

changes is at least 7 billion cubic feet (Bcf) at either a regional or national level. Revisions shall not be disseminated outside the established schedule. EIA is deferring temporarily further updates in estimation parameters, and is exploring ways to minimize revisions, including analysis of the sensitivity of the estimates to parameter changes. EIA will continue with the current estimation parameters and will report revisions as a result of respondent changes only, until further change is announced in the Weekly Natural Gas Storage Report.

**DATES:** This policy becomes effective on November 12, 2002.

**ADDRESSES:** Requests for additional information or questions about this policy should be directed to William Trapmann. Mr. Trapmann may be contacted by telephone ((202) 586-6408), fax ((202) 586-4220), or e-mail ([William.Trapmann@eia.doe.gov](mailto:William.Trapmann@eia.doe.gov)). These methods are recommended to expedite contact. His mailing address is Energy Information Administration, EI-44, Forrestal Building, U.S. Department of Energy, Washington, DC 20585.

**FOR FURTHER INFORMATION CONTACT:** The WNGSR is available on EIA's Internet site at <http://tonto.eia.doe.gov/oog/info/ngs/ngs.html>. The survey Form EIA-912 and instructions used to collect information for the WNGSR are available at [http://www.eia.doe.gov/oil\\_gas/natural\\_gas/survey\\_forms/nat\\_survey\\_forms.html](http://www.eia.doe.gov/oil_gas/natural_gas/survey_forms/nat_survey_forms.html).

**SUPPLEMENTARY INFORMATION:**

- I. Background
- II. Discussion of Comments
- III. Current Actions

**I. Background**

The Federal Energy Administration Act of 1974 (Pub. L. 93-275, 15 U.S.C. 761 *et seq.*) and the DOE Organization Act (Pub. L. No. 95-91, 42 U.S.C. 7101 *et seq.*) require the EIA to carry out a centralized, comprehensive, and unified energy information program. This program collects, evaluates, assembles, analyzes, and disseminates information on energy resource reserves, production, demand, technology, and related economic and statistical information. This information is used to assess the adequacy of energy resources to meet near and longer term domestic demands.

EIA's Weekly Natural Gas Storage Report (WNGSR) provides weekly estimates of working gas volumes held in underground storage facilities at the national and regional levels. The WNGSR became a new EIA information product in 2002 replacing an American Gas Association (AGA) report begun in

1994 and discontinued in 2002. WNGSR users include policymakers, commodity and financial market analysts, and industry experts. EIA uses the data to prepare analytical products assessing storage operations and the impact on supplies available, and to analyze relationships between demand, heating-degree-days, and inventory levels.

The WNGSR is based on information collected on Form EIA-912, "Weekly Underground Gas Storage Report." Form EIA-912 respondents provide estimates for working gas in storage as of 9 a.m. Friday each week. The deadline for submitting reports to the EIA is 5 p.m. Eastern Time the following Monday, except when Monday is a Federal holiday. In that case, forms should be submitted by 5 p.m. on Tuesday. The WNGSR is released on Thursday between 10:30 and 10:40 a.m. Eastern Time on EIA's Web site (<http://tonto.eia.doe.gov/oog/info/ngs/ngs.html>), except when Thursday is a Federal holiday. Notification of changes in this general schedule is maintained on the EIA Web site at <http://tonto.eia.doe.gov/oog/info/ngs/schedule.html>.

The EIA provides the public and other Federal agencies with opportunities to comment on collections of energy information conducted by EIA. As appropriate, EIA also requests comments on important issues relevant to EIA dissemination of energy information. Comments received help the EIA when preparing information collections and information products necessary to EIA's mission.

On July 11, 2002, EIA issued a **Federal Register** notice (67 FR 45963) requesting public comments on a proposed policy for revisions to information disseminated in the WNGSR. In that notice, EIA discussed the reasons for WNGSR revisions as well as a proposed policy for both scheduled (*i.e.*, the revised information is disseminated in the next scheduled WNGSR) and unscheduled revisions (*i.e.*, the revisions are of such magnitude and interest that revised WNGSR information would be disseminated prior to the next scheduled WNGSR).

**II. Discussion of Comments**

In response to the **Federal Register** notice requesting comments on the proposed WNGSR revision policy, EIA received 28 sets of comments. Most of the comments were from energy firms and trade groups.

The comments tended to focus on the following general issues for which EIA specifically requested a response:

- Whether EIA should release revised estimates in the Weekly Natural Gas

**DEPARTMENT OF ENERGY**

**Energy Information Administration**

**Policy Statement; Energy Information Administration Policy for Revisions to the Weekly Natural Gas Storage Report**

**AGENCY:** Energy Information Administration (EIA), Department of Energy (DOE).

**ACTION:** Policy statement. Energy Information Administration policy for revisions to the Weekly Natural Gas Storage Report.

**SUMMARY:** The EIA has established a policy for revisions to weekly estimates of working gas volumes held in underground storage facilities at the national and regional levels disseminated in EIA's Weekly Natural Gas Storage Report (WNGSR). Under this policy, revisions shall be disseminated in the WNGSR according to the established schedule and shall occur when the effect of reported

Storage Report outside the established schedule.

- The timing and prenotification of unscheduled revisions.
- The appropriateness of the suggested thresholds for revisions—a lower threshold to trigger any revision and a larger one to trigger an unscheduled release of revised estimates.

As to whether EIA should release revisions to the Weekly Natural Gas Storage Report outside the established schedule, 13 respondents indicated that EIA should issue revisions only on the official schedule, while 7 indicated that unscheduled releases were appropriate and the remaining respondents (8) did not express a preference. Most of the respondents who preferred no unscheduled releases expressed concerns that unscheduled releases of revisions would increase market volatility, increase resource costs in managing their analytical efforts, and that not having unscheduled releases would promote fairness and consistency in the marketplace. Most of the respondents who were in favor of unscheduled releases argued that providing the market with the better data more promptly would ensure the accuracy of the storage data and enhance the efficacy of the pricing mechanism by reducing uncertainty in gas markets.

On the timing and prenotification of unscheduled releases, 4 respondents indicated that EIA should not provide early notification, 2 indicated that prenotification was appropriate, and the remaining 22 respondents did not state a preference. As with the question of whether to have unscheduled releases, respondents opposed to pre-notification 24 hours ahead of the release of a revision cited increased price volatility as their major concern. Respondents in favor of prenotification asserted that the early notice would give market participants time to prepare for the new information and help ensure that they would receive the information simultaneously.

With regard to the appropriateness of the suggested thresholds for revisions, most respondents did not explicitly state a preference. The lower threshold of 7 billion cubic feet (Bcf) for revisions that are released according to the established schedule was considered appropriate by seven respondents, and one respondent recommended a threshold of 1 Bcf. No other opinions regarding the lower threshold were expressed.

For revisions released outside the regular schedule, the large threshold of 35 Bcf was considered appropriate by

three respondents, and three respondents recommended thresholds in the 20-to-25 Bcf range. Those who recommended larger thresholds for unscheduled revisions sought to minimize the number of revisions that EIA would have to make, while those who suggested smaller thresholds generally sought to enhance the accuracy of the data.

#### *EIA's Response to Comments Received*

*Comments regarding the revision policy.* EIA finds that the comments on the issue of unscheduled releases of revisions are thoughtful and reflect the nature of the tradeoff in developing a revision policy: the benefit of having the most accurate data immediately available versus the costs of this immediacy. While the costs to market participants to monitor for and react to unscheduled releases of revisions on an ongoing basis seem clear and may be substantial, the benefits of providing out-of-cycle revisions are not as clear or measurable. Market participants would have to undertake the costs of monitoring for the possibility of an unscheduled release each week, regardless of whether there actually is a revision. However, benefits of an out-of-cycle release would accrue only when there is an out-of-cycle release. Furthermore, while the likelihood of a revision of 35 Bcf or more cannot be known, it may be highly unlikely given that such a large revision only occurred once in the more than 8-year history of the AGA weekly storage survey. Thus, the benefits of unscheduled releases are likely outweighed by the ongoing costs and other costs associated with an unexpected release.

Other costs of instituting an unscheduled release policy likely include ensuring that all market participants receive the information simultaneously and increased market volatility. By its very nature, unscheduled releases make ensuring fairness to all market participants problematic, because market participants will likely not learn of a revision at the same time. It was suggested to institute a set day and time for out-of-cycle revisions, however this does not eliminate the burden for the market participants who will have to monitor EIA for a possible revision. Additionally, a prenotification to inform market participants of an upcoming revision would give an advantage to the individuals who hear about the upcoming revision first, as they may be able to infer the direction of the revision and anticipate its effect on prices. Markets react to news, and volatility appears to be a function of the news.

Price volatility is the dynamic process of price adjustment as markets react to news and digest the ramifications of the news on prices. Each new announcement that EIA makes about the market-moving storage number will likely be accompanied by attendant price volatility. As an independent, policy neutral, statistical agency, it seems prudent for EIA to adopt an unobtrusive stance, and to minimize the number of announcements that it makes regarding new weekly storage data.

*Additional comments on other issues.* Some respondents submitted comments on issues related to the Weekly Natural Gas Storage Report for which EIA did not specifically request a response. In general, these comments fell into two broad categories: concerns about enforcement and penalties for bad data, and suggested methodological changes to the survey and estimation.

With regard to enforcement and penalties for bad data, EIA would like to reassure those respondents that the EIA-912, "Weekly Underground Natural Gas Storage Report," is mandatory under Pub. L. 93-275. Failure to comply may result in criminal fines, civil penalties, and other sanctions as provided by law. Title 18 U.S.C 1001 makes it a criminal offense for any person knowingly and willingly to make to any Agency or Department of the United States any false, fictitious, or fraudulent statements as to any matter within its jurisdiction.

EIA conducts due diligence in confirming that the data submitted are accurate and of high quality. In fact, these data quality efforts resulted in a number of revisions in the early weeks of the survey. The resolution of difficulties typical of any new survey often required resubmission of an entire series of data reports from respondents, which resulted in revised estimates. It is important to note that these resubmissions of respondent information occurred at the request of EIA to improve data quality. Except for the requested resubmissions, respondents have rarely submitted adjustments to previous data.

EIA believes that the initial start-up problems have been resolved. In the first 10 weeks that EIA issued weekly storage reports, five revisions were issued, but only one revision was necessary in the following 15 weeks through October 24, 2002. Reasons for revisions in monthly and weekly data include resolution of:

- Companies' reporting responsibilities for their field operations; e.g., fields included in company submissions did not coincide with EIA's specifications.

- Questions about how joint operations of a field should be reported; *e.g.*, companies did not always report on all gas contained in a field, instead only on the volumes they owned.

- Questions about whether gas should be identified as base or working; *e.g.*, some respondents inadvertently reported total gas volumes rather than working gas volumes.

Methodological comments included a recommendation that the EIA-912 should be a census rather than a sample survey, suggestions on smoothing the estimation parameters when shifting reference months, and increasing the level of significant digits that respondents should include when reporting their data. A sample survey was chosen instead of a census, because a census would have increased respondent burden substantially without providing significantly more accuracy than a sample survey. EIA's objective in selection of the sample was to attain a coefficient of variation less than or equal to 5 percent in the estimates for each region. This was attained without imposing the additional cost and burden of a census on respondents. EIA currently is reviewing its methodology and investigating the possibility of using different smoothing and estimation methods. EIA is deferring temporarily further updates in estimation parameters, and is exploring ways to minimize revisions, including analysis of the sensitivity of the estimates to parameter changes. EIA will continue with the current estimation parameters and will report revisions as a result of respondent changes only, until further notice. The methodology may change when the analysis effort has been completed. Any changes to the current methodology will be announced in the WNGSR and suitable documentation will be posted on the EIA Internet Web-site.

### III. Current Actions

EIA is establishing a policy for revisions to information disseminated in the WNGSR. With respect to the treatment of revisions to WNGSR data, EIA had proposed a policy that covered the release of information under two different scenarios: (1) Releasing any revisions only with the release of the regularly scheduled WNGSR, and (2) including relatively small volume revisions (*i.e.*, between 7 Bcf and 35 Bcf) with the regularly scheduled release and conducting unscheduled releases of major revisions of 35 Bcf or greater.

The comments received in response to the **Federal Register** notice did not produce a clear consensus on issues

raised. However EIA used the comments to reach certain conclusions regarding a proper revision policy. A plurality of respondents indicated that 7 Bcf is an appropriate threshold to trigger revisions to previously published estimates. EIA has begun statistical analyses to explore further the issue of the size for the threshold that would trigger a revision, and to evaluate the current estimation methodology. However, in the interim, 7 Bcf will be retained as the active threshold.

EIA proposed a 35 Bcf threshold to trigger unscheduled releases of revisions because it is roughly equivalent to one standard deviation of the working gas in storage estimate that prevailed in the early weeks of the WNGSR when stock estimates and the associated standard deviations are expected to be around their lowest level. The suggestions from respondents on specific thresholds seemed to be drawn from judgment based on industry experience and did not seem to have an empirical basis.

Nonetheless, a plurality of respondents opposed the notion of unscheduled releases of revised estimates. In light of these comments and without an empirical basis on which to institute an unscheduled release policy, EIA decided that it would not be prudent to do so at this time. EIA also considered the possibility of maintaining the discretion to disseminate an unscheduled revision if the organization decides that events may warrant it. However, as a policy neutral organization, EIA recognizes that a plan to exercise this discretion with the market-moving storage series could be more disruptive than beneficial.

*EIA WNGSR revisions policy.* Scheduled revisions shall be disseminated in the WNGSR according to the established schedule and shall occur when the effect of reported changes is at least 7 billion cubic feet (Bcf) at either a regional or national level. If a revision is made, changes to all regions shall be recorded. Consequently, although all respondents' changes shall be entered into EIA's database for editing, imputation, and other analytic purposes, the changes shall only lead to a published revision when it exceeds the 7 Bcf threshold. Revisions shall not be disseminated on an unscheduled basis.

EIA reserves the right to revisit or amend this policy. However, EIA shall not issue unscheduled revisions or establish a new revision policy without prior notification in the Weekly Natural Gas Storage Report or the **Federal Register**.

**Statutory Authority:** Section 52 of the Federal Energy Administration Act (Pub. L. No. 93-275, 15 U.S.C. 790a).

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