

Decision 90 05 039 MAY 4 1990

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
FOUR CORNERS PIPE LINE COMPANY, )  
a Delaware Corporation, for )  
authority to increase transportation )  
rates for crude petroleum products )  
pursuant to the provisions of )  
Section 454 of the Public Utilities )  
Code of the State of California. )

Application 90-01-023  
(Filed January 16, 1990)

O P I N I O N

Summary of Decision

This order approves Four Corners Pipe Line Company's (Four Corners) request for a general rate increase of its intrastate rates for transportation of crude oil.

Background

- On January 16, 1990, Four Corners filed Application (A.) 90-01-023 requesting authority, pursuant to § 454 of the Public Utilities Code, for a general rate increase of \$1.648 million or 12.5% in its intrastate rates for transportation of crude oil between points in California.

Four Corners asserts that in spite of cost cutting efforts, it earned a rate of return on rate base of only 4.10% in 1989. According to Four Corners, to achieve a return on common equity equivalent to that authorized for energy utilities for 1989, Four Corners would need a general rate increase of approximately 40%. However, due to continuing competitive pressures, Four Corners is requesting an increase of only 12.5%. Four Corners estimates that based on current volumes of oil being transported, this increase will result in a rate of return of 6.52% for 1990, which is less than half of the rate of return it was authorized in

its last general rate increase decision (D.83-04-046). Four Corners' projected return on equity for 1990 is 2.40% based on a rate increase effective on April 1, 1990.

Four Corners' balance sheet and income statement as of November 30, 1989 are included in Exhibits D and E, respectively. Exhibit F attached to the application contains Four Corners' summary of earnings at present and proposed rates for 1989 and 1990.

Four Corners has notified all current shippers on its intrastate pipeline of the requested rate increase. No protests to the proposed increase have been filed.

#### Last Rate Proceeding

In its last general rate increase application (A.82-04-66), Four Corners was authorized a 30% rate increase by D.83-08-037. D.83-08-037 authorized a rate of return of 14.35% on rate base and a corresponding rate of return on common equity of 15.52%. In March 1989, Four Corners was authorized a 5% rate increase by Resolution No. G2846 in Advice Letter 15.

#### Four Corners' Operations

Four Corners transports crude oil in Arizona, California, Colorado, New Mexico and Utah. The company owns and operates both intrastate and interstate pipeline systems consisting of over 1,600 miles of trunk lines and gathering lines.

The intrastate system gathers oil from several principal locations in the Bakersfield area. These oil producing areas include Cuyama Valley, Midway Sunset field, Elk Hills Naval Petroleum Reserve and Coles Levee. This gathered oil is transported on Four Corners' various trunk lines north to Bakersfield area refineries and south into the Los Angeles Basin. Additional crude is gathered from the Grapevine, Newhall and Cheviot Hills areas. Once this crude reaches the Los Angeles Basin, it is distributed to most major, as well as many smaller refineries.

Four Corners' main interstate system originates in Long Beach, where Alaskan North Slope crude is pumped via a 16" trunk line, for delivery to other pipeline companies at Cadiz, California and Bisti, New Mexico. There are also some interstate movements from Line 2, 56/59 in the Bakersfield area, from which Four Corners delivers oil to another pipeline company which moves it east.

Maps of the intrastate and interstate systems, showing applicant's major gathering areas, trunk lines and pump stations are included in Exhibit A attached to the application.

Discussion

Based on a review of Four Corners' recorded summary of earnings for 1989, it is evident that, at present rates, Four Corners will only earn a rate of return of 4.10% with a corresponding return on common equity of -2.26%. Even with the requested rate increase, Four Corners expects to earn a rate of return of 6.52% on rate base and 2.40% on common equity. These returns are considerably lower than the last authorized rates of return for Four Corners of 14.35% and 15.52% on rate base and common equity, respectively.

We recognize that the last authorized rate of return in common equity of 15.52% for Four Corners exceeds the currently authorized range of rates of return of 12.85% to 13.05% for energy utilities. However, Four Corners' requested rate of return on equity of 2.40% is still considerably lower than the currently authorized range. We will authorize the requested rate increase.

Findings of Fact

1. On January 16, 1990, Four Corners filed A.90-01-023 requesting authority for a general rate increase of \$1.648 million or 12.5% for intrastate transportation of crude oil.

2. D.83-08-037 in Four Corners' last general rate increase application (A.82-04-066), the Commission authorized a rate of return of 14.35% on rate base and a rate of return of 15.52% on common equity.

3. Even with the requested increase, Four Corners expects to earn rates of return of 6.52% and 2.40% on rate base and common equity, respectively.

4. The currently authorized range of rates of return on common equity for energy utilities is from 12.85% to 13.05%.

5. Four Corners has notified all current shippers on its intrastate pipeline.

6. No protest to the proposed increase has been filed.

Conclusion of Law

The proposed increase should be authorized.

O R D E R

**IT IS ORDERED that:**

1. Four Corners Pipe Line Company (Four Corners) is authorized to file revised tariff schedules attached to this decision as Appendix A. This filing shall comply with General Order 96. The effective date of the revised schedules shall be 5 days after the date of filing. The revised schedules shall apply only to service rendered on and after their effective date.

2. This proceeding is terminated.

This order is effective today.

Dated MAY 4 1990, at San Francisco, California.

G. MITCHELL WILK  
President  
FREDERICK R. DUDA  
STANLEY W. HULETT  
JOHN B. OHANIAN  
PATRICIA M. ECKERT  
Commissioners

I CERTIFY THAT THIS DECISION  
WAS APPROVED BY THE ABOVE  
COMMISSIONERS TODAY

## FOUR CORNERS PIPE LINE COMPANY

TARIFF # & ORIGINATIONS	LINE # & DESTINATIONS	CURRENT RATE CENTS/BBL	12.5% INCREASE	NEW RATE CENTS/BBL
#139	GATHERING			
LINE 95		17.7	2.2	19.9
CHEVIOT HILLS		3.5	0.4	3.9
CUYAMA		12.3	1.5	13.8
EAST LOS ANGELES		23.1	2.9	26.0
HUNTINGTON BEACH		3.5	0.4	3.9
NEWHALL		9.6	1.2	10.8
COLES LEVEE		4.8	0.6	5.4
OJAI		2.7	0.3	3.0
SIGNAL HILL		10.9	1.4	12.3
SUNSET HEIGHTS		3.5	0.4	3.9
TEJON-FOREIGN		10.9	1.4	12.3
TEJON-KELLEY		10.9	1.4	12.3
KELLEY		3.5	0.4	3.9
WESTSIDE		9.6	1.2	10.8
WESTSIDE-FOREIGN		9.6	1.2	10.8
#140	LINE 1			
NEWHALL STATION	NEWHALL REFY	7.6	1.0	8.6
	ARCO REFY	22.6	2.8	25.4
	TEXACO REFY	22.6	2.8	25.4
	GATX TERMINAL	26.0	3.3	29.3
	FLETCHER REFY	26.0	3.3	29.3
NEWHALL REFY	ARCO REFY	19.8	2.5	22.3
	TEXACO REFY	19.8	2.5	22.3
	GATX TERMINAL	23.3	2.9	26.2
	FLETCHER REFY	23.3	2.9	26.2
ALISO	ARCO REFY	18.5	2.3	20.8
	TEXACO REFY	18.5	2.3	20.8
	GATX TERMINAL	21.9	2.7	24.6
	FLETCHER REFY	21.9	2.7	24.6
PACOIMA	ARCO REFY	16.5	2.1	18.6
	TEXACO REFY	16.5	2.1	18.6
	GATX TERMINAL	20.0	2.5	22.5
	FLETCHER REFY	20.0	2.5	22.5
SALT LAKE	ARCO REFY	10.9	1.4	12.3
	TEXACO REFY	10.9	1.4	12.3
	GATX TERMINAL	14.4	1.8	16.2
	FLETCHER REFY	14.4	1.8	16.2
CHEVIOT HILLS	ARCO REFY	9.6	1.2	10.8
	TEXACO REFY	9.6	1.2	10.8
	GATX TERMINAL	13.0	1.6	14.6
	FLETCHER REFY	13.0	1.6	14.6

## FOUR CORNERS PIPE LINE COMPANY

TARIFF # & ORIGINATIONS	LINE # & DESTINATIONS	CURRENT RATE CENTS/BBL	12.5% INCREASE	NEW RATE CENTS/BBL
LA CIENEGA	ARCO REFY	9.6	1.2	10.8
	TEXACO REFY	9.6	1.2	10.8
	GATX TERMINAL	13.0	1.6	14.6
	FLETCHER REFY	13.0	1.6	14.6
WATSON REFY JCT	HYNES	6.8	0.9	7.7
#141	LINE 3			
HUNTINGTON BEACH	GOLDEN WEST	3.5	0.4	3.9
	HATHAWAY	6.2	0.8	7.0
	EAST HYNES	13.7	1.7	15.4
	WATSON JCT	13.7	1.7	15.4
	LUNDAY THAGARD	17.1	2.1	19.2
SUNSET HEIGHTS	HATHAWAY	2.7	0.3	3.0
	EAST HYNES	10.3	1.3	11.6
	WATSON JCT	10.3	1.3	11.6
	LUNDAY THAGARD	13.7	1.7	15.4
SEAL BEACH	EAST HYNES	3.5	0.4	3.9
	HATHAWAY	4.1	0.5	4.6
	WATSON JCT	11.7	1.5	13.2
	LUNDAY THAGARD	6.8	0.9	7.7
SIGNAL HILL	EAST HYNES	7.6	1.0	8.6
	WATSON JCT	7.6	1.0	8.6
	LUNDAY THAGARD	10.9	1.4	12.3
#142	LINE 48			
WILMINGTON	ALL LOCATIONS	5.5	0.7	6.2
#143	LINE 63			
BAKERSFIELD	LAKE STA	21.3	2.7	24.0
	LEUTHOLTZ JCT	23.5	2.9	26.4
	NEWHALL REFY	52.0	6.5	58.5
	GOLDEN WEST	62.2	7.8	70.0
	VINYALE	62.9	7.9	70.8
	HYNES	67.0	8.4	75.4
	ARCO REFY	73.8	9.2	83.0
	SHELL REFY	73.8	9.2	83.0
	FLETCHER REFY	77.2	9.7	86.9
	GATX TERMINAL	77.2	9.7	86.9
	CHEYRON REFY	79.3	9.9	89.2
	UNION REFY	76.5	9.6	86.1

## FOUR CORNERS PIPE LINE COMPANY

TARIFF # & ORIGINATIONS	LINE # & DESTINATIONS	CURRENT RATE CENTS/BBL	12.5% INCREASE	NEW RATE CENTS/BBL
	MOBIL REFY	73.8	9.2	83.0
	TEXACO REFY	73.8	9.2	83.0
COLES LEVEE NORTH	LINE 97 & 98	5.5	0.7	6.2
	LINE 61 & 85	15.0	1.9	16.9
STANDARD TEN	LINE 85	4.8	0.6	5.4
CUYAMA	NEWMALL REFY	45.8	5.7	51.5
	GOLDEN WEST	56.0	7.0	63.0
	VINVALLE	56.7	7.1	63.8
	HYNES	60.8	7.6	68.4
	ARCO REFY	67.6	8.5	76.1
	SHELL REFY	67.6	8.5	76.1
	FLETCHER REFY	71.0	8.9	79.9
	GATX TERMINAL	71.0	8.9	79.9
	CHEVRON REFY	73.1	9.1	82.2
	UNION REFY	70.4	8.8	79.2
	MOBIL REFY	67.6	8.5	76.1
	TEXACO REFY	67.6	8.5	76.1
COLES LEVEE SOUTH	LAKE STA	6.3	0.8	7.1
	LEUTHOLTZ JCT	8.5	1.1	9.6
	NEWMALL REFY	37.0	4.6	41.6
	GOLDEN WEST	47.1	5.9	53.0
	VINVALLE	47.9	6.0	53.9
	HYNES	52.0	6.5	58.5
	ARCO REFY	58.8	7.4	66.2
	SHELL REFY	53.8	7.4	66.2
	FLETCHER REFY	62.2	7.8	70.0
	GATX TERMINAL	62.2	7.8	70.0
	CHEVRON REFY	64.3	8.0	72.3
	UNION REFY	61.5	7.7	69.2
	MOBIL REFY	58.8	7.4	66.2
	TEXACO REFY	58.8	7.4	66.2
WESTSIDE FELLOWS	LAKE STA	4.8	0.6	5.4
	LEUTHOLTZ JCT	7.0	0.9	7.9
	NEWMALL REFY	36.9	4.6	41.5
	GOLDEN WEST	47.1	5.9	53.0
	VINVALLE	47.8	6.0	53.8
	HYNES	51.9	6.5	58.4
	ARCO REFY	58.7	7.3	66.0
	SHELL REFY	53.7	7.3	66.0
	FLETCHER REFY	62.2	7.8	70.0
	GATX TERMINAL	62.2	7.8	70.0
	CHEVRON REFY	64.2	8.0	72.2
	UNION REFY	61.4	7.7	69.1
	MOBIL REFY	58.7	7.3	66.0
	TEXACO REFY	58.7	7.3	66.0

## FOUR CORNERS PIPE LINE COMPANY

TARIFF # & ORIGINATIONS	LINE # & DESTINATIONS	CURRENT RATE CENTS/BBL	12.5% INCREASE	NEW RATE CENTS/38L
ELK HILLS	NORTH LN 97,98	10.3	1.3	11.6
	NORTH LN 61,85	19.8	2.5	22.3
	LAKE STA	1.5	0.2	1.7
	LEUTHOLTZ JCT	3.7	0.5	4.2
	NEWHALL REFY	32.1	4.0	36.1
	GOLDEN WEST	42.3	5.3	47.6
	VINVALA	43.1	5.4	48.5
	HYNES	47.1	5.9	53.0
	ARCO REFY	54.0	6.8	60.8
	SHELL REFY	54.0	6.8	60.8
	FLETCHER REFY	57.3	7.2	64.5
	GATX TERMINAL	57.3	7.2	64.5
	CHEVRON REFY	59.4	7.4	65.8
	UNION REFY	56.7	7.1	63.8
MOBIL REFY	54.0	6.8	60.8	
TEXACO REFY	54.0	6.8	60.8	
LAKE STATION	LEUTHOLTZ JCT	3.3	0.4	3.7
	NEWHALL REFY	34.1	4.3	38.4
	GOLDEN WEST	44.4	5.6	50.0
	VINVALA	45.0	5.6	50.6
	HYNES	49.1	6.1	55.2
	ARCO REFY	56.0	7.0	63.0
	SHELL REFY	56.0	7.0	63.0
	FLETCHER REFY	59.4	7.4	65.8
	GATX TERMINAL	59.4	7.4	65.8
	CHEVRON REFY	61.4	7.7	69.1
	UNION REFY	58.7	7.3	66.0
	MOBIL REFY	56.0	7.0	63.0
TEXACO REFY	56.0	7.0	63.0	
LEUTHOLTZ JCT	NEWHALL REFY	30.9	3.9	34.8
	GOLDEN WEST	41.2	5.2	46.4
	VINVALA	41.8	5.2	47.0
	HYNES	45.9	5.7	51.5
	ARCO REFY	52.7	6.6	59.3
	SHELL REFY	52.7	6.6	59.3
	FLETCHER REFY	56.2	7.0	63.2
	GATX TERMINAL	56.2	7.0	63.2
	CHEVRON REFY	58.2	7.3	65.5
	UNION REFY	55.4	6.9	62.3
	MOBIL REFY	52.7	6.6	59.3
TEXACO REFY	52.7	6.6	59.3	
METSON JCT	NEWHALL REFY	26.6	3.3	29.9
	GOLDEN WEST	36.9	4.6	41.5
	VINVALA	37.5	4.7	42.2
	HYNES	41.6	5.2	46.8
	ARCO REFY	48.4	6.1	54.5
SHELL REFY	48.4	6.1	54.5	



## FOUR CORNERS PIPE LINE COMPANY

TARIFF # & ORIGINATIONS	LINE # & DESTINATIONS	CURRENT RATE CENTS/BSL	12.5% INCREASE	NEW RATE CENTS/BSL
	FLETCHER REFY	51.9	6.5	58.4
	GATX TERMINAL	51.9	6.5	58.4
	CHEVRON REFY	53.9	6.7	60.6
	UNION REFY	51.1	6.4	57.5
	MOBIL REFY	48.4	6.1	54.5
	TEXACO REFY	48.4	6.1	54.5
PLEITO CREEK RANCH	NEWHALL REFY	23.0	2.9	25.9
	GOLDEN WEST	33.3	4.2	37.5
	VINVALLE	33.9	4.2	38.1
	HYNES	38.0	4.8	42.8
	ARCO REFY	44.8	5.6	50.4
	SHELL REFY	44.8	5.6	50.4
	FLETCHER REFY	48.3	6.0	54.3
	GATX TERMINAL	48.3	6.0	54.3
	CHEVRON REFY	50.3	6.3	56.6
	UNION REFY	47.6	6.0	53.6
	MOBIL REFY	44.3	5.6	50.4
	TEXACO REFY	44.8	5.6	50.4
KELLEY STATION (TEJON, WHEELER)	NEWHALL REFY	21.3	2.7	24.5
	GOLDEN WEST	32.1	4.0	36.1
	VINVALLE	32.8	4.1	36.9
	HYNES	36.9	4.6	41.5
	ARCO REFY	43.7	5.5	49.2
	SHELL REFY	43.7	5.5	49.2
	FLETCHER REFY	47.1	5.9	53.0
	GATX TERMINAL	47.1	5.9	53.0
	CHEVRON REFY	49.1	6.1	55.2
	UNION REFY	46.4	5.8	52.2
	MOBIL REFY	43.7	5.5	49.2
	TEXACO REFY	43.7	5.5	49.2
EAST LOS ANGELES	VINVALLE	0.7	0.1	0.8
	HYNES	4.8	0.6	5.4
	ARCO REFY	11.7	1.5	13.2
	SHELL REFY	11.7	1.5	13.2
	FLETCHER REFY	14.4	1.8	16.2
	GATX TERMINAL	14.4	1.8	16.2
	CHEVRON REFY	17.1	2.1	19.2
	UNION REFY	14.4	1.8	16.2
	MOBIL REFY	11.7	1.5	13.2
HYNES	ARCO REFY	6.8	0.9	7.7
	SHELL REFY	6.8	0.9	7.7
	FLETCHER REFY	10.3	1.3	11.6
	GATX TERMINAL	10.3	1.3	11.6
	CHEVRON REFY	12.3	1.5	13.8
	UNION REFY	9.6	1.2	10.8
	MOBIL REFY	6.8	0.9	7.7

## FOUR CORNERS PIPE LINE COMPANY

TARIFF # & ORIGINATIONS	LINE # & DESTINATIONS	CURRENT RATE CENTS/BBL	12.5% INCREASE	NEW RATE CENTS/BBL
#144	LINE 72			
OJAI	ALL LOCATIONS	39.6	5.0	44.6
#145	LINE 93			
UNION	ARCO REFY	8.2	1.0	9.2
	HYNES	9.6	1.2	10.8
	SHELL REFY	8.2	1.0	9.2
	CHEVRON REFY	8.2	1.0	9.2
	MOBIL REFY	2.7	0.3	3.0
CHEVRON	ARCO REFY	10.9	1.4	12.3
	HYNES	12.3	1.5	13.8
	SHELL REFY	10.9	1.4	12.3
	SHELL DOMIGZ	10.9	1.4	12.3
	UNION REFY	8.2	1.0	9.2
	MOBIL REFY	5.5	0.7	6.2
MOBIL	ARCO REFY	5.5	0.7	6.2
	HYNES	6.8	0.9	7.7
	SHELL REFY	5.5	0.7	6.2
	SHELL DOMIGZ	5.5	0.7	6.2
	CHEVRON REFY	5.5	0.7	6.2
	UNION REFY	2.7	0.3	3.0
SHELL DOMINGUEZ	ARCO REFY	2.7	0.3	3.0
	HYNES	6.8	0.9	7.7
	SHELL REFY	2.7	0.3	3.0
	CHEVRON REFY	10.9	1.4	12.3
	UNION REFY	8.2	1.0	9.2
	MOBIL REFY	5.5	0.7	6.2
SHELL WILM. REFY	ARCO REFY	2.7	0.3	3.0
	HYNES	6.8	0.9	7.7
	SHELL DOMIGZ	2.7	0.3	3.0
	CHEVRON REFY	10.9	1.4	12.3
	UNION REFY	8.2	1.0	9.2
	MOBIL REFY	5.5	0.7	6.2
ARCO REFY	HYNES	6.8	0.9	7.7
	SHELL REFY	2.7	0.3	3.0
	SHELL DOMIGZ	2.7	0.3	3.0
	CHEVRON REFY	10.9	1.4	12.3
	UNION REFY	8.2	1.0	9.2
	MOBIL REFY	5.5	0.7	6.2

## FOUR CORNERS PIPE LINE COMPANY

TARIFF # & ORIGINATIONS	LINE # & DESTINATIONS	CURRENT RATE CENTS/BBL	12.5% INCREASE	NEW RATE CENTS/BBL
HYNES	ARCO REFY	6.8	0.9	7.7
	SHELL REFY	6.8	0.9	7.7
	SHELL DOMIGZ	6.8	0.9	7.7
	CHEVRON REFY	12.3	1.5	13.8
	UNION REFY	9.6	1.2	10.8
	MOBIL REFY	6.8	0.9	7.7
#146	MISC.			
WATSON TO	31, FLET, G.E.	3.5	0.4	3.9
HYNES TO	LUNDAY THAGARD	3.5	0.4	3.9

(END OF APPENDIX A)