Request for Comments

We encourage you to participate in this rulemaking by submitting comments and related material. If you do so, please include your name and address, identify the docket number for this rulemaking (CGD05–06–091), indicate the specific section of this document to which each comment applies, and give the reason for each comment. Please submit all comments and related material in an unbound format, no larger than 8½ by 11 inches, suitable for copying. If you would like to know they reached us, please enclose a stamped, self-addressed postcard or envelope. We will consider all comments and material received during the comment period. We may change this proposed rule in view of them.

### Public Meeting

We do not now plan to hold a public meeting. But you may submit a request for a meeting by writing to the address listed under **ADDRESSES** explaining why one would be beneficial. If we determine that one would aid this rulemaking, we will hold one at a time and place announced by a notice in the **Federal Register**.

### Background and Purpose

The Coast Guard proposes to amend the list of permanent safety zones at 33 CFR 165.506, established for fireworks displays at various locations within the geographic boundary of the Fifth Coast Guard District. Currently there are 34 permanent safety zones established that are enforced for fireworks displays occurring throughout the year that are held on an annual basis and normally in one of these 34 locations. The 34 established permanent safety zone locations are: Patuxent River Solomons Island, MD; Middle River, MD; Northeast River, MD; Potomac River, Charles County, MD; Baltimore Inner Harbor, Patapsco River, MD; Northwest Harbor (Western Section), Patapsco River, MD; Northwest Harbor (East Channel), Patapsco River, MD; Washington Channel, Upper Potomac River, Washington, DC; Dukeharts Channel, Potomac River, MD; Severn River and Spa Creek, Annapolis, MD; Miles River, St. Michaels, MD; Chesapeake Bay, Chesapeake Beach, MD; Choptank River, Cambridge, MD; Chester River, Kent Island Narrows, MD; Atlantic Ocean, Ocean City, MD; Isle of Wight Bay, Ocean City, MD; Assawoman Bay, Fenwick Island, MD; Atlantic Ocean, Rehoboth Beach, DE; Indian River Bay, DE; Little Egg Harbor, Parker Island, NJ; Barnegat Bay, Ocean Township, NJ; Delaware Bay, North