

ORIGINAL

Decision SS 03 043 MAR 16 1983

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of Application of)
FOUR CORNERS PIPELINE COMPANY,)
a Delaware Corporation, for)
authority to increase transpor-)
tation rates for crude petroleum)
pursuant to Section 454 of the)
Public Utilities Code.)

Application 82-10-44
(Filed October 15, 1982)

O P I N I O N

Applicant, Four Corners Pipeline Company (Four Corners), is a Delaware corporation operating as a common carrier by pipeline of crude petroleum and petroleum products between points in California.

In this application Four Corners requests authority to file Supplement 7 to its Tariff Cal. PUC 1, Item 20, seeking an increase in the gravity adjustment for the comingled crude oil stream in its pipelines.

The increase sought is from the current 17 cents per barrel per degree API^{1/} gravity differential to a two-tiered gravity differential system: 20 cents per barrel per degree API for all crude movements plus a 24 cents per barrel per degree API gravity differential on all crude with gravity below 20 degrees API (44 cents per barrel per degree API for crude gravities in the range of 10 degrees API to 19.9 degrees API, 20 cents per barrel per degree API for crude gravities in the range of 20 degrees to 40 degrees API).

1/ American Petroleum Institute.

Item 20 of Four Corners' tariff establishes a gravity bank for the benefit of its shippers. The gravity bank is a mechanism which permits shippers to make adjustments among themselves for the differing values of various grades of crude oil which are transported in a comingled stream. Four Corners asserts that although it administers the gravity bank for the benefit of its members, it derives no revenues from it; all funds collected under its tariff gravity bank provisions, and any interest thereon, are held in the name of, and paid to Four Corners' shippers.

The application states that certain of Four Corners' shippers requested the proposed increase from 17 cents to an amount which more realistically reflects current crude oil pricing. In response to this request, Four Corners hired an independent consultant to make recommendations as to the appropriate amount of the gravity adjustment. The consultant's report is attached to the application as Exhibit B. The proposed adjustment assertedly is based on the information set forth in the consultant's report.

The application states that all current shippers on Four Corners' facilities were advised in writing of the proposed tariff changes. In addition, notice of the filing of the application appeared on the Commission's Daily Calendar. Four Corners requests that the application be granted ex parte. Protests filed by The Coastal Corporation, Pacific Refining Company, and Western Fuel Oil Company, users of Four Corners' Line 63, were withdrawn on January 21, 1983. Our staff advised on January 25, 1983 that it has no objection to the ex parte processing of the application.

Discussion

A gravity bank is intended to prevent windfalls and penalties by requiring shippers receiving higher gravity crude than that which they deliver to pay money into the bank and by entitling

shippers receiving lower gravity crude than that which they deliver to receive money from the bank. The bank is operated so that payments into it and from it are equal.

In order for a gravity bank to operate equitably by eliminating such windfalls and penalties to the maximum extent practicable, the gravity bank differential (measured in cents per barrel per API degree) must be as nearly equal as possible to the difference in values per barrel per API degree of different crude oils shipped through the pipeline. If the differential is less than the difference in crude oil values per API degree, shippers receiving a higher gravity crude than they deliver receive unearned windfalls at the expense of those receiving lower gravity crude than they deliver. If the differential is more than the difference in values per API degree, the opposite is true.

Four Corners' gravity bank tariff provisions were last adjusted in Decision 82-01-90, dated January 19, 1982, in Application (A.) 60600. The approved adjustment was based on data similar to that presented here by Four Corners' consultant. In that decision we determined that while a proposed increase in the gravity bank differential charge does not increase Four Corners' revenues, it increases the charges to some shippers. These charges are banked for distribution to shippers transporting higher than average gravity crude oil. This charge is a condition of the tariffs; and the proposed increase in this charge is a technical increase in rates. A proposal to increase the gravity bank differential charge may not be filed under Public Utilities (PU) Code § 491 but requires a showing and finding that such increase is justified under PU Code § 454.

Four Corners seeks authority under both code sections in this proceeding. Four Corners has shown that the higher gravity bank differentials are justified by the changed values of crude oils of different gravities.

Findings of Fact

1. The current Four Corners' gravity bank differential charge is substantially less than the current market pricing differentials for crude oils in the Line 63 area.

2. Four Corners' proposed gravity bank differential charges are reasonable, and increases resulting from the establishment of such charges are justified.

3. A public hearing is not necessary.

Conclusions of Law

1. The application should be granted.

2. Inasmuch as the revised charges are primarily for the benefit of Four Corners' shippers and as there is no opposition to the granting of the application, the order should be effective on the date of issuance, and the relief sought should be made effective on less than 30 days' notice.

O R D E R

IT IS ORDERED that:

1. Four Corners Pipeline Company is authorized to file the revised tariffs proposed in A.82-10-44.

2. The revised tariffs shall be made effective not less than five days after filing with the Commission.

This order is effective today.

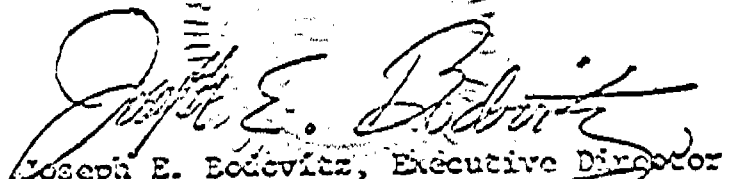
Dated MAR 16 1983, at San Francisco, California.

LEONARD M. GRIMES, JR.
President

VICTOR CALVO
PRISCILLA C. CREW
DONALD VIAL

Commissioners

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


Joseph E. Bodovitz, Executive Director