

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

EVALUATION & COMPLIANCE DIVISION  
Energy BranchRESOLUTION G-2749  
September 23, 1987.R E S O L U T I O N

RESOLUTION G-2749, FOUR CORNERS PIPELINE COMPANY (FOUR CORNERS) REQUEST FOR AUTHORIZATION TO ADD AN ORIGINATION/DESTINATION POINT AT LAKE STATION, TO ADD A PUMPING CONDITION AT HYNES STATION ONLY, AND TO CLARIFY TEXT WITHIN THE BODY OF CAL. P.U.C. NO. 128. BY ADVICE LETTER 8 AND 8A, FILED AUGUST 21, 1987.

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SUMMARY

Four Corners Pipeline Company (Four Corners) proposes to specify further origination and destination locations at the request of their shippers, to add a pumping condition at Hynes Station only, to delete one origination point no longer is use, and to update location definitions.

BACKGROUND

1. Crude oil movements at Lake Station have caused additional expenses to be incurred by Four Corners, primarily in Custody Transfer costs. To facilitate the transfers of crude, Four Corners has made new capital investments in equipment and facility improvements.
2. The crude oil shippers plan to remove their oil at the Lake Station for blending and to then ship it to another location. To accomodate its shipper's request for additional service, Four Corners has converted Lake Station from a location used for pumping system product, into one where oil products can be withdrawn or inserted.
3. In another location, Four Corners has been incurring the costs of pumping crude oil to pipelines owned by third parties from its Hynes Station. These costs are not recovered in the transportation charge to Hynes Station. The company requests authorization to apply a pumping charge

to the shipper for the use of Four Corners facilities to pump crude oil to these pipelines. The charges have been calculated to cover the power costs incurred by Four Corners for the pumping.

4. Lastly, Four Corners requests to clarify text and locations within the body of their tariffs for two origination points and two destination points.

#### DISCUSSION

1. Four Corners moves crude petroleum and crude oil blends through its system in a comingled mode.

2. Shippers at the Westside-Fellows Station, Kern County are transporting a heavy crude of 18'- 20' API gravity. (API gravity is a measurement of density.) Shippers at Elk Hills, Kern County are transporting a lighter crude product with a 35' API gravity. The Four Corners system can handle both products in their system which flows into Lake Station, at which point the crude is required to meet 27'+ API gravity. The shippers need the additional Lake Station origination/destination point to transfer their crude product to a third party, who will blend batches of 18'-20' API gravity with trucked heavy gravity and 35' API gravity to create a pumpable crude blend.

3. Four Corners has leased facilities to a third party to perform the blending of crudes. This third party blends the crudes received from Westside-Fellows and Elk Hills and then transfers the blended crude back into the Four Corners system for transportation to other points in the same system. This crude is pumped through Kelley Station for shipment to Hynes Station in North Long Beach, Los Angeles County for delivery to L.A. Basin refineries.

4. To convert the Lake Station facility from a pumping station into an origination and destination point, Four Corners has upgraded its pumping facilities, increased measurement capabilities, and has added a sample laboratory and fire protection for the San Joaquin Valley area.

5. Advice Letters 8 and 8A propose rates between the following locations, as originations/destinations (refer to Diagram A, Attached):

LOCATION	RATE per Barrel
Westside-Fellows to Lake	4.6¢ (New)
Westside-Fellows to Leutholtz	6.7¢ (Increase)
Elk Hills to Lake	1.4¢ (New)
Elk Hills to Leutholtz	3.5¢ (New)
Lake to Leutholtz	3.1¢ (New)

The original long-haul rates in place from the Kern County area to the main destination, Hynes Station in Los Angeles County, are:

LOCATION	RATE per Barrel
Westside-Fellows to Hynes	49.4¢
Elk Hills to Hynes	44.9¢
Leutholtz to Hynes	43.7¢

These long haul rates will remain the same, maintaining the pricing principle that for oil pumped through a station and beyond, the less handling, the lower the ¢/barrel rate.

6. Rates are a function of facilities cost, pumping costs, service, distance, API gravity and system transport points. Cal. P.U.C. Rule 123, Item 21, applicable to the pipelines involved, requires the shippers to pay the transportation to the next location existent on the system for crude removal. At shippers' request, intermediate removal points (destinations) and rates were established. These rates reflect the extra cost of removing the crude from the system versus transportation rates through the system without removing crude. Once the 3.1¢ per barrel rate from Lake to Leutholtz was derived, the other rates were calculated in increments of 1¢/barrel, based on the type of crude and the distance transported, and crude custody transfer expenses.

7. The existing rate between Westside-Fellows to Leutholtz is proposed to increase from 5.7¢/barrel to 6.7¢/barrel, to maintain transport equity with the other proposed rates. Four Corners states that although it recently established a rate of 5.7¢/barrel from Westside-Fellows to Leutholtz, the maximum volume for this movement is 5,000 barrels per day. Any additional revenue that could be generated would only amount to \$18,250 per year.

8. Staff of the Evaluation and Compliance Division has determined that Four Corners has calculated its rates in a manner that is equitable to the shippers involved.

9. The pumping charge proposed by Four Corners is to apply to third party transfers at the Hynes Station only. Four Corners has been incurring the costs of pumping crude oil to these parties and has not recovered any of the costs in the transportation charge to Hynes. Four Corners proposes to apply this charge to the shipper for the use of their facilities to pump the crude to other pipelines. The charges have been calculated to cover solely the power costs incurred by Four Corners.

10. The proposed charges for pumping at Hynes are:

<u>Pipeline/Destination</u>	<u>Pumping Charge</u>
12" Pipeline (ARCO)	1.1¢ per barrel
12" Pipeline (Paramount, GATX)	.9¢ per barrel

11. Staff of the Evaluation and Compliance Division has reviewed the pumping calculations provided by Four Corners and has determined them to be technically correct.

12. Minor text changes were proposed by Four Corners within the body of their tariff Cal. P.U.C. No. 128. In addition, Metson Lease was deleted as an origination point. The connection from this lease to Four Corners has been removed and there is no further expected use of this location as an origination point.

13. No protests have been received regarding this advice letter filing.

FINDINGS

1. Four Corners Pipeline Company has incurred capital costs at the request of its shippers to transform a pumping station into a facility capable of crude oil product transfer into and out of its system.

2. The shippers and third parties involved have received a benefit from these facility improvements, for they can now save time and transport costs by removing their product for improvements at an upstream system point closer to their gathering sites.

3. The newly derived rates are just and reasonable.

4. Pumping charges incurred for power at the Hynes Station, not heretofore included in transportation costs of particular shippers should be added as an additional charge to the transportation rate paid.

5. Minor changes in the text of Cal. P.U.C. No. 128 are for clarification purposes, therefore:

IT IS ORDERED THAT:

1. Four Corners Pipeline Company may charge the rates proposed in Advice Letters 8 and 8A for the additional origination and destination points between Westside-Fellows, Elk Hills, Lake and Leutholtz Stations.

2. Four Corners Pipeline Company may add a pumping charge for power costs incurred as proposed for the shippers at its Hynes Station.

3. Advice Letters No. 8 and 8A, and the accompanying tariff sheets shall be marked to show that they were approved by Resolution No. E-8, effective September 23, 1987.

This order is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on September 23, 1987. The following Commissioners approved it:

STANLEY W. HULETT  
President

DONALD VIAL  
FREDERICK R. DUDA  
G. MITCHELL WILK  
JOHN B. OHANIAN  
Commissioners



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Executive Director